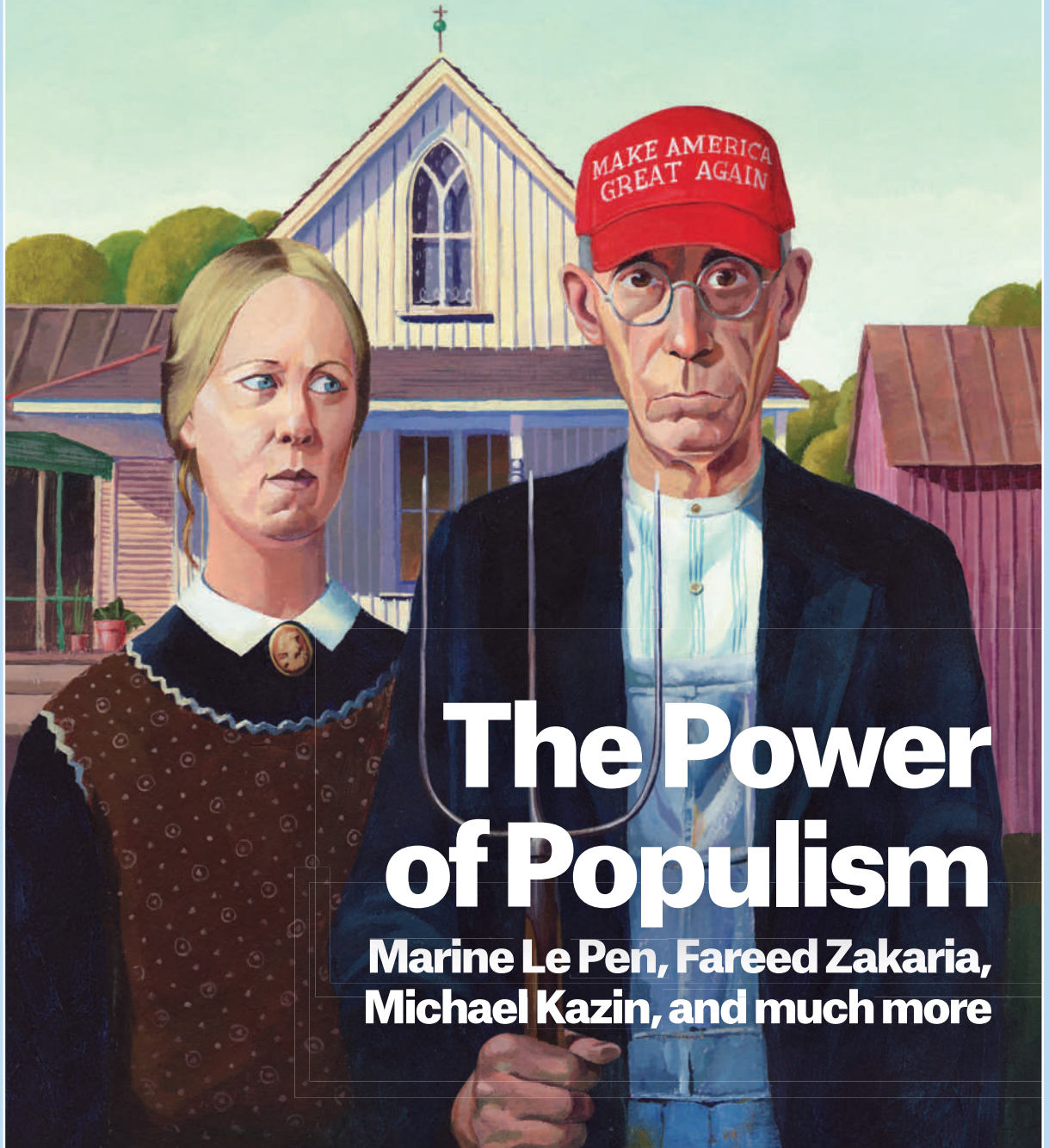


JOHN KERRY, ASHTON CARTER: FINAL THOUGHTS

NOVEMBER/DECEMBER 2016

FOREIGN AFFAIRS



The Power of Populism

Marine Le Pen, Fareed Zakaria,
Michael Kazin, and much more

“How could the November election affect your portfolio?”



Luke Tilley
Chief Economist

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1. Information on candidates' tax proposals taken from the Tax Policy Center's "Analysis of Donald Trump's Tax Plan" (published December 22, 2015) and "An Analysis of Hillary Clinton's Tax Proposals" (published March 3, 2016), respectively.

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Archibald Cary Coolidge, Founding Editor
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THE POWER OF POPULISM

On November 8, scores of millions of voters will cast their ballots for the most remarkable presidential candidate in the history of American politics—a charismatic real estate developer turned reality TV star whose strident populism and checkered past have been denounced even by many in his own party.

Last June, meanwhile, defying most of the country's establishment, a majority of voters in the United Kingdom opted to abruptly exit the European Union, throwing the region's future into chaos. And elsewhere in Europe, surging populist parties now control parliamentary majorities or pluralities in six countries and share in government in three others.

What tectonic shifts are generating these earthquakes? How and why has populism reemerged with a vengeance in the heart of the advanced industrial world, and what will happen next? These are the questions we try to answer in this issue's lead package, drawing as usual on a broad range of experts from various perspectives.

The package kicks off with a fascinating interview with Marine Le Pen, the second-generation leader of France's National Front, western Europe's flagship populist party, who endorses Donald Trump, defends the burkini ban, and calls for a "Frexit." Then, Fareed Zakaria surveys the West's populist revival, arguing that its roots lie in the convergence of opinion on economic policy, the divergence of opinion on culture, and a pushback against increased immigration.

Michael Kazin looks at the Trump phenomenon through the history of American populism, casting the fiery candidate as the latest champion of the ethnonationalist strand of the movement, which trains its fire on nonwhite "others" below as much as nefarious elites above. Cas Mudde explores the European scene, tracing how the decades-long erosion of support for mainstream political parties created an opening for outsider challenges. And Shannon O'Neil explains why Latin America, long a region notorious for its populist political antics, has moved away from populism in recent years.

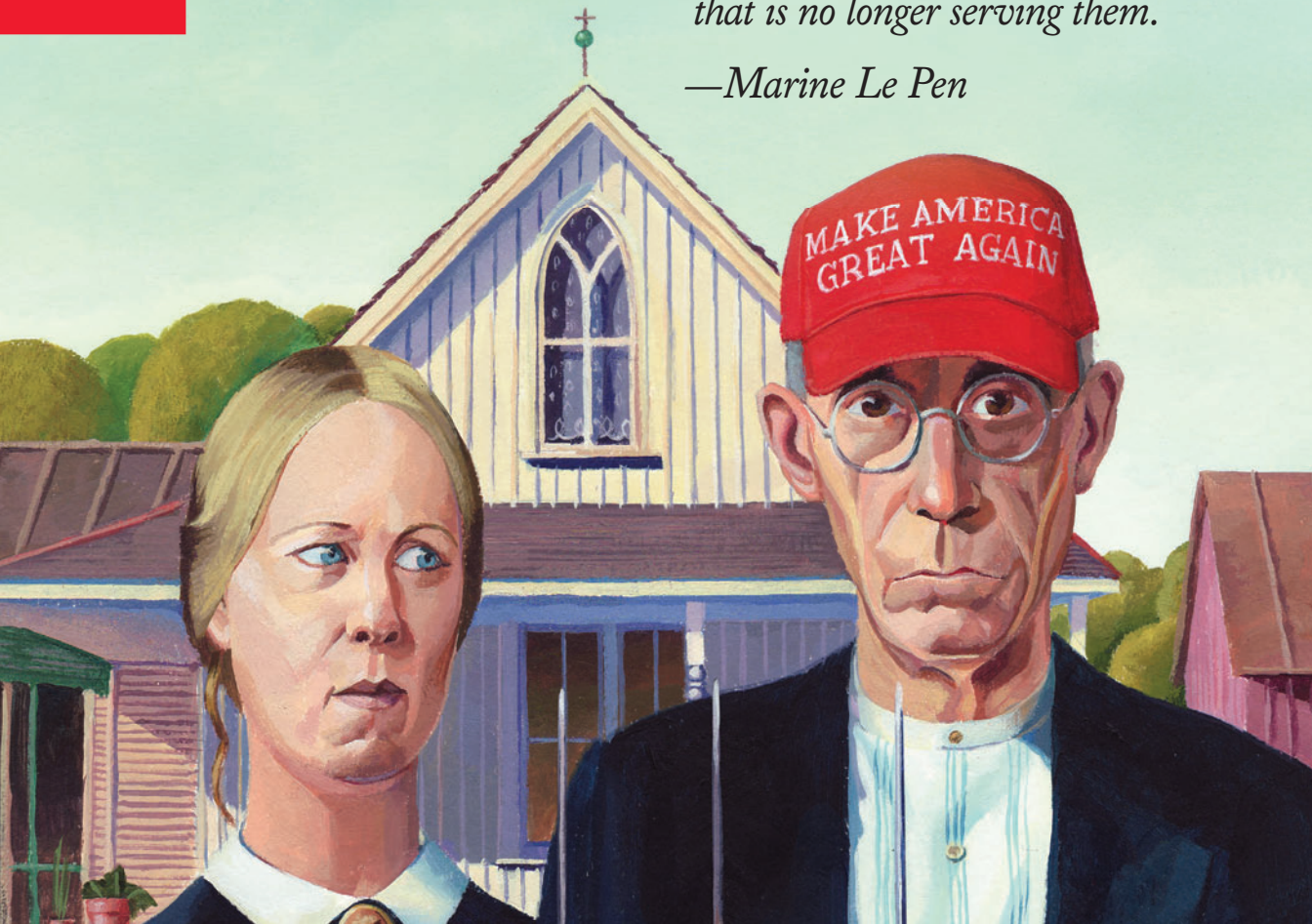
Sheri Berman dispels the notion that today's populists are fascists but warns that they are symptoms of a decline in the ability of traditional political parties on both the left and the right to satisfy the needs of most voters—a trend that could lead to even greater turmoil down the road. And Pankaj Mishra locates the West's populist surge in a broader uprising around the world against elites who have backed neoliberal globalization while ignoring the persistence of massive inequalities.

Whatever the U.S. election results turn out to be, it is clear that today's populist revolt cannot be ignored or dismissed. New voices are being heard, new issues are being forced onto the agenda, and politics as usual is unlikely to return anytime soon.

—Gideon Rose, *Editor*

There is a form of revolt on the part of the people against a system that is no longer serving them.

—*Marine Le Pen*



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Marine Le Pen

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France's Next Revolution?

A Conversation With Marine Le Pen

As the youngest daughter of Jean-Marie Le Pen, the founder of the right-wing French political party the National Front, Marine Le Pen grew up in politics, starting to campaign with her father at 13. Trained as a lawyer, she won her first election in 1998, as a regional councilor, and in 2011, she succeeded her father as party leader. She soon distanced herself from his more extreme positions, and eventually—after he reiterated his claim that the Holocaust was a “detail” of history—she expelled him from its ranks. These days, in the wake of the European migrant crisis, the terrorist attacks in Paris and Nice, and the Brexit vote, Le Pen’s nationalist, Euroskeptical, anti-immigrant message is selling well. Recent polls show her as a leading candidate for the presidency in 2017, with respondents preferring her two to one over the Socialist incumbent, François Hollande. Le Pen spoke with *Foreign Affairs*’ deputy managing editor Stuart Reid in Paris in September.

Antiestablishment parties, including the National Front, are gaining ground across Europe. How come?

I believe that all people aspire to be free. For too long, the people of the countries in the European Union, and perhaps

Americans as well, have had a sense that political leaders are not defending their interests but defending special interests instead. There is a form of revolt on the part of the people against a system that is no longer serving them but rather serving itself.

Are there common factors behind Donald Trump’s success in the United States and yours here in France?

Yes. I see particular commonalities in the rise of Donald Trump and Bernie Sanders. Both reject a system that appears to be very selfish, even egocentric, and that has set aside the people’s aspirations. I draw a parallel between the two, because they are both success stories. Even though Bernie Sanders didn’t win, his emergence wasn’t predicted. In many countries, there is this current of being attached to the nation and rejecting untamed globalization, which is seen as a form of totalitarianism. It’s being imposed at all costs, a war against everybody for the benefit of a few.

When asked recently who you supported in the U.S. election, you said, “Anyone but Hillary.” So do you support Trump?

I was quite clear: in my view, anyone would be better than Hillary Clinton. I aim to become president of the French Republic, so I am concerned exclusively with the interests of France. I cannot put myself in an American’s shoes and determine whether the domestic policies proposed by one or another candidate suit me. What interests me are the consequences of the political choices made by Hillary Clinton or Donald Trump for France’s situation, economically and in terms of security.

This interview has been translated from the French, edited, and condensed.

So I would note that Clinton supports TTIP [the Transatlantic Trade and Investment Partnership]. Trump opposes it. I oppose it as well. I would also note that Clinton is a bringer of war in the world, leaving behind her Iraq, Libya, and Syria. This has had extremely destabilizing consequences for my country in terms of the rise of Islamic fundamentalism and the enormous waves of migration now overwhelming the European Union. Trump wants the United States to return to its natural state. Clinton pushes for the extraterritorial application of American law, which is an unacceptable weapon for people who wish to remain independent. All of this tells me that between Hillary Clinton and Donald Trump, it's Donald Trump's policies that are more favorable to France's interests right now.

The unemployment rate in France now stands at around ten percent, the second highest among the G-7 members. What are the roots of France's economic malaise, and what solutions do you propose?

These days, everyone is proposing the National Front's solutions. We recorded a nice ideological victory when I heard [Arnaud] Montebourg [a former economy minister in Hollande's Socialist government] pleading for "made in France," which is one of the major pillars of the National Front.

The unemployment rate is much higher than that because there are a bunch of statistical shenanigans going on—involving internships, early retirement, part-time work—that keep a number of French from being counted in the unemployment statistics.

There are a number of reasons for [the high unemployment]. The first is

completely free trade, which puts us in an unfair competition with countries that engage in social and environmental dumping, leaving us with no means of protecting ourselves and our strategic companies, unlike in the United States. And in terms of social dumping, the Posted Workers Directive [an EU directive on the free movement of labor] is bringing low-wage employees to France.

The second is the monetary dumping we suffer. The euro—the fact of not having our own money—puts us in an extremely difficult economic situation. The IMF has just said that the euro was overvalued by six percent in France and undervalued by 15 percent in Germany. That's a gap of 21 percentage points with our main competitor in Europe.

It also has to do with the disappearance of a strategic state. Our very Gaullist state, which supported our industrial champions, has been totally abandoned. France is a country of engineers. It is a country of researchers. But it's true that it is not a country of business-people. And so quite often in history, our big industrial champions were able to develop only thanks to the strategic state. In abandoning this, we are depriving ourselves of a very important lever for development.

Let's talk about abandoning the euro. Practically speaking, how would you do it?

What I want is a negotiation. What I want is a concerted exit from the European Union, where all the countries sit around the table and decide to return to the European "currency snake" [a 1970s policy designed to limit exchange-rate variations], which allows each country to adapt its monetary policy to its own economy. That's what I want. I

want it to be done gently and in a coordinated manner.

A lot of countries are now realizing that they can't keep living with the euro, because its counterpart is a policy of austerity, which has aggravated the recession in various countries. I refer you to the book that [the economist Joseph] Stiglitz has just written, which makes very clear that this currency is completely maladapted to our economies and is one of the reasons there is so much unemployment in the European Union. So either we get there through negotiation, or we hold a referendum like Britain and decide to regain control of our currency.

Do you really think a "Frexit" referendum is conceivable?

I, at any rate, am conceiving of it. The French people were betrayed in 2005. They said no to the European constitution; politicians on the right and the left imposed it against the wishes of the population. I'm a democrat. I think that it is up to no one else but the French people to decide their future and everything that affects their sovereignty, liberty, and independence.

So yes, I would organize a referendum on this subject. And based on what happened in the negotiations that I would undertake, I would tell the French, "Listen, I obtained what I wanted, and I think we could stay in the European Union," or, "I did not get what I wanted, and I believe there is no other solution but to leave the European Union."

What lessons do you take from the success of the Brexit campaign?

Two major lessons. First, when the people want something, nothing is

impossible. And second, we were lied to. They told us that Brexit would be a catastrophe, that the stock markets would crash, that the economy was going to grind to a halt, that unemployment would skyrocket. The reality is that none of that happened. Today, the banks are coming to us pitifully and saying, "Ah, we were wrong." No, you lied to us. You lied in order to influence the vote. But the people are coming to know your methods, which consist of terrorizing them when they have a choice to make. The British people made a great show of maturity with this vote.

Do you worry that France will find itself economically isolated if it leaves the eurozone?

Those were the exact criticisms made against General de Gaulle in 1966 when he wanted to withdraw from NATO's integrated command. Freedom is not isolation. Independence is not isolation. And what strikes me is that France has always been much more powerful being France on its own than being a province of the European Union. I want to rediscover that strength.

Many credit the European Union for preserving the peace since World War II. Why are they wrong?

Because it's not the European Union that has kept the peace; it's the peace that has made the European Union possible. This argument has been rehashed repeatedly, and it makes no sense. Regardless, the peace hasn't been perfect in the European Union, with Kosovo and Ukraine at its doorstep. It's not so simple.

In fact, the European Union has progressively transformed itself into a sort of European Soviet Union that

decides everything, that imposes its views, that shuts down the democratic process. You only have to hear [European Commission President Jean-Claude] Juncker, who said, "There can be no democratic choice against European treaties." That formulation says everything. We didn't fight to become a free and independent people during World War I and World War II so that we could no longer be free today just because some of our leaders made that decision for us.

What do you make of Germany's leadership in recent years?

It was written into the creation of the euro. In reality, the euro is a currency created by Germany, for Germany. It's a suit that fits only Germany. Gradually, [Chancellor Angela] Merkel sensed that she was the leader of the European Union. She imposed her views. She imposed them in economic matters, but she also imposed them by agreeing to welcome one million migrants to Germany, knowing very well that Germany would sort them out. It would keep the best and let the rest go to other countries in the European Union. There are no longer any internal borders between our countries, which is absolutely unacceptable. The model imposed by Merkel surely works for Germans, but it is killing Germany's neighbors. I am the anti-Merkel.

What do you think of the state of relations between France and the United States, and what should they be?

Today, French leaders submit so easily to the demands of Merkel and Obama. France has forgotten to defend its interests, including its commercial and

industrial ones, in the face of American demands. I am for independence. I am for a France that remains equidistant between the two great powers, Russia and the United States, being neither submissive nor hostile. I want us to once again become a leader for the nonaligned countries, as was said during the de Gaulle era. We have the right to defend our interests, just as the United States has the right to defend its interests, Germany has the right to defend its interests, and Russia has the right to defend its interests.

Why do you think France should get closer to Russia under President Vladimir Putin?

First of all, because Russia is a European country. France and Russia also have a shared history and a strong cultural affinity. And strategically, there is no reason not to deepen relations with Russia. The only reason we don't is because the Americans forbid it. That conflicts with my desire for independence. What's more, I think the United States is making a mistake by re-creating a kind of cold war with Russia, because it's pushing Russia into the arms of China. And objectively, an ultrapowerful association between China and Russia wouldn't be advantageous for either the United States or the world.

In the latest polls, the National Front is projected to make it to the runoff of the presidential election. In the past, notably in 2002, the other parties united to block the National Front in the second round. Would you be ready to form alliances, and if so, with whom?

It's not up to me to decide that. This presidential election will be about a big

choice: Do we defend our civilization, or do we abandon it? So I think there are people from the entire political spectrum, from the right and the left, who agree with me and who could join us.

The National Front that you are leading has changed a great deal from the party your father led. At what point in your career did you realize that the National Front had to distance itself from its extremist image if it was going to be competitive?

In the past, the National Front was a protest party. It was an opposition party. Naturally, its rising influence has transformed it into a party of government—that is, into a party that anticipates reaching the highest offices in order to implement its ideas. It's also true that a political movement is always influenced by its leader's personality. I have not taken the same path as my father. I am not the same age as he is. I do not have the same profile. He is a man; I am a woman. And that means I have imprinted on the party an image that corresponds more with who I am than with who he was.

How can France protect itself from terrorist attacks like the one in Nice in July?

So far, it has done absolutely nothing. It has to stop the arrival of migrants, whom we know terrorists infiltrate. It has to put an end to birthright citizenship, the automatic acquisition of French nationality with no other criteria that created French like [Amedy] Coulibaly and [Chérif and Saïd] Kouachi [the terrorists behind the Paris attacks of January 2015], who had long histories of delinquency and were hostile toward France. This isn't the case for everyone;

I'm not generalizing. But it's a good way to have a surveillance mechanism. We need to revoke citizenship from dual nationals who have any kind of link to terrorist organizations.

We especially need to combat the development of Islamic fundamentalism on our territory. For electoral reasons, French politicians rolled out the red carpet for Islamic fundamentalism, which has developed in mosques and so-called cultural centers financed not only by France but also by countries that support Islamic fundamentalism. We also have to regain the mastery of our borders, because I can't see how we can combat terrorism while having open borders.

You have said that apart from Islam, "no other religion causes problems." Why do you think that this is true?

Because all religions in France are subject to the rules of secularism. Let's be clear, many Muslims have done that. But some within Islam—and of course I'm thinking of the Islamic fundamentalists—cannot accept that, for one simple reason, which is that they consider sharia to be superior to all other laws and norms, including the French constitution. That's unacceptable.

For a century, since the law on secularism was passed, no one has sought to impose religious law by bending the laws of our country. These Islamic fundamentalist groups are seeking to do this. This must be said, because we cannot fight an enemy if we do not name it. We must be intransigent when it comes to respecting our constitution and our laws. And honestly, the French political class has instead acted in the spirit of Canadian-style reasonable accommodation rather than in the spirit of an intransigence that would allow us to protect our civil

liberties. We see it in the huge regressions in women's rights taking place today on French soil. In certain areas, women can no longer dress as they wish.

You support the ban on the burkini. Why is it a problem?

The problem is that it's not a bathing suit. It's an Islamist uniform. It's one of the many ways in which Islamic fundamentalism flexes its muscles. Once we accept that women are subject to this Islamist uniform, the next step is that we accept the separation of the sexes in swimming pools and other public spaces. And then we'll have to accept different rights for men and women. If you don't see that, then you don't understand the battle we face against Islamic fundamentalism.

But does this measure really help integrate Muslims in France?

What is integration? It is to live side by side, each with their own lifestyle, their own code, their own mores, their own language. The French model is assimilation. Individual freedom does not allow one to call into question the major civilizational choices France has made.

In France, we don't believe in the concept of a consenting victim. French criminal law, for example, doesn't allow people to harm themselves on the grounds that they have the right to do so because they are acting on their own. We don't accept that, because it undermines the major choices we have made as a civilization regarding women's equality and the rejection of communitarianism—that is, organized communities that live according to their own rules. That is the Anglo-Saxon model. It is not ours. The Anglo-Saxons have the right to defend

their model, but we have the right to defend ours.

Do you think that the American model of integration is more effective than the French one?

I don't have to judge that. That's a problem for Americans. Personally, I don't want that model. That model is a consequence of American history. Communities came from different countries to a virgin land to create a nation made up of people from everywhere. That is not the case for France. France is a very old human and legal creation. Nothing is there by chance. Secularism is how we handled religious conflicts that had plunged our country into a bloodbath.

I don't seek to impose my model on others, but I don't want others to decide that my model is not the right one. I'm often offended when foreign countries condemn the French model. I don't condemn the American model. But I don't want mine condemned. I think that communitarianism sows the seeds of conflict between communities, and I don't want my country to face conflicts between communities. I recognize only individuals. It is individuals who have rights. It is individuals who have free will. It is individuals who assimilate themselves. In no case is it communities. 🌐

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Populism on the March

Why the West Is in Trouble

Fareed Zakaria

Donald Trump’s admirers and critics would probably agree on one thing: he is different. One of his chief Republican supporters, Newt Gingrich, describes him as a “unique, extraordinary experience.” And of course, in some ways—his celebrity, his flexibility with the facts—Trump is unusual. But in an important sense, he is not: Trump is part of a broad populist upsurge running through the Western world. It can be seen in countries of widely varying circumstances, from prosperous Sweden to crisis-ridden Greece. In most, populism remains an opposition movement, although one that is growing in strength; in others, such as Hungary, it is now the reigning ideology. But almost everywhere, populism has captured the public’s attention.

What is populism? It means different things to different groups, but all versions share a suspicion of and hostility toward elites, mainstream politics, and established institutions. Populism sees itself as speaking for the forgotten “ordinary” person and often imagines itself as the voice of genuine patriotism. “The only antidote to decades of ruinous rule by a small handful of elites is a bold

FAREED ZAKARIA is the host of *Fareed Zakaria GPS*, on CNN. Some of the ideas in this essay draw on his columns in *The Washington Post*. Follow him on Twitter @FareedZakaria.

infusion of popular will. On every major issue affecting this country, the people are right and the governing elite are wrong,” Trump wrote in *The Wall Street Journal* in April 2016. Norbert Hofer, who ran an “Austria first” presidential campaign in 2016, explained to his opponent—conveniently, a former professor—“You have the *haute volée* [high society] behind you; I have the people with me.”

Historically, populism has come in left- and right-wing variants, and both are flourishing today, from Bernie Sanders to Trump, and from Syriza, the leftist party currently in power in Greece, to the National Front, in France. But today’s left-wing populism is neither distinctive nor particularly puzzling. Western countries have long had a far left that critiques mainstream left-wing parties as too market-oriented and accommodating of big business. In the wake of the Cold War, center-left parties moved much closer toward the center—think of Bill Clinton in the United States and Tony Blair in the United Kingdom—thus opening up a gap that could be filled by populists. That gap remained empty, however, until the financial crisis of 2007–8. The subsequent downturn caused households in the United States to lose trillions in wealth and led unemployment in countries such as Greece and Spain to rise to 20 percent and above, where it has remained ever since. It is hardly surprising that following the worst economic crisis since the Great Depression, the populist left experienced a surge of energy.

The new left’s agenda is not so different from the old left’s. If anything, in many European countries, left-wing populist parties are now closer to the center than they were 30 years ago.

Syriza, for example, is not nearly as socialist as was the main Greek socialist party, PASOK, in the 1970s and 1980s. In power, it has implemented market reforms and austerity, an agenda with only slight variations from that of the governing party that preceded it. Were Podemos, Spain's version of Syriza, to come to power—and it gained only about 20 percent of the vote in the country's most recent election—it would probably find itself in a similar position.

Right-wing populist parties, on the other hand, are experiencing a new and striking rise in country after country across Europe. France's National Front is positioned to make the runoff in next year's presidential election. Austria's Freedom Party almost won the presidency this year and still might, since the final round of the election was annulled and rescheduled for December. Not every nation has succumbed to the temptation. Spain, with its recent history of right-wing dictatorship, has shown little appetite for these kinds of parties. But Germany, a country that has grappled with its history of extremism more than any other, now has a right-wing populist party, Alternative for Germany, growing in strength. And of course, there is Trump. While many Americans believe that Trump is a singular phenomenon, representative of no larger, lasting agenda, accumulating evidence suggests otherwise. The political scientist Justin Gest adapted the basic platform of the far-right British National Party and asked white Americans whether they would support a party dedicated to "stopping mass immigration, providing American jobs to American workers, preserving America's Christian heritage and stopping the threat of Islam." Sixty-

five percent of those polled said they would. Trumpism, Gest concluded, would outlast Trump.

WHY THE WEST, AND WHY NOW?

In searching for the sources of the new populism, one should follow Sherlock Holmes' advice and pay attention to the dog that didn't bark. Populism is largely absent in Asia, even in the advanced economies of Japan and South Korea. It is actually in retreat in Latin America, where left-wing populists in Argentina, Bolivia, and Venezuela ran their countries into the ground over the last decade. In Europe, however, not only has there been a steady and strong rise in populism almost everywhere, but it has deeper roots than one might imagine. In an important research paper for Harvard's Kennedy School of Government, Ronald Inglehart and Pippa Norris calculate that since the 1960s, populist parties of the right have doubled their share of the vote in European countries and populists of the left have seen more than a fivefold increase. By the second decade of this century, the average share of seats for right-wing populist parties had risen to 13.7 percent, and it had risen to 11.5 percent for left-wing ones.

The most striking findings of the paper are about the decline of economics as the pivot of politics. The way politics are thought about today is still shaped by the basic twentieth-century left-right divide. Left-wing parties are associated with increased government spending, a larger welfare state, and regulations on business. Right-wing parties have wanted limited government, fewer safety nets, and more laissez-faire policies. Voting patterns traditionally reinforced this ideological divide, with the working class opting for the left



Storming the gates: refugees at the Greek border, February 2016

and middle and upper classes for the right. Income was usually the best predictor of a person's political choices.

Inglehart and Norris point out that this old voting pattern has been waning for decades. "By the 1980s," they write, "class voting had fallen to the lowest levels ever recorded in Britain, France, Sweden and West Germany. . . . In the U.S., it had fallen so low [by the 1990s] that there was virtually no room for further decline." Today, an American's economic status is a bad predictor of his or her voting preferences. His or her views on social issues—say, same-sex marriage—are a much more accurate guide to whether he or she will support Republicans or Democrats. Inglehart and Norris also analyzed party platforms in recent decades and found that since the 1980s, economic issues have become less important. Noneconomic issues—such as those related to gender, race, the environment—have greatly increased in importance.

What can explain this shift, and why is it happening almost entirely in the

Western world? Europe and North America include countries with widely varying economic, social, and political conditions. But they face a common challenge—economic stasis. Despite the variety of economic policies they have adopted, all Western countries have seen a drop-off in growth since the 1970s. There have been brief booms, but the secular shift is real, even including the United States. What could account for this decline? In his recent book, *The Rise and Fall of Nations*, Ruchir Sharma notes that a broad trend like this stagnation must have an equally broad cause. He identifies one factor above all others: demographics. Western countries, from the United States to Poland, Sweden to Greece, have all seen a decline in their fertility rates. The extent varies, but everywhere, families are smaller, fewer workers are entering the labor force, and the ranks of retirees swell by the year. This has a fundamental and negative impact on economic growth.

That slower growth is coupled with challenges that relate to the new global

economy. Globalization is now pervasive and entrenched, and the markets of the West are (broadly speaking) the most open in the world. Goods can easily be manufactured in lower-wage economies and shipped to advanced industrial ones. While the effect of increased global trade is positive for economies as a whole, specific sectors get battered, and large swaths of unskilled and semiskilled workers find themselves unemployed or underemployed.

Another trend working its way through the Western world is the information revolution. This is not the place to debate whether new technologies are raising productivity. Suffice it to say, they reinforce the effects of globalization and, in many cases, do more than trade to render certain kinds of jobs obsolete. Take, for example, the new and wondrous technologies pursued by companies such as Google and Uber that are making driverless cars possible. Whatever the other effects of this trend, it cannot be positive for the more than three million Americans who are professional truck drivers. (The most widely held job for an American male today is driving a car, bus, or truck, as *The Atlantic's* Derek Thompson has noted.)

The final challenge is fiscal. Almost every Western country faces a large fiscal burden. The net debt-to-GDP ratio in the European Union in 2015 was 67 percent. In the United States, it was 81 percent. These numbers are not crippling, but they do place constraints on the ability of governments to act. Debts have to be financed, and as expenditures on the elderly rise through pensions and health care, the debt burden will soar. If one secure path to stronger growth is investment—spending on infrastructure,

education, science, and technology—this path is made more difficult by the ever-growing fiscal burdens of an aging population.

These constraints—demographics, globalization, technology, and budgets—mean that policymakers have a limited set of options from which to choose. The sensible solutions to the problems of advanced economies these days are inevitably a series of targeted efforts that will collectively improve things: more investments, better worker retraining, reforms of health care. But this incrementalism produces a deep sense of frustration among many voters who want more dramatic solutions and a bold, decisive leader willing to decree them. In the United States and elsewhere, there is rising support for just such a leader, who would dispense with the checks and balances of liberal democracy.

FROM ECONOMICS TO CULTURE

In part because of the broader forces at work in the global economy, there has been a convergence in economic policy around the world in recent decades. In the 1960s, the difference between the left and the right was vast, with the left seeking to nationalize entire industries and the right seeking to get the government out of the economy. When François Mitterrand came to power in France in the early 1980s, for example, he enacted policies that were identifiably socialist, whereas Margaret Thatcher and Ronald Reagan sought to cut taxes, privatize industries and government services, and radically deregulate the private sector.

The end of the Cold War discredited socialism in all forms, and left-wing parties everywhere moved to the center, most successfully under Clinton in the

United States and Blair in the United Kingdom. And although politicians on the right continue to make the *laissez-faire* case today, it is largely theoretical. In power, especially after the global financial crisis, conservatives have accommodated themselves to the mixed economy, as liberals have to the market. The difference between Blair's policies and David Cameron's was real, but in historical perspective, it was rather marginal. Trump's plans for the economy, meanwhile, include massive infrastructure spending, high tariffs, and a new entitlement for working mothers. He has employed the usual rhetoric about slashing regulations and taxes, but what he has actually promised—let alone what he could actually deliver—has been less different from Hillary Clinton's agenda than one might assume. In fact, he has boasted that his infrastructure program would be twice as large as hers.

This convergence in economic policy has contributed to a situation in which the crucial difference between the left and the right today is cultural. Despite what one sometimes hears, most analyses of voters for Brexit, Trump, or populist candidates across Europe find that economic factors (such as rising inequality or the effects of trade) are not the most powerful drivers of their support. Cultural values are. The shift began, as Inglehart and Norris note, in the 1970s, when young people embraced a postmaterialist politics centered on self-expression and issues related to gender, race, and the environment. They challenged authority and established institutions and norms, and they were largely successful in introducing new ideas and recasting politics and society. But they also produced a counter-reaction. The older generation, particularly

men, was traumatized by what it saw as an assault on the civilization and values it cherished and had grown up with. These people began to vote for parties and candidates that they believed would, above all, hold at bay these forces of cultural and social change.

In Europe, that led to the rise of new parties. In the United States, it meant that Republicans began to vote more on the basis of these cultural issues than on economic ones. The Republican Party had lived uneasily as a coalition of disparate groups for decades, finding a fusion between cultural and economic conservatives and foreign policy hawks. But then, the Democrats under Clinton moved to the center, bringing many professionals and white-collar workers into the party's fold. Working-class whites, on the other hand, found themselves increasingly alienated by the cosmopolitan Democrats and more comfortable with a Republican Party that promised to reflect their values on "the three Gs"—guns, God, and gays. In President Barack Obama's first term, a new movement, the Tea Party, bubbled up on the right, seemingly as a reaction to the government's rescue efforts in response to the financial crisis. A comprehensive study by Theda Skocpol and Vanessa Williamson, however, based on hundreds of interviews with Tea Party followers, concluded that their core motivations were not economic but cultural. As the virulent hostility to Obama has shown, race also plays a role in this cultural reaction.

For a few more years, the conservative establishment in Washington remained focused on economics, not least because its most important financial supporters tended toward libertarianism. But behind the scenes, the gap between it and the

party's base was growing, and Trump's success has brought that division into the open. Trump's political genius was to realize that many Republican voters were unmoved by the standard party gospel of free trade, low taxes, deregulation, and entitlement reform but would respond well to a different appeal based on cultural fears and nationalist sentiment.

NATION VS. MIGRATION

Unsurprisingly, the initial and most important issue Trump exploited was immigration. On many other social issues, such as gay rights, even right-wing populists are divided and recognize that the tide is against them. Few conservative politicians today argue for the recriminalization of homosexuality, for instance. But immigration is an explosive issue on which populists are united among themselves and opposed to their elite antagonists.

There is a reality behind the rhetoric, for we are indeed living in an age of mass migration. The world has been transformed by the globalization of goods, services, and information, all of which have produced their share of pain and rejection. But we are now witnessing the globalization of people, and public reaction to that is stronger, more visceral, and more emotional. Western populations have come to understand and accept the influx of foreign goods, ideas, art, and cuisine, but they are far less willing to understand and accept the influx of foreigners themselves—and today there are many of those to notice.

For the vast majority of human history, people lived, traveled, worked, and died within a few miles of their birthplace. In recent decades, however, Western societies have seen large influxes

of people from different lands and alien cultures. In 2015, there were around 250 million international migrants and 65 million forcibly displaced people worldwide. Europe has received the largest share, 76 million immigrants, and it is the continent with the greatest anxiety. That anxiety is proving a better guide to voters' choices than issues such as inequality or slow growth. As a counterexample, consider Japan. The country has had 25 years of sluggish growth and is aging even faster than others, but it doesn't have many immigrants—and in part as a result, it has not caught the populist fever.

Levels of public anxiety are not directly related to the total number of immigrants in a country or even to the concentration of immigrants in different areas, and polls show some surprising findings. The French, for example, are relatively less concerned about the link between refugees and terrorism than other Europeans are, and negative attitudes toward Muslims have fallen substantially in Germany over the past decade. Still, there does seem to be a correlation between public fears and the pace of immigration. This suggests that the crucial element in the mix is politics: countries where mainstream politicians have failed to heed or address citizens' concerns have seen rising populism driven by political entrepreneurs fanning fear and latent prejudice. Those countries that have managed immigration and integration better, in contrast, with leadership that is engaged, confident, and practical, have not seen a rise in populist anger. Canada is the role model in this regard, with large numbers of immigrants and a fair number of refugees and yet little backlash.

To be sure, populists have often distorted or even invented facts in order to make their case. In the United States, for example, net immigration from Mexico has been negative for several years. Instead of the illegal immigrant problem growing, in other words, it is actually shrinking. Brexit advocates, similarly, used many misleading or outright false statistics to scare the public. Yet it would be wrong to dismiss the problem as one simply concocted by demagogues (as opposed to merely exploited by them). The number of immigrants entering many European countries is historically high. In the United States, the proportion of Americans who were foreign-born increased from less than five percent in 1970 to almost 14 percent today. And the problem of illegal immigration to the United States remains real, even though it has slowed recently. In many countries, the systems designed to manage immigration and provide services for integrating immigrants have broken down. And yet all too often, governments have refused to fix them, whether because powerful economic interests benefit from cheap labor or because officials fear appearing uncaring or xenophobic.

Immigration is the final frontier of globalization. It is the most intrusive and disruptive because as a result of it, people are dealing not with objects or abstractions; instead, they come face-to-face with other human beings, ones who look, sound, and feel different. And this can give rise to fear, racism, and xenophobia. But not all the reaction is noxious. It must be recognized that the pace of change can move too fast for society to digest. The ideas of disruption and creative destruction have been celebrated

so much that it is easy to forget that they look very different to the people being disrupted.

Western societies will have to focus directly on the dangers of too rapid cultural change. That might involve some limits on the rate of immigration and on the kinds of immigrants who are permitted to enter. It should involve much greater efforts and resources devoted to integration and assimilation, as well as better safety nets. Most Western countries need much stronger retraining programs for displaced workers, ones more on the scale of the GI Bill: easily available to all, with government, the private sector, and educational institutions all participating. More effort also needs to be devoted to highlighting the realities of immigration, so that the public is dealing with facts and not phobias. But in the end, there is no substitute for enlightened leadership, the kind that, instead of pandering to people's worst instincts, appeals to their better angels.

Eventually, we will cross this frontier as well. The most significant divide on the issue of immigration is generational. Young people are the least anxious or fearful of foreigners of any group in society. They understand that they are enriched—economically, socially, culturally—by living in diverse, dynamic countries. They take for granted that they should live in an open and connected world, and that is the future they seek. The challenge for the West is to make sure the road to that future is not so rocky that it causes catastrophe along the way. 🌐

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Trump and American Populism

Old Whine, New Bottles

Michael Kazin

Donald Trump is an unlikely populist. The Republican nominee for U.S. president inherited a fortune, boasts about his wealth and his many properties, shuttles between his exclusive resorts and luxury hotels, and has adopted an economic plan that would, among other things, slash tax rates for rich people like himself. But a politician does not have to live among people of modest means, or even tout policies that would boost their incomes, to articulate their grievances and gain their support. Win or lose, Trump has tapped into a deep vein of distress and resentment among millions of white working- and middle-class Americans.

Trump is hardly the first politician to bash elites and champion the interests of ordinary people. Two different, often competing populist traditions have long thrived in the United States. Pundits often speak of “left-wing” and “right-wing” populists. But those labels don’t capture the most meaningful distinction. The first type of American populist

directs his or her ire exclusively upward: at corporate elites and their enablers in government who have allegedly betrayed the interests of the men and women who do the nation’s essential work. These populists embrace a conception of “the people” based on class and avoid identifying themselves as supporters or opponents of any particular ethnic group or religion. They belong to a broadly liberal current in American political life; they advance a version of “civic nationalism,” which the historian Gary Gerstle defines as the “belief in the fundamental equality of all human beings, in every individual’s inalienable rights to life, liberty, and the pursuit of happiness, and in a democratic government that derives its legitimacy from the people’s consent.”

Adherents of the second American populist tradition—the one to which Trump belongs—also blame elites in big business and government for undermining the common folk’s economic interests and political liberties. But this tradition’s definition of “the people” is narrower and more ethnically restrictive. For most of U.S. history, it meant only citizens of European heritage—“real Americans,” whose ethnicity alone afforded them a claim to share in the country’s bounty. Typically, this breed of populist alleges that there is a nefarious alliance between evil forces on high and the unworthy, dark-skinned poor below—a cabal that imperils the interests and values of the patriotic (white) majority in the middle. The suspicion of an unwritten pact between top and bottom derives from a belief in what Gerstle calls “racial nationalism,” a conception of “America in ethn racial terms, as a people held together by common blood and skin color and by an inherited fitness for self-government.”

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Both types of American populists have, from time to time, gained political influence. Their outbursts are not random. They arise in response to real grievances: an economic system that favors the rich, fear of losing jobs to new immigrants, and politicians who care more about their own advancement than the well-being of the majority. Ultimately, the only way to blunt their appeal is to take those problems seriously.

POPULISTS PAST AND PRESENT

Populism has long been a contested and ambiguous concept. Scholars debate whether it is a creed, a style, a political strategy, a marketing ploy, or some combination of the above. Populists are praised as defenders of the values and needs of the hard-working majority and condemned as demagogues who prey on the ignorance of the uneducated.

But the term “populist” used to have a more precise meaning. In the 1890s, journalists who knew their Latin coined the word to describe a large third party, the Populist, or People’s, Party, which powerfully articulated the progressive, civic-nationalist strain of American populism. The People’s Party sought to free the political system from the grip of “the money power.” Its activists, most of whom came from the South and the West, hailed the common interests of rural and urban labor and blasted monopolies in industry and high finance for impoverishing the masses. “We seek to restore the Government of the Republic to the hands of the ‘plain people’ with whom it originated,” thundered Ignatius Donnelly, a novelist and former Republican congressman, in his keynote speech at the party’s founding convention in Omaha in 1892. The new party sought to

expand the power of the central government to serve those “plain people” and to humble their exploiters. That same year, James Weaver, the Populist nominee for president, won 22 electoral votes, and the party seemed poised to take control of several states in the South and the Great Plains. But four years later, at a divided national convention, a majority of delegates backed the Democratic nominee, William Jennings Bryan, who embraced some of the party’s main proposals, such as a flexible money supply based on silver as well as gold. When Bryan, “the Great Commoner,” lost the 1896 election, the third party declined rapidly. Its fate, like that of most third parties, was like that of a bee, as the historian Richard Hofstadter wrote in 1955. Once it had stung the political establishment, it died.

Senator Bernie Sanders has inherited this tradition of populist rhetoric. During the 2016 campaign for the Democratic presidential nomination, he railed against “the billionaire class” for betraying the promise of American democracy and demanded a \$15-an-hour minimum wage, Medicare for all, and other progressive economic reforms. Sanders calls himself a socialist and has hailed his supporters as the vanguard of a “political revolution.” Yet all he actually advocated was an expanded welfare state, akin to that which has long thrived in Scandinavia.

The other strain of populism—the racial-nationalist sort—emerged at about the same time as the People’s Party. Both sprang from the same sense of alarm during the Gilded Age about widening inequality between unregulated corporations and investment houses and ordinary workers and small farmers. In the late nineteenth and early twentieth centuries,



A man of the people? Trump at a rally in North Carolina, September 2016

the champions of this strain of thought used xenophobic appeals to lobby Congress to bar all Chinese and most Japanese laborers from immigrating to the United States. Working- and middle-class white Americans, some of whom belonged to struggling labor unions, led this movement and made up the bulk of its adherents. “Our moneyed men . . . have rallied under the banner of the millionaire, the banker, and the land monopolist, the railroad king and the false politician, to effect their purpose,” proclaimed Denis Kearney, a small businessman from San Francisco with a gift for incendiary rhetoric who founded the Workingmen’s Party of California (WPC) in 1877. Kearney charged that a “bloated aristocracy . . . rakes the slums of Asia to find the meanest slave on earth—the Chinese coolie—and imports him here to meet the free American in the labor market, and still further widen the breach

between the rich and the poor, still further to degrade white labor.”

Brandishing the slogan “The Chinese Must Go!” and demanding an eight-hour workday and public works jobs for the unemployed, the party grew rapidly. Only a few white labor activists objected to its racist rhetoric. The WPC won control of San Francisco and several smaller cities and played a major role in rewriting California’s constitution to exclude the Chinese and set up a commission to regulate the Central Pacific Railroad, a titanic force in the state’s economy. Soon, however, the WPC was torn apart by internal conflicts: Kearney’s faction wanted to keep up its attack on the Chinese “menace,” but many labor unionists wanted to focus on demands for a shorter workday, government jobs for the unemployed, and higher taxes on the rich.

Yet populist activists and politicians in Kearney’s mold did achieve a major

victory. In 1882, they convinced Congress to pass the Chinese Exclusion Act—the first law in U.S. history to bar members of a specific nationality from entering the country. Two decades later, activists in the California labor movement spearheaded a fresh campaign to pressure Congress to ban all Japanese immigration. Their primary motivation echoes the threat that Trump sees coming from Muslim nations today: Japanese immigrants, many white workers alleged, were spies for their country's emperor who were planning attacks on the United States. The Japanese “have the cunning of the fox and the ferocity of a blood-thirsty hyena,” wrote Olaf Tveitmoe, a San Francisco union official, who was himself an immigrant from Norway, in 1908. During World War II, such attitudes helped legitimize the federal government's forced relocation of some 112,000 Japanese Americans, most of whom were U.S. citizens.

In the 1920s, another predecessor of Trump-style populism rose, fell, and left its mark on U.S. politics: the Klu Klux Klan. Half a century earlier, the federal government had stamped out the first incarnation of the KKK, which used terror to try to stop black men and women in the Reconstruction South from exercising their newly won freedoms. In 1915, the Methodist preacher William Simmons launched the second iteration of the group. The second Klan attracted members from all over the nation. And they not only sought to stop African Americans from exercising their constitutional rights under the Fourteenth and Fifteenth Amendments. In the 1920s, they also charged that powerful liquor interests were conspiring with Catholic and Jewish bootleggers to undermine

another part of the Constitution: the recently ratified Eighteenth Amendment, which prohibited the manufacture and sale of alcoholic beverages. “The enemy liquor gang—angry, vindictive, unpatriotic—is seeking the overthrow of the highest authority in the land,” claimed *The Baptist Observer*, a pro-Klan newspaper in Indiana, in 1924. “They can count on the hoodlums, the crooks, the vice-joints, the whiskey-loving aliens, and the indifferent citizen to help them win. . . . Can they count on you?” Like Kearney's party, the second KKK soon collapsed. But with nearly five million members at its peak in the mid-1920s, the Klan and its political allies helped push Congress to pass strict annual quotas limiting immigrants from eastern and southern Europe to a few hundred per nation in 1924. Congress revoked this blatantly discriminatory system only in 1965.

Like these earlier demagogues, Trump also condemns the global elite for promoting “open borders,” which supposedly allow immigrants to take jobs away from U.S. workers and drive down their living standards. The Republican nominee has been quite specific about which groups pose the greatest danger. He has accused Mexicans of bringing crime, drugs, and rape to an otherwise peaceful, law-abiding nation and Muslim immigrants of favoring “horrendous attacks by people that believe only in jihad, and have no sense of reason or respect for human life”—a stark truth that the “politically correct” Obama administration has supposedly ignored.

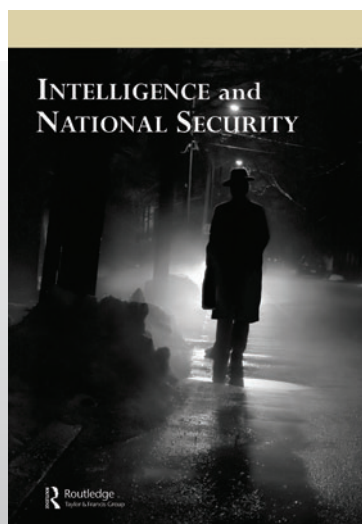
AMERICA FIRST

American populists have tended to focus most of their attention on domestic policy. But foreign policy is also a target.

Trump, for example, has condemned international alliances, such as NATO, and populists from both traditions have long worried about nefarious foreign influences on the country. In its 1892 platform, for example, the People's Party warned that a "vast conspiracy against mankind" in favor of the gold standard had "been organized on two continents" and was "rapidly taking possession of the world." Of the two strains, however, populists in the racial-nationalist tradition have always been the most hostile to international engagement. In the mid-1930s, Father Charles Coughlin, "the radio priest," urged his huge broadcast audience to defeat ratification of a treaty President Franklin Roosevelt had signed that would have allowed the United States to participate in the World Court at The Hague. That court, Coughlin charged, was a tool of the same "international bankers" who had supposedly dragged the nation into the slaughter of World War I. The resulting torrent of fear-driven mail cowed enough senators to deny Roosevelt the two-thirds majority he needed.

In 1940, the America First Committee, an isolationist pressure group, issued a similar warning against U.S. intervention in World War II. The group boasted some 800,000 members and stitched together a broad coalition: conservative businessmen, some socialists, a student detachment that included the future writer Gore Vidal (then in high school) and the future president Gerald Ford (then at Yale Law School). It also enjoyed the support of a number of prominent Americans, Walt Disney and the architect Frank Lloyd Wright among them. But on September 11, 1941, its most famous spokesperson, the celebrated

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aviator Charles Lindbergh, took the antiwar, anti-elitist message a step too far. “The three most important groups who have been pressing this country toward war are the British, the Jewish, and the Roosevelt administration,” he charged in a nationally broadcast speech. “Their greatest danger to this country lies in their large ownership and influence in our motion pictures, our press, our radio, and our government.” By then, Hitler’s conquest of most of Europe had put America First on the defensive; Lindbergh’s anti-Semitic slurs accelerated its downfall. The group quickly disbanded after the Japanese attack on Pearl Harbor three months later.

In recent decades, however, several prominent figures on the populist right have revived America First’s brand of rhetoric, although most avoid overt anti-Semitism. In the early 1990s, Pat Robertson, founder of the Christian Coalition (a lobbying group for conservative Christians), warned darkly of a globalist cabal that threatened American sovereignty. “The one-worlders of the . . . money trust,” he warned, “have financed the one-worlders of the Kremlin.” A few years later, the conservative political commentator Pat Buchanan proposed building a “sea wall” to stop immigrants from “sweeping over our southern border.” In 2003, he accused neoconservatives of plotting the U.S. invasion of Iraq in order to build a “new world order.” This year, Buchanan has defended the reputation of the America First Committee and cheered Trump’s run for the White House. For his part, the Republican nominee vowed, in a major address last April: “‘America First’ will be the major and overriding theme of my

administration.” He has even led crowds in chants of the slogan, while feigning indifference toward its dark provenance.

WE THE PEOPLE?

Although Trump’s rise has demonstrated the enduring appeal of the racial-nationalist strain of American populism, his campaign is missing one crucial element. It lacks a relatively coherent, emotionally rousing description of “the people” whom Trump claims to represent.

This is a recent absence in the history of American populism. The People’s Party and its allies applauded the moral superiority of “the producing classes,” who “created all wealth” with their muscles and brains. Their virtuous majority included industrial wage earners, small farmers, and altruistic professionals such as teachers and physicians. For prohibitionists who backed the KKK, “the people” were the teetotaling white evangelical Christians who had the spiritual fortitude to protect their families and their nation from the scourge of the “liquor traffic.” Conservatives such as Senator Barry Goldwater and President Ronald Reagan asserted that they were speaking for the “taxpayers”—an updated version of the “producers” of old. In his 1968 presidential campaign, the third-party candidate George Wallace even described the people he claimed to represent by naming their occupations: “the bus driver, the truck driver, the beautician, the fireman, the policeman, and the steelworker, the plumber, and the communications worker, and the oil worker and the little businessman.”

While vowing to “make America great again,” however, Trump has

offered only vague, nostalgic clichés about which Americans will help him accomplish that mighty feat. His speeches and campaign website employ such boilerplate terms as “working families,” “our middle class,” and, of course, “the American people”—a stark contrast to the vividness of his attacks, whether on Mexicans and Muslims or his political rivals (“little Marco,” “lyin’ Ted,” “low-energy Jeb,” and “crooked Hillary”).

In Trump’s defense, it has become increasingly difficult for populists—or any other breed of U.S. politician—to define a virtuous majority more precisely or evocatively. Since the 1960s, the United States has become an ever more multicultural nation. No one who seriously hopes to become president can afford to talk about “the people” in ways that clearly exclude anyone who isn’t white and Christian. Even Trump, in the later months of his campaign, has tried to reach out, in a limited and somewhat awkward fashion, to African American and Latino citizens. Meanwhile, the group that populists in the racial-nationalist tradition have historically praised as the heart and soul of the United States—the white working class—has become a shrinking minority.

Yet progressive populists have also failed to solve this rhetorical challenge. Sanders made a remarkable run for the Democratic nomination this year. But like Trump, he was much clearer about the elite he despised—in his case, “the billionaire class”—than about who exactly would contribute to and benefit from his self-proclaimed revolution. Perhaps a candidate who drew his most ardent support from young Americans of all classes and races could not have defined his “people” more precisely, even had he wanted to.

In the past, populists’ more robust concepts of their base helped them build enduring coalitions—ones that could govern, not just campaign. By invoking identities that voters embraced—“producers,” “white laborers,” “Christian Americans,” or President Richard Nixon’s “silent majority”—populists roused them to vote for their party and not merely against the alternatives on offer. Neither Democrats nor Republicans have been able to formulate such an appeal today, and that failing is both a cause and an effect of the public’s distaste for both major parties. It may be impossible to come up with a credible definition of “the people” that can mobilize the dizzying plurality of classes, genders, and ethnic identities that coexist, often unhappily, in the United States today. But ambitious populists will probably not stop trying to concoct one.

PLAYING WITH FEAR

Trump will struggle to win the White House. Despite the manifest weaknesses of Hillary Clinton, the Democratic nominee—including a lack of public trust and an awkward speaking style—her opponent has earned a reputation for vicious harangues against minority groups and individuals rather than statesmanlike conduct or creative policies. For much of his campaign, his slogan might as well have been “Make America Hate Again.” Such negativity has seldom been a sound strategy for winning the presidency in a nation where most people pride themselves, perhaps naively, on their optimism and openness. And overt racial nationalism is no longer acceptable in national campaigns.

Yet it would be foolish to ignore the anxieties and anger of those who have

flocked to Trump with a passion they have shown for no other presidential candidate in decades. According to a recent study by the political scientist Justin Gest, 65 percent of white Americans—about two-fifths of the population—would be open to voting for a party that stood for “stopping mass immigration, providing American jobs to American workers, preserving America’s Christian heritage, and stopping the threat of Islam.” These men and women believe that most politicians ignore or patronize them, and they feel abandoned by a mass culture that prizes the monied, the cosmopolitan, and the racially diverse. They represent roughly the same percentage of their country as do the French who currently back the National Front and only about ten percent less than the British who voted for a British exit from the EU.

But so long as neither of the two main U.S. parties addresses their concerns in a serious and empathetic way—by severely limiting undocumented immigration and providing secure employment at decent wages—they will likely remain open to politicians who do make such an effort, however ill informed he or she might be. If he loses, Trump may never run for political office again. The tradition of populism he has exploited, however, will endure.

A NECESSARY EVIL

At its best, populism provides a language that can strengthen democracy, not imperil it. The People’s Party helped usher in many of the progressive reforms, such as the income tax and corporate regulation, that made the United States a more humane society in the twentieth century. Democrats comfortable with using populist appeals, from Bryan to FDR,

did much to create the liberal capitalist order that, despite its flaws, few contemporary Americans want to dismantle. Even some populist orators who railed against immigrants generated support for laws, such as the eight-hour workday, that, in the end, helped all wage earners in the country, regardless of their place of birth.

Populism has had an unruly past. Racists and would-be authoritarians have exploited its appeal, as have more tolerant foes of plutocracy. But Americans have found no more powerful way to demand that their political elites live up to the ideals of equal opportunity and democratic rule to which they pay lip service during campaign seasons. Populism can be dangerous, but it may also be necessary. As the historian C. Vann Woodward wrote in 1959 in response to intellectuals who disparaged populism, “One must expect and even hope that there will be future upheavals to shock the seats of power and privilege and furnish the periodic therapy that seems necessary to the health of our democracy.” 🌐

Europe's Populist Surge

A Long Time in the Making

Cas Mudde

The year 2015 was a dreadful one for Europe in general and for the EU in particular. It started with the terrorist attack against the magazine *Charlie Hebdo* in Paris and ended with an even more deadly jihadist assault in the same city. In between, the EU battled an economic crisis in Greece, which threatened the entire eurozone, and endured a staggering inflow of refugees from the Middle East and other war-torn regions.

The year 2016 has not been much better. More terrorist attacks have shaken the continent. The refugee crisis has abated slightly, but only because the EU has outsourced the problem to Turkey—a country that is itself experiencing a bout of instability. And for the first time, the EU is set to lose a member, the United Kingdom, as a result of the so-called Brexit referendum.

All these developments have helped push populist movements to the center of European politics. The threat of terrorism and anxiety about a massive wave of immigrants from the Muslim world, coupled with the widespread belief that the EU

hinders rather than helps when it comes to such problems, have created a perfect storm for populists, especially enhancing the standing of right-wing populists in many countries. Chief among them is Hungarian Prime Minister Viktor Orban, who has taken advantage of public fears to rally opposition to German Chancellor Angela Merkel and her belief that Europe should embrace a *Willkommenskultur*, a “culture of welcoming.” Meanwhile, the eurozone crisis has aided the rise of left-wing, anti-austerity populists in Greece and Spain.

But although the threats to security and economic stability that have rattled Europe in the past few years may have spurred the current populist surge, they did not create it. Its origins lie further back, in the structural shifts in European society and politics that began in the 1960s. Because so much commentary on contemporary populism overlooks its deep historical sources, many observers fail to appreciate the durability of today's populist appeals and the likely staying power of the parties built around them. It's true that populists have often struggled to hold on to power once they've obtained it. But today's social, political, and media landscapes in Europe favor populists more than at any time since the end of World War II. To reverse the populist tide, today's floundering, hollowed-out mainstream European parties and the entrenched elites who guide them will have to respond with far more dexterity and creativity than they have shown in recent decades.

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THE PURE PEOPLE

As with any “ism,” definitions are crucial. A useful one goes like this: populism is an ideology that separates society into

two homogeneous and antagonistic groups, “the pure people” and “the corrupt elite,” and that holds that politics should be an expression of “the general will” of the people. With a few exceptions, that kind of thinking remained on the margins of European politics throughout the nineteenth century and much of the twentieth century. Aspects of populism could be found in the communist and fascist movements, particularly during their oppositional phases. But both of those ideologies (and the regimes that embraced them) were essentially elitist, placing a small group of powerful insiders above the masses.

In the first decades of the postwar era, Western European politics was defined by a broad consensus on three key issues: alignment with the United States in the Cold War, the need for more political integration on the continent, and the benefits of maintaining a strong welfare state. Deep and wide support for those positions left little space for ideological alternatives, and populism was no exception. It wasn’t until the 1980s that populist thinking truly began to make its mark, with the arrival of radical right-wing parties such as France’s National Front, which rose to prominence in the wake of mass immigration and growing unemployment by promising to return France to the monocultural glory of its past.

Today, populist parties are represented in the parliaments of most European countries. The majority are right wing, although not all are radical. Others are left wing or espouse idiosyncratic platforms that are difficult to place on a left-right spectrum: for example, the Italian Five Star Movement, which has found success with a combination of

environmentalism, anticorruption rectitude, and antiestablishment rage. In national elections held in the past five years, at least one populist party earned ten percent or more of the vote in 16 European countries. Collectively, populist parties scored an average of 16.5 percent of the vote in those elections, ranging from a staggering 65 percent in Hungary to less than one percent in Luxembourg. Populists now control the largest share of parliamentary seats in six countries: Greece, Hungary, Italy, Poland, Slovakia, and Switzerland. In three of those (Hungary, Italy, and Slovakia), populist parties collectively gained a majority of the votes in the most recent national elections, although in Hungary and Italy the main populist parties are rivals. The situation in Hungary is most striking, where the governing party (Fidesz) and the largest opposition party (Jobbik) are both populist. Finally, in three other countries—Finland, Lithuania, and Norway—populist parties are now part of the governing coalitions.

TINA POLITICS

Most conventional explanations of this trend emphasize the importance of two factors: globalization and the economic crises in Europe that resulted from the financial meltdown of 2008 and the subsequent Great Recession. But the current populist moment is part of a longer story and is rooted in the post-industrial revolution that led to fundamental changes in European societies in the 1960s. During those years, deindustrialization and a steep decline in religious observance weakened the support enjoyed by established center-left and center-right parties, which had been largely dependent on working-



To Viktor go the spoils: Orbán at an Austria-Hungary soccer match, June 2016

class and religious voters. In the quarter century that followed, a gradual realignment in European politics saw voters throw their support to old parties that had become virtually nonideological or to new parties defined by relatively narrow ideological stances.

Later, during the last two decades of the twentieth century, mainstream European parties increasingly converged on a new elite consensus—a common agenda that called for integration through the EU, multiethnic societies, and neoliberal economic reforms. The embrace of a vision of Europe as a cosmopolitan, business-friendly technocracy was particularly pronounced among parties that had traditionally been social democratic, many of which were inspired by British Prime Minister Tony Blair's concept of a "New Labour" party and German Chancellor Gerhard Schröder's move toward a "new center" (*neue Mitte*). The traditional center-right parties also shifted

away from their historical identities, as leaders such as Merkel and David Cameron of the British Conservative Party adopted more centrist and pragmatic approaches to economic and cultural issues.

This convergence created a fertile breeding ground for populism, as many voters began to see political elites as indistinguishable from one another, regardless of their party affiliations. To many Europeans, mainstream elites of all parties also seemed to share an essential powerlessness, owing to two massive transfers of authority that took place in the second half of the twentieth century: from national governments to supranational entities such as the EU and the International Monetary Fund and from democratically elected officials to unelected ones such as central bankers and judges. In many EU member states, vital issues such as border control and monetary policy were no longer the

exclusive responsibility of the national government. This led to the emergence of so-called TINA politics—“TINA” being short for “There is no alternative,” the line political elites often used as a shorthand for the argument that their responsibility to the EU or the IMF outweighed their duty to be responsive to the demands of voters.

At the same time, the advent of the Internet produced electorates that were more plugged in to political debates and more independent-minded (although not necessarily better informed), which made them more critical of and less deferential toward traditional elites. In particular, voters became more aware of the fact that elected officials often blamed agents or factors outside their control—the EU, globalization, U.S. policy—for unpopular policies but claimed to be fully in control and took credit whenever policies proved popular.

The Internet also severely limited the gatekeeping function of mainstream media. With far more stories and voices finding an audience, populist narratives—which often contained a whiff of sensationalism or provocation—became particularly attractive to media organizations that were chasing eyeballs as revenue from subscriptions and traditional advertising plummeted. These subtle but profound shifts set the stage for short-term triggers, such as the global financial crisis and the spillover from Middle Eastern conflicts, to turbocharge populism’s growth.

POWER HUNGARY

The rise of populism has had important consequences for the state of liberal democracy in Europe. Although populism is not necessarily antidemocratic, it is essentially illiberal, especially in its

disregard for minority rights, pluralism, and the rule of law. What is more, as the case of Hungary demonstrates, populism is not merely a campaign strategy or a style of political mobilization that leaders shed as soon as they achieve political power. Since 2010, Orbán has openly set about transforming his country into what he described in a 2014 speech as “an illiberal new state based on national foundations,” in which the government purposely marginalizes opposition forces by weakening existing state institutions (including the courts) and creating new, largely autonomous governing bodies and packing them with Fidesz loyalists.

Although the situation in Hungary is exceptional, Orbán’s success has inspired and emboldened many other right-wing populists in the EU, from Marine Le Pen in France to Jaroslaw Kaczynski in Poland. Most distressing, the rise of populist illiberalism is facing less and less opposition from embattled mainstream parties, which have fallen silent or have even applauded the trend.

Left-wing populists have been nowhere near as successful as their right-wing counterparts. In Greece in 2015, Syriza’s amateurish attempt to challenge EU-imposed austerity policies backfired, and Prime Minister Alexis Tsipras was ultimately forced to accept precisely the kinds of spending cuts and structural reforms that he had pledged to prevent. Since then, no other left-wing populist parties have managed to succeed at the national level, with the exception of Podemos (We Can) in Spain. And although left-wing populists are generally less exclusionary than their right-wing counterparts, political polarization in Greece has increased significantly since Syriza came to power in January 2015.

Many opponents of the government feel vilified by official rhetoric portraying them as members of a fifth column doing the bidding of Berlin or Brussels. And Tsipras has proposed several laws that could limit the space for political opposition by increasing state control of education and the media.

Even in countries without populist governments, a populist Zeitgeist has taken hold. In many cases, populists now set the agenda and dominate public debate, while mainstream politicians merely react, sometimes even adopting elements of populist rhetoric, peppering their speeches with references to “the people” and condemnations of “elites.” Consequently, even traditionally pro-European Christian democrats and social democrats now use “Brussels” as a derogatory term, evoking a distant elite, removed from the concerns of the common people and posing a threat to national sovereignty.

A NEW POPULIST ERA?

Many scholars contend that European populism is an episodic phenomenon—that it creates moments rather than eras—and that although populists can succeed in opposition, they inevitably fail once in power. That is wishful thinking, and those who engage in it generally put too much stock in a few high-profile populist implusions. This sanguine view overlooks the fact that Orbán has been in power for six years and still leads the most popular party in Hungary and populism has dominated politics in Slovakia ever since the fall of communism. Meanwhile, Austria is poised to become the first European country in the postwar era to directly elect a populist radical-right president: Norbert Hofer of the



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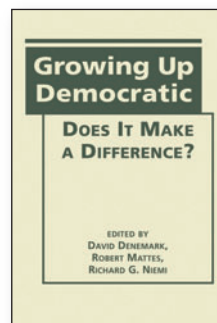
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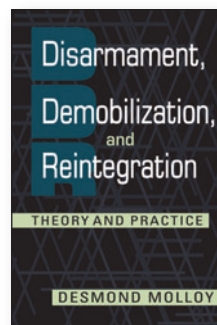
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Deep structural changes in European societies produced the current populist wave. Those changes are not likely to be reversed anytime soon, so there is no reason to anticipate that populism will fade in the near future. Moreover, populist parties are growing just as major establishment parties are becoming increasingly obsolete: in many European countries, it has become rare for any party to win more than one-third of the national vote.

Mainstream parties have to develop short-term and long-term strategies to deal with the new reality of fragmented party systems that include influential populist parties. So-called *cordons sanitaires*—coalition governments, such as that in Belgium, that explicitly seek to exclude populist parties—will become increasingly difficult to sustain. In the many countries where populists now represent the third- or second-biggest party, a *cordon sanitaire* would force all the other parties to govern together, which would have the unintentional effect of re-creating many of the very conditions that led to the rise of European populism in the first place. At the same time, it will become harder for establishment parties to govern alongside populist parties. In recent years, populist parties have been willing to serve as junior partners in coalitions. Now, however, many populist parties are much bigger than their potential mainstream partners and will be far less likely to take a back seat.

Still, populist parties are ultimately subject to the same basic political laws that constrain their establishment rivals. Once they achieve power, they, too, must choose between responsiveness and responsibility—between doing what

their voters want and what economic reality and EU institutions dictate. Orban has so far been successful at doing both things at the same time, in part by saying different things to different audiences. But Tsipras has learned about the pressures of responsibility the hard way, and has suffered a significant drop in popularity.

This dilemma for populists presents opportunities for liberal democratic parties, be they new or old, but only if they do not simply attack the populist vision but also provide clear and coherent alternatives. Some establishment figures seem to grasp this. For example, in positioning himself for next year's national elections in France, the center-right politician Alain Juppé has cast himself as "a prophet of happiness" with a positive vision of a more harmonious country—a stark contrast to the negativity and fear-mongering of his rival within the Republicans, Nicolas Sarkozy, and a rebuke to the divisive rhetoric of Le Pen, the right-wing populist leader of the National Front. And in Germany, Merkel has mostly avoided a strong populist backlash—despite immense frustration and pushback inside and outside her own party—by acknowledging public anger while sticking to a clear policy agenda and a positive message: "*Wir schaffen das*" (We can do this).

In essence, the populist surge is an illiberal democratic response to decades of undemocratic liberal policies. To stem the populist tide, establishment politicians will have to heed the call to repoliticize the crucial issues of the twenty-first century, such as immigration, neoliberal economics, and European integration, bringing them back into the electoral realm and offering coherent and consistent alternatives to the often shortsighted and simplistic offerings of the populists. 🌐

Latin America's Populist Hangover

What to Do When the People's Party Ends

Shannon K. O'Neil

On the morning of October 17, 1945, thousands of protesters in Buenos Aires marched on Argentina's main executive building, the Casa Rosada, to demand the return of Vice President Juan Perón, who had been forced to resign a week earlier. The day was hot, and many of the men took off their jackets and even their shirts. This earned them the mocking title of *los descamisados* — “the shirtless.” Perón's supporters promptly reclaimed the insult and turned it into a badge of honor. When Perón ran for president in the 1946 election as an unabashed populist, he toured the country in a train he named *El Descamisado* after his followers.

The *descamisados*, and those like them, were integral to the populism that dominated Latin American politics from the 1930s until recently. Starting with Brazilian President Getúlio Vargas, who first assumed power in 1930, and leading all the way up to Bolivian President Evo Morales, who entered office in 2006, Latin American leaders have repeatedly har-

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nessed the power of the once excluded masses by railing against the establishment and promising a more prosperous future for their followers.

Today, however, even as populists are surging throughout the rest of the world, such voices have fallen conspicuously silent in Latin America. The region's grandiose strongmen, with their cults of personality, have largely faded away. Recent elections have ushered in middle-of-the-road leaders, including one former investment banker, promising fiscal conservatism, free trade, and legal due process. In a striking role reversal, it is now Latin America that is watching, aghast, as populists elsewhere threaten to disrupt the world's more mature economies.

Latin America's struggles with populism, although far from over, offer some hints about where the current upsurge in populist rhetoric in the United States and Europe might lead. History shows that populism polarizes societies, weakens economies, and undermines representative democracy. But Latin America's experience also demonstrates that democratic decline is not inevitable, that citizens' movements can reform institutions and defend them against would-be populists, and that the disenfranchised will not tolerate empty promises forever.

USE AND ABUSE

Common as the term “populism” has become, populism itself is an elusive concept. The word is often used in a derogatory way to describe the strategy of politicians who seek popularity by appealing to the electorate's baser instincts. But “populism” does have a more precise definition, and although the phenomenon varies somewhat from place to place, true populist movements share some

fundamental elements. The most basic of these is an appeal to the excluded. Populists claim to represent a neglected majority by defying an undeserving but powerful minority. In Latin America, one of the most unequal regions in the world, populists found their first constituency in a working class that doubled in size between 1914 and 1945 as the region industrialized and that traditional society had failed to integrate. Later, in countries such as Argentina, Ecuador, and Venezuela, populists took advantage of the economic hardship of the “lost decade” of the 1980s, when growth stagnated and incomes plummeted, and the subsequent adoption of economic austerity, trade liberalization, and privatization—policies recommended by the International Monetary Fund, the World Bank, and the U.S. Treasury. In 2007 in Argentina, some six decades after Perón’s triumphant restoration, President Cristina Fernández de Kirchner came out on the balcony of the Casa Rosada to sing the same refrain: she, too, would represent “the people” against those who had shut them out.

Despite casting themselves as tribunes of the people, populist leaders are just as likely to come from the elite as they are to emerge from the lower classes. And although they seek legitimacy through the support of the masses, populists favor top-down control. They build mass movements to increase their personal power, not to truly change the system.

Populists must hold together heterogeneous political coalitions, and to this end, they often employ redistributionist economic policies. These are often expansive: populists create new social programs, ramp up spending, and take control of parts of the economy. The resulting short-term economic booms make life

better for their followers, but as a result of the government largess, debts build, inflation spirals, businesses scale back operations, and economic crises ensue. Those who benefited from the boom see their fortunes come crashing down again. In Latin America, this basic narrative has played out in Perón’s and Kirchner’s Argentina, in Vargas’ Brazil, and in President Hugo Chávez’s Venezuela.

But populism can also flourish with limited social spending. In the 1990s in Peru, for example, President Alberto Fujimori managed to cultivate a following, grab power, and reshape the country’s democratic institutions—most dramatically through a “self-coup” that dissolved Congress—all while implementing pro-market neoliberal reforms. His counterpart in Argentina, President Carlos Menem, did the same, opening up the country’s economy while packing the Supreme Court with jurists loyal to him and changing the constitution to allow for his reelection to a second term. Both leaders used targeted financial benefits to glue together their fractious support bases. But they were otherwise fiscally cautious.

Perhaps the most consequential feature that all versions of populism share is the weakening of liberal democratic institutions. Populist leaders concentrate power in their immediate circle; they gesture toward enhancing political participation and claim to expand the civic sphere, but in fact they bypass, and thereby weaken, crucial institutions, such as political parties, independent judiciaries, and the free press. Populist leaders favor administrative decrees and marginalize legislatures. They undermine checks and balances on executive authority by casting themselves as the

Don't cry for me: supporters of Argentine President Mauricio Macri celebrating, November 2015

sole arbiters of right and wrong and by encouraging their followers to distrust and oppose anything connected to the old establishment. This kind of demagoguery can devolve into overt efforts to silence critics—sometimes even through violence.

THINGS FALL APART

Beginning in the late 1990s, Latin America was overrun by a fresh wave of leaders claiming mandates from “the people.” Chief among them was Chávez, who first came to prominence in Venezuela as the leader of a failed military coup in 1992 and later reinvented himself as a populist champion of the downtrodden.

In 1998, Chávez won the presidency with the overwhelming support of poor Venezuelans, who remained a majority of the population despite the country's oil wealth. Railing against the political oligarchy, Chávez promised to abolish

poverty and create a more authentic democracy. As president, he dedicated himself to tireless self-promotion. He spent hours each week speaking to the nation on his television and radio show, *Aló, Presidente*, touting the achievements of his so-called Bolivarian revolution and excoriating foreign intervention.

Venezuela's oil reserves furnished Chávez with more money than any of his counterparts in the region, and he spent it lavishly. He created numerous social programs, among them massive subsidies for housing, food, and basic goods; free medical clinics for the poor; and land-redistribution schemes that took from the wealthy and gave to the poor. He took control of the historically technocratic state oil company and nationalized other sectors of the economy, retooling them as organs of personal patronage.

Chávez promoted intense political participation, holding 14 elections and

referendums during his 14-year rule, yet true to populist form, he also ruthlessly undermined democratic institutions. He rewrote the constitution, strengthening the executive at the expense of the legislature; undercut the independence of the National Electoral Council, which oversees elections; packed the Supreme Court with loyalists; and politicized the state bureaucracy. He swept away the military's autonomy by replacing independent officers with his acolytes. And he eviscerated Venezuela's once thriving free press by revoking television and radio licenses and forcing the publishers of opposition-friendly newspapers to sell their operations to regime supporters.

A similar story played out in Argentina during the first decade of this century. In 2003, Néstor Kirchner came to power propelled by the rage of thousands of Argentines who, having suffered in the wake of the country's 2001 debt default, took to the streets to chant "*¡Que se vayan todos!*" (Throw them all out!). Kirchner and his wife, Cristina, proceeded to rule Argentina for 12 years—Néstor for one term, Cristina for two—during which they cast themselves as the foes of the previous political generation, the military, and "international imperialist forces," represented by foreign investors, the International Monetary Fund, and the United States.

During their time in office, the Kirchners augmented their power by fomenting antiestablishment fervor through rhetorical attacks on companies and elites, giving handouts to provincial leaders and potential voters, and, at times, resorting to outright intimidation in the form of legal action and tax audits. They created their own political base,

superimposing their Frente para la Victoria (Front for Victory) coalition on the old Peronist apparatus by co-opting the older organization's leaders and operatives. They often bypassed the Argentine Congress through decrees and tried to silence their critics, most brazenly by forcing through legislation to split apart Grupo Clarín, Argentina's largest media conglomerate.

Early in Néstor Kirchner's term, the Argentine economy was boosted by surging commodity prices and the government's success in negotiating away much of the \$100 billion debt on which the country had defaulted in 2001. Taking advantage of the boom, Kirchner upped the minimum wage, increased public pensions, expanded welfare programs, and tripled the public payroll; by 2015, the state employed one in every five workers. All this spending created huge fiscal deficits, led to rampant inflation, and helped push the economy into recession earlier this year.

EVERYTHING IN MODERATION

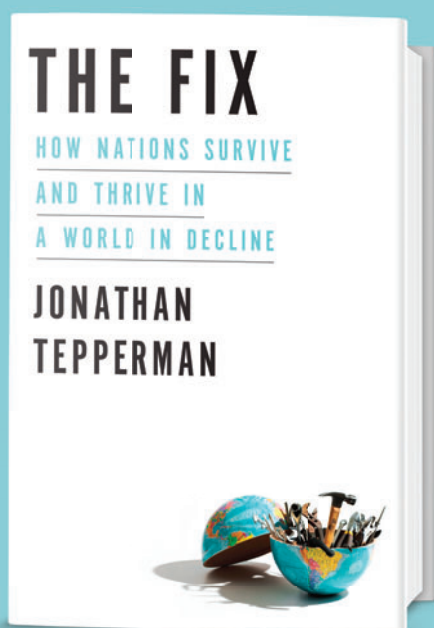
The Latin American populist surge that began two decades ago has now receded. Néstor Kirchner died in 2010; Chávez, in 2013. Cristina Fernández de Kirchner, hampered by term limits, stepped down in 2015 and is now mired in corruption scandals. Morales and Ecuadorian President Rafael Correa have watched their popularity fall as their economies have stumbled.

The global financial slowdown has hurt emerging markets especially badly, and falls in commodity prices have left state coffers empty and governments with outsize debts. As a result, it is far harder than before to build or maintain support through patronage. In Venezuela, for

example, falling oil prices have decimated the economy, forcing the government—now in debt to the tune of \$120 billion—to choose between paying interest and importing food and medicine. An exception to this trend is Argentina, which avoided the debt trap because it was shut out of international capital markets until earlier this year, when a new government resolved a decadelong legal fight with its remaining creditors, who had refused earlier settlements after the country’s 2001 default.

Voters in many Latin American countries, exhausted by the economic and political turbulence brought on by populist leaders, have now turned to moderate pragmatists. In Argentina last year, Mauricio Macri defeated Kirchner’s handpicked successor with promises to put the country on a more market-friendly path. In Venezuela, voters desperate to restore political checks and balances gave the opposition a supermajority in the 2015 congressional elections. Chávez’s successor as president, Nicolás Maduro, has responded by increasing his authoritarianism: violently breaking up protests, firing opposition supporters in the public sector, and threatening to close the National Assembly. Still, he faces the possibility of a recall referendum in the near future. Bolivians, meanwhile, handed Morales his first referendum defeat in February of this year, when they chose to retain the term limits he had hoped to lift. And Correa, eyeing his low approval ratings, has (so far) vowed not to run again in Ecuador’s 2017 presidential race. Finally, in June, Peru’s left and right united in electing a liberal 77-year-old banker, Pedro Pablo Kuczynski, as president, narrowly defeating Keiko Fujimori—the daughter of

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the former populist president—who many had feared would emulate her father's heavy-handed style. But despite these recent successes, it is still unclear whether the more moderate leaders will be interested in or capable of rebuilding the national institutions that were weakened by previous populist governments.

CRIME AND PUNISHMENT

It would be wishful thinking to suppose that the region has become immune to the populist temptation. Whereas poverty and inequality were once the great mobilizers, corruption is likely to become the new lodestar for aspiring populists. Already, Latin Americans are turning against officials who have embezzled public money or peddled their influence for personal gain. Although no populists have yet managed to turn this anger to their advantage, they will certainly try, especially given the intensity of the public's rage.

Over the last year, millions of Brazilians have flooded the streets, flying gigantic balloons bearing images of former President Luiz Inácio Lula da Silva and his successor, Dilma Rousseff (who was impeached by the Senate at the end of August), dressed in prison stripes. Sérgio Moro, the judge who has sent dozens of high-ranking politicians and business leaders to jail in a corruption scandal involving the state oil company, Petrobras, has become one of the country's most popular political figures. And no wonder: more than 60 percent of Brazil's members of Congress have been charged with corruption or other crimes. Meanwhile, in Guatemala in 2015, thousands of protesters filled the main plaza for weeks to demand that President Otto Pérez Molina step down

over accusations that he and others stole tens of millions of U.S. dollars in customs duties. Pérez Molina now sits in jail, awaiting trial.

The anger is also palpable in Honduras, where thousands have joined vigils calling for the resignation of President Juan Orlando Hernández after an independent investigation revealed that the director of the country's health-care system had stolen millions of dollars in public money. In March, protesters took to the streets again to demand justice after the murder of the indigenous leader and environmental activist Berta Cáceres. And in Mexico, in June, voters threw out the political parties of several governors embroiled in corruption scandals, in the process ending over 80 years of uncontested rule by the Institutional Revolutionary Party in four states.

Many of these developments were made possible by reforms enacted by some countries in recent years to improve the transparency and accountability of government officials. Countries including Brazil and Mexico have passed laws requiring their public servants to disclose their finances, open public procurement to competitive tender, and provide greater access to government documents. The newly available information, acquired by intrepid reporters, has led to some of the explosive revelations described above.

The regional economic downturn has also made it harder for corrupt officials to hide their bad behavior. As public funds dry up, graft becomes more visible. The rise of social media has helped amplify these stories, allowing millions of Latin Americans to find out about the fancy homes and offshore bank accounts of public officials.

The backlash against corruption has also resulted from the rise of a new middle class throughout the region. Across Latin America, nearly 70 million people rose out of poverty during the first decade of this century. These people now have assets to protect and have become quick to denounce a system they see as rigged against them. Polls show that this middle class cares more about corruption than the rich, who are more likely to benefit from the patronage system. Middle-class citizens are also more interested in democratic governance than the poor, who are overwhelmingly concerned with their economic security (or lack thereof).

Most of the region's politicians have yet to understand, much less harness, this ire. Unlike economic frustration, anger over corruption is directed squarely at them. And the independent citizens' groups leading the current fight against corruption want stronger institutions, not charismatic leaders who will bypass them.

Earlier this year, in Mexico, over 600,000 citizens signed a petition calling for the government to bolster the country's weak anticorruption laws, and on July 6, their demands became law. In January, after months of pressure from the Honduran public, the president accepted a new investigatory body modeled on the independent Guatemalan commission that helped force the resignation of that country's corrupt president and vice president in 2015.

Still, the popularity of outsider candidates has not vanished. The former comedian Jimmy Morales won the 2015 presidential election in Guatemala by claiming to be "neither corrupt, nor a thief." Since taking office, he has fulfilled his promise to uphold democratic checks and balances and has governed from the

center. But this is due more to his temperament than to any real institutional limits on his conduct. A less scrupulous successor could take advantage of the nation's weak institutions to mobilize the masses for his or her own gain.

In Mexico, Andrés Manuel López Obrador, who has launched this third attempt to become president, is trying to harness voters' disgust over the current government's corruption scandals. True to populist form, he has promised to take on poverty, expand social welfare programs, defend Mexican interests against foreign imperialists, and end the current political system, referring to the government and the opposition National Action Party as a political Mafia that must be destroyed.

Although Mexico has generally avoided populism in the past, the government has aided López Obrador's cause by dragging its feet on anticorruption reforms and failing to prosecute theft by its governors. Unless the government changes course in the next two years, López Obrador could become Mexico's next president.

LOOK BEFORE YOU LEAP

Latin America's long experience with populism offers some bracing warnings to other countries currently flirting with such politics. Today, the United States and many European countries face challenges similar to those that drove Latin America to populism in the first place, including economic dislocation, rapid social change, and political alienation. Should these countries actually let demagogues take power, they will suffer just as much as Latin America has—but, given their far greater power and influence, with

far worse consequences for the rest of the world.

As Latin America has shown, populism limits long-term economic growth. Unpredictable policymaking leads to repeated crises and market gyrations, which in turn reduce spending on infrastructure, education, and health care—the building blocks of prosperity. Today, even in countries that boast strong economies and sound fiscal discipline, such as Mexico, the mere threat of populism is already slowing investment and making access to capital more costly.

Latin America has also shown that even when populists leave office, their noxious legacies linger. Moderate successors struggle to build trust in polarized societies and must work hard to rebuild legislative and judicial institutions. As the gaps between social groups widen, it becomes harder to forge compromises—the lifeblood of liberal democracy.

Yet Latin America also offers hope. Having had their brush with populism, many governments in the region are now trying to immunize themselves against future bouts by signing international free-trade agreements, codifying the independence of their central banks, and passing balanced-budget laws—all of which will limit the ability of their successors to cause mischief. Several countries' legislatures are also reaffirming their independence by limiting the ability of their executives to rule by decree. And Brazil, Guatemala, Mexico, and others are implementing judicial reforms, including moving to oral trials, which are more transparent because the proceedings are more open to the public, and strengthening the offices of attorneys general and public defenders.

The United States and European

nations have much stronger democratic institutions and a centuries-old tradition of the separation of powers. But they are still vulnerable. If Latin America provides a lasting lesson for the rest of the West, it is to truly appreciate the importance of the checks and balances of representative government before having to experience their absence. For all the frustrations of legislative gridlock, Latin America's experience has shown that gradual change is better than the alternative. It is up to voters, civic movements, and politicians themselves, even as they debate their differences, to defend and reinforce the institutions that make representative democracy work. 🌐

Populism Is Not Fascism

But It Could Be a Harbinger

Sheri Berman

As right-wing movements have mounted increasingly strong challenges to political establishments across Europe and North America, many commentators have drawn parallels to the rise of fascism during the 1920s and 1930s. Last year, a French court ruled that opponents of Marine Le Pen, the leader of France's National Front, had the right to call her a "fascist"—a right they have frequently exercised. This May, after Norbert Hofer, the leader of Austria's Freedom Party, nearly won that country's presidential election, *The Guardian* asked, "How can so many Austrians flirt with this barely disguised fascism?" And in an article that same month about the rise of Donald Trump, the Republican U.S. presidential candidate, the conservative columnist Robert Kagan warned, "This is how fascism comes to America." "Fascist" has served as a generic term of political abuse for many decades, but for the first time in ages, mainstream observers are using it seriously to describe major politicians and parties.

Fascism is associated most closely with Europe between the world wars, when movements bearing this name took power in Italy and Germany and wreaked havoc in many other European countries.

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Although fascists differed from country to country, they shared a virulent opposition to democracy and liberalism, as well as a deep suspicion of capitalism. They also believed that the nation—often defined in religious or racial terms—represented the most important source of identity for all true citizens. And so they promised a revolution that would replace liberal democracy with a new type of political order devoted to nurturing a unified and purified nation under the guidance of a powerful leader.

Although today's right-wing populists share some similarities with the interwar fascists, the differences are more significant. And more important, what today's comparisons often fail to explain is how noxious politicians and parties grow into the type of revolutionary movements capable of fundamentally threatening democracy, as interwar fascism did. In order to understand this process, it is not nearly enough to examine the programs and appeal of right-wing extremist parties, the personalities of their politicians, or the inclinations of their supporters. Instead, one must carefully consider the broader political context. What turned fascists from marginal extremists into rulers of much of Europe was the failure of democratic elites and institutions to deal with the crises facing their societies during the interwar years. Despite real problems, the West today is confronting nowhere near the same type of breakdown it did in the 1930s. So calling Le Pen, Trump, and other right-wing populists "fascists" obscures more than it clarifies.

THE BIRTH OF FASCISM

Like many of today's right-wing movements, fascism originated during a period of intense globalization. In the

late nineteenth and early twentieth centuries, capitalism dramatically reshaped Western societies, destroying traditional communities, professions, and cultural norms. This was also a time of immense immigration. Peasants from rural areas, which had been decimated by new agricultural technologies and the inflow of cheap agricultural products, flocked to cities, and the citizens of poorer countries flocked to richer ones in search of better lives.

Then, as now, these changes frightened and angered many people, creating fertile ground for new politicians who claimed to have the answers. Prominent among these politicians were right-wing nationalists, who vowed to protect citizens from the pernicious influence of foreigners and markets. Fascist movements arose in almost all Western countries, from Argentina to Austria and from France to Finland. Fascists became disruptive forces in some countries and influenced policymaking in others, but they did not fundamentally challenge existing political orders before 1914. Their policies and appeal alone, in other words, did not make them truly dangerous or revolutionary. It would take World War I to do that.

That conflict killed, maimed, and traumatized millions of Europeans, and it physically and economically devastated much of the continent. “The lamps are going out all over Europe; we shall not see them lit again in our lifetime,” British Foreign Secretary Edward Grey remarked at the beginning of the war. And indeed, by the time the war was over, an entire way of life had vanished.

The year 1918 brought an end to the war, but not to the suffering. Europe’s continental empires—Austro-Hungarian, German, Ottoman, and Russian—

collapsed during or after the conflict, creating a variety of new states that lacked any experience with democracy and featured mixed populations that had little interest in living together. Meanwhile, in many of Europe’s older states, such as Germany and Spain, old regimes also collapsed, making way for democratic transitions. But like the new states, most of these countries also lacked experience with popular rule—and thus the habits, norms, and institutions necessary for making it work.

To make matters worse, the end of the war, rather than ushering in a period of peace and reconstruction, brought with it an unending stream of social and economic problems. New democracies struggled to reintegrate millions of soldiers back into society and reconstruct economies that had been distorted and disrupted by the fighting. Austria and Germany had to respond to the humiliation of a lost war and a punitive peace, and both were hit with hyperinflation. Across the continent, lawlessness and violence quickly became endemic as democratic governments lost control of the streets and parts of their territories. Italy suffered through almost two years of factory occupations, peasant land seizures, and armed conflicts between left- and right-wing militias. In Germany, the Weimar Republic faced violent left- and right-wing uprisings, forcing the government to send in troops to recapture cities and regions.

Despite these and other problems, fascists at first remained marginal forces. In Italy, they received almost no votes in the country’s first postwar election. And in Germany, Hitler’s 1923 Beer Hall Putsch flopped, ending with him and many of his conspirators in jail.



Ain't nothing like the real thing: Mussolini and Hitler in Munich, 1940

But as time passed, problems persisted. European economies had trouble getting back on their feet, and street brawls, assassinations, and other forms of social disorder continued to plague many European countries. By the late 1920s, in short, many Europeans' faith in democracy had been badly shaken.

DEMOCRACIES IN CRISIS

Then came the Great Depression. What proved so catastrophic about that event was not the economic suffering it caused—although that was bad enough—but the failure of democratic institutions to respond to it. To understand the difference, compare the fates of Germany and the United States. These two countries were hit the hardest by the Depression, experiencing the highest levels of

unemployment, rates of business collapse, and drops in production. But in Germany, the Weimar Republic then fell to the Nazi onslaught, whereas in the United States, democracy survived—despite the appearance of some pseudo-fascist leaders such as the Louisiana politician Huey Long and the radio preacher Father Charles Coughlin. Why the different outcomes?

The answer lies in the two governments' divergent responses to the economic crisis. German leaders did little to ease their society's suffering; in fact, they pursued policies of austerity, which exacerbated the economic downturn in general and the horrifically high rates of unemployment in particular. Strikingly, even the main opposition party, the Social Democrats, sat meekly by, offering little in the way of an attractive

alternative program. In the United States, meanwhile, democratic institutions and norms were longer lived and therefore more robust. But also critical to staving off fascism was President Franklin Roosevelt's insistence that the government could and would help its citizens, by laying the foundations of the modern welfare state.

Unfortunately for Europe, too many governments there proved unable or unwilling to respond as actively, and most mainstream political parties offered little in the way of viable alternative plans. By the early 1930s, liberal parties had been discredited across much of the continent; their faith in markets, unwillingness to respond forcefully to capitalism's downsides, and hostility to nationalism struck voters as completely out of synch with interwar realities. With the exception of Scandinavia's, meanwhile, most socialist parties were also flummoxed, telling citizens that their lives would improve only once capitalism had fully collapsed—and that they could do little to help them in the interim. (Socialists were also indifferent or hostile to concerns about national identity and the evisceration of traditional norms—another politically unwise stance during a period of immense social upheaval.) Communists did at least put forth a compelling alternative to the status quo, but their appeal was limited by an almost exclusive focus on the working class and their hostility to nationalism.

And so in all too many European countries, it was the fascists who were able to take advantage of the declining faith in democracy that accompanied the Depression. Fascists offered both a strong critique of the reigning order and a powerful alternative to it. They criticized democracy as inefficient,

unresponsive, and weak and promised to replace it altogether. The new system would use the state to protect citizens from capitalism's most destructive effects by creating jobs, expanding the welfare state (for "true" citizens only, of course), eliminating supposedly exploitative capitalists (often Jews), and funneling resources instead to businesses that were deemed to serve the national interest. Fascists promised to end the divisions and conflicts that had weakened their nations—often, of course, by ridding them of those viewed as not truly part of them. And they pledged to restore a sense of pride and purpose to societies that had for too long felt battered by forces outside their control. These positions enabled fascism in Germany, Italy, and elsewhere to attract an extremely diverse constituency that cut across classes. Although fascist parties received disproportionately high support from men, the lower-middle class, and former soldiers, they enjoyed a broader base of support than any other type of party in interwar Europe.

Despite all these advantages, the fascists still lacked the strength to take power on their own; they also needed the connivance of traditional conservatives. These conservatives—who sought to preserve the power of the traditional elite and destroy that of the people—lacked mass constituencies of their own and believed they could use the fascists' popularity to achieve their long-term goals. So they worked behind the scenes to maneuver Mussolini and Hitler into office, believing that they could later manipulate or get rid of these men. Little did they know that the fascists were playing the same game. Soon after being appointed chancellor, in

1933, Hitler did away with his erstwhile conservative allies, whom he correctly viewed as a hindrance to his long-planned revolutionary project. Mussolini, who had been appointed prime minister in 1922, took a little longer to completely secure his position—but he, too, eventually pushed aside (or simply killed) many of the traditional conservatives who had helped make him *Il Duce* in the first place.

LESSONS FOR TODAY

So what does all of this say about Le Pen, Trump, and today's other right-wing extremists? They certainly share some similarities with the interwar fascists. Like their predecessors, today's right-wing extremists denounce incumbent democratic leaders as inefficient, unresponsive, and weak. They promise to nurture their nation, protect it from its enemies, and restore a sense of purpose to people who feel battered by forces outside their control. And they pledge to stand up for "the people," who are often defined in religious or racial terms.

But if the similarities are striking, the differences are even more so. Most obvious, today's extremists claim they want not to bury democracy but to improve it. They critique the functioning of contemporary democracy but offer no alternative to it, just vague promises to make government stronger, more efficient, and more responsive.

Current right-wing extremists are thus better characterized as populist rather than fascist, since they claim to speak for everyday men and women against corrupt, debased, and out-of-touch elites and institutions. In other words, they are certainly antiliberal, but

they are not antidemocratic. This distinction is not trivial. If today's populists come to power—even the right-wing nationalists among them—the continued existence of democracy will permit their societies to opt for a do-over by later voting them out. Indeed, this may be democracy's greatest strength: it allows countries to recover from their mistakes.

But the more important difference between today's right-wing extremists and yesterday's fascists is the larger context. As great as contemporary problems are, and as angry as many citizens may be, the West is simply not facing anything approaching the upheaval of the interwar period. "The mere existence of privations is not enough to cause an insurrection; if it were, the masses would be always in revolt," Leon Trotsky once wrote, and the same logic applies to the appearance of fascism. In the United States and western Europe, at least, democracy and democratic norms have deep roots, and contemporary governments have proved nowhere near as inept as their predecessors in the 1920s and 1930s. Moreover, democratic procedures and institutions, welfare states, political parties, and robust civil societies continue to provide citizens with myriad ways of voicing their concerns, influencing political outcomes, and getting their needs met.

For these reasons, the right-wing extremists in the United States and western Europe today have much more limited options and opportunities than their interwar counterparts did. (On the other hand, in eastern and southern Europe, where democratic norms and institutions are younger and weaker, movements have emerged that resemble

traditional fascism much more closely, including Golden Dawn in Greece and Jobbik in Hungary.) As the scholar Theda Skocpol has stressed, revolutionary movements don't create crises; they exploit them. In other words, true revolutionary threats to democracy emerge when democracies themselves create crises ready to be exploited by failing to deal with the challenges they face.

Things can change, of course, and the lack of true fascist movements in the United States and western Europe today is no excuse for complacency. But what the interwar period illustrates is that the West should worry more about the problems afflicting democracy than about right-wing populists themselves. The best way to ensure that the Le Pens and Trumps of the world go down in history as also-rans rather than as real threats is to make democratic institutions, parties, and politicians more responsive to the needs of all citizens. In the United States, for example, rising inequality, stagnating wages, deteriorating communities, congressional gridlock, and the flow of big money to campaigns have played a bigger role in fueling support for Trump than his purported charisma or the supposed authoritarian leanings of his supporters. Tackling those problems would no doubt help prevent the rise of the next Trump.

History also shows that conservatives should be particularly wary of embracing right-wing populists. Mainstream Republicans who make bogus claims about voter fraud, rigged elections, and the questionable patriotism and nationality of President Barack Obama in order to appeal to the extremist fringes are playing an extremely dangerous game, since such

rhetoric fans citizens' fear and distrust of their politicians and institutions, thus undermining their faith in democracy itself. And just like their interwar counterparts, these conservatives are also likely enhancing the appeal of politicians who have little loyalty to the conservatives' own policies, constituencies, or institutions.

Right-wing populism—indeed, populism of any kind—is a symptom of democracy in trouble; fascism and other revolutionary movements are the consequence of democracy in crisis. But if governments do not do more to address the many social and economic problems the United States and Europe currently face, if mainstream politicians and parties don't do a better job reaching out to all citizens, and if conservatives continue to fan fear and turn a blind eye to extremism, then the West could quickly find itself moving from the former to the latter. 🌐

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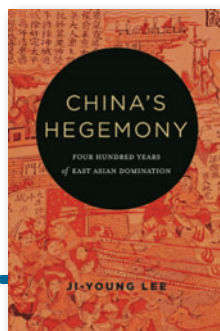
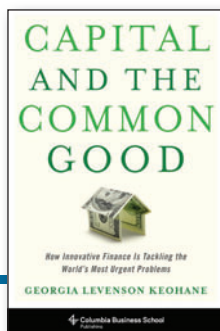
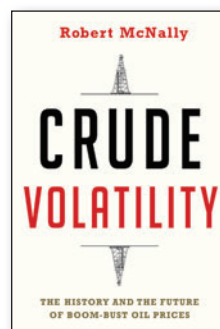
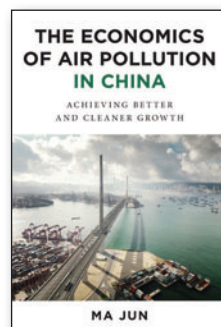
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Why Today's Extremism Looks Familiar

Pankaj Mishra

In September 1919, the Italian poet Gabriele D'Annunzio gathered a force of 2,000 mutinous troops from the Royal Italian Army, along with hundreds of other volunteers, and stormed the city of Fiume, on the Adriatic coast, which had been contested territory since the end of World War I. D'Annunzio had served as a fighter pilot in the war, and his daring feats had turned him into one of the most famous people in Europe. An ultranationalist, he had long wanted "Mother Italy" to seize all the territories that he believed rightly belonged to her. In 1911, he had zealously supported Italy's invasion of Libya, an imperialist adventure whose savagery stoked outrage across the Muslim world. In Fiume, he saw a chance to realize his dream of rejuvenating Italy through war.

D'Annunzio's forces were met with no resistance; British, French, and U.S. forces withdrew to avoid a confrontation. After installing himself as *il duce* of the "Italian Regency of Carnaro," D'Annunzio established a fiefdom shaped by outrageous political rhetoric and gestures. He introduced the stiff-armed salute

that Adolf Hitler would later adopt. D'Annunzio and his cadres dressed in black uniforms adorned with a skull-and-crossbones insignia. They spoke obsessively of martyrdom, sacrifice, and death. Hitler and Benito Mussolini, obscure figures at the time, were keen students of the pseudo-religious speeches that D'Annunzio delivered daily from his balcony before retiring to the company of a large, rotating group of sexual partners.

D'Annunzio constructed an elaborate cult of personality around himself and cast his occupation in mythic terms. A group claiming to represent the women of Fiume presented him with a dagger, declaring, "To you . . . chosen by God to radiate the light of renewed liberty through the world . . . [we] offer this holy dagger . . . so you may carve the word 'victory' in the living flesh of our enemies." His so-called foreign minister proclaimed Fiume to be a "magic crucible in which the magma boils" and that might "produce the finest gold." Thousands of eager volunteers—anarchists, socialists, testosterone-crazed teenagers, and others—came from as far away as Egypt, India, and Ireland to join Fiume's carnival of erotic militarism. For them, life seemed to be beginning all over again, this time devoid of the old rules. A purer, more beautiful and honest existence was on the horizon.

As the months passed and his sexual indulgences and megalomania deepened, D'Annunzio began to see himself as the leader of an international insurrection of all oppressed peoples. In reality, he remained little more than a two-bit opportunist, one of the many in Europe who had risen to prominence exploiting the rage of people who saw themselves

PANKAJ MISHRA is the author of the forthcoming book *Age of Anger: A History of the Present* (Farrar, Straus and Giroux, 2017), from which this essay is adapted. © Pankaj Mishra.

as wholly dispensable in societies where economic growth had enriched only a minority and democracy appeared to be a game rigged by the powerful. In France in the 1880s, General Georges Boulanger, a trash-talking demagogue, took advantage of public disgust over scandals, economic setbacks, and military defeats and came perilously close to seizing power. In 1895, during Austria-Hungary's traumatic transition to industrial capitalism, Vienna elected a vicious anti-Semite as mayor. Meanwhile, Germany, although successfully industrialized and wealthy, was busy fostering two generations of malcontents and proto-imperialists. At the dawn of the twentieth century, as the world experienced global capitalism's first major crises and the greatest international migration in history, anarchists and nihilists seeking liberation from old and new shackles burst into terroristic violence. They murdered countless civilians and assassinated numerous heads of state, including U.S. President William McKinley.

In Italy, the relatively young state's invasive bureaucracy and servility to a rich minority had produced particularly fertile conditions for fantasies of vengeful violence against the establishment. As *The Foundation and Manifesto of Futurism*, produced in 1909 by Italian admirers of D'Annunzio, proclaimed:

We want to glorify war—the world's only hygiene—militarism, patriotism, the destructive act of the anarchists, the beautiful ideas for which one dies, and contempt for women. We want to destroy museums, libraries, and academies of all kinds, and to fight against moralism, feminism, and every utilitarian or opportunistic cowardice.

For 15 months, D'Annunzio carried out a bizarre experiment in utopia in contemptuous defiance of all of the world's great military powers. His occupation ended tamely, after the Italian navy bombarded Fiume in December 1920, forcing D'Annunzio and his forces to evacuate the city, which today belongs to Croatia and is known as Rijeka. But a mass movement—Mussolini's fascism—soon carried on where D'Annunzio had left off. The poet-imperialist died in 1938, a few years after Italy invaded Ethiopia—a ferocious assault that D'Annunzio predictably applauded.

Today, D'Annunzio's moral, intellectual, and military secession from what he and his followers saw as an irredeemable society continues to echo. Alienated radicals from all over the world have once again flocked to a contested territory to join a violent, extremist, misogynist, sexually transgressive movement: the self-proclaimed Islamic State (or ISIS). Meanwhile, countries across the world are again suffering an onslaught of demagogues, many of them preening buffoons who have recast themselves as visionary strongmen—much as D'Annunzio did. The world is once again mired in what the Indian poet Rabindranath Tagore, touring the United States in 1916, called a “dense poisonous atmosphere of world-wide suspicion and greed and panic.”

Pundits and scholars alike have struggled to explain the chaos, disorder, and anxiety that have come to define the contemporary political moment. Many blame evidently pathological antimodernisms that have emerged from places outside the West—especially the Muslim world. Having proclaimed “the end of history” in 1989, the political scientist Francis Fukuyama was not alone in

wondering, soon after the 9/11 attacks, whether there is “something about Islam” that has made “Muslim societies particularly resistant to modernity.” In reality, today’s malignancies are rooted in distinctly modern reactions to the profound social and economic shifts of recent decades, which have been obscured by the optimistic visions of globalization that took hold in the aftermath of the Cold War.

HIGH ANXIETY

In the hopeful period that began with the fall of the Berlin Wall in 1989 and the collapse of the Soviet Union two years later, the universal triumph of liberal capitalism and democracy seemed assured. A combination of free markets and representative government appeared to be the right formula for the billions trying to overcome degrading poverty and political oppression. Many economies grew rapidly; new nation-states appeared across a broad swath of Africa, Asia, and Europe; the European Union took shape; peace was declared in Northern Ireland; apartheid ended in South Africa; and it seemed only a matter of time before Tibet, too, might be free.

Even in the early and mid-1990s, however, there were warning signs of trouble ahead. Ethnic cleansing in the Balkans and genocide in Rwanda, as well as the resurgence of far-right, anti-immigrant, and neo-Nazi groups in Europe, showed that authoritarian politics, vicious ethnic prejudice, and exclusionary nationalism had hardly vanished. A decade or so of liberal triumphalism gave way to a new era of crises: the 9/11 attacks, the U.S. wars in Afghanistan and Iraq, the acceleration of climate change, the global financial

meltdown and the subsequent Great Recession, the euro crisis, the rise of ISIS, and the spread of a pervasive sense of anxiety and even terror.

Behind all these developments lies the fact that globalization—characterized by the mobility of people, capital, and ideas and accelerated by the rapid development of communications and information technology—has weakened traditional forms of authority everywhere, from Europe’s social democracies to the despotic states of the Arab world. It has also produced an array of unpredictable new international actors that have seized on the sense of alienation and dashed expectations that defines the political mood in many places. The extremists of ISIS have exploited these changes with devious skill, partly by turning the Internet into a devastatingly effective propaganda tool for global jihad. And demagogues of all kinds—from Turkish President Recep Tayyip Erdogan, to Indian Prime Minister Narendra Modi, to France’s right-wing leader Marine Le Pen, to Philippine President Rodrigo Duterte, to the GOP candidate in the current U.S. presidential race, Donald Trump—have tapped into the simmering reservoirs of discontent.

For almost three decades, elites in many societies have upheld an ideal of cosmopolitan liberalism: the universal commercial society of self-interested rational individuals that was originally advocated in the eighteenth century by such Enlightenment thinkers as Montesquieu, Voltaire, Adam Smith, and Kant. But in reality, globalization has engendered a myriad of identity-based political formations, including Hindu majoritarianism in India, settler Zionism in Israel, and xenophobic nationalism in



Mad men: ISIS supporters in Tabqa, Syria, August 2014

Austria, China, Japan, Hungary, Poland, Russia, and the United States. Hate-mongering against immigrants, refugees, minorities, and various other outsiders has gone mainstream. In this age of anger and cruelty, grisly images and sounds continuously assault audiences. The threshold of atrocity has been steadily rising ever since the jihadist group that eventually became ISIS released its first videotaped beheading of an American hostage, in 2004, just as broadband Internet began to arrive in many middle-class homes. Populist and extremist attacks on reasoned debate and evidence-based analysis have made it easier for conspiracy theories and downright lies to spread and gain broad credence. Lynch mobs and mass shooters thrive in a climate where many people think of others only in terms of friends and foes and where sectarian loyalty or nativist hatred override civic bonds.

The larger consequences of the routinized venomousness in public life are incalculable: the urge that for two centuries has led generations to imagine a world better than the one they inherited is giving way to a deep-seated pessimism about the future and a generalized dread of catastrophe. The world seems beset by pervasive panic, which doesn't quite resemble the centralized fear that emanates from despotic power. Rather, people everywhere find themselves in thrall to the sentiment—generated by the news media and amplified by social media—that anything can happen, anywhere, to anybody, at any time.

MELTING INTO AIR

Unable to discern coherent patterns in today's chaotic milieu, some liberal intellectuals seem as lost as many of their leftist counterparts did after the

collapse of communism in 1989. “Whatever our politics, we all stand in need of a historical vision that believes there is a deep logic to the unfolding of time,” wrote Michael Ignatieff, a self-described liberal internationalist, in an essay published last year in *The New York Review of Books*. As a source of that kind of “deep logic,” the liberal faith in progress has plainly mimicked the Marxist dream of universal utopia. But today, as Ignatieff forthrightly admitted, “Enlightenment humanism and rationalism,” whether liberal or Marxist in bent, can’t “explain the world we’re living in.”

Since the 9/11 attacks, the blame for global instability has often fallen on an alleged sickness within the Muslim world, or what the novelist Salman Rushdie called a “deadly mutation in the heart of Islam.” In the West, jihadists are commonly understood as somehow standing apart from modernity and as fundamentally different from the Western fascists and totalitarians who terrorized and murdered on an even greater scale not long ago—not to mention more recent European terrorists, such as the Baader-Meinhof Gang in West Germany, the Irish Republican Army in Ireland, ETA in Spain, and the Red Brigades in Italy. An obsession with revealing the “Islamic” roots of terrorism has fueled a quixotic campaign to “reform” Islam and bring it in line with secular Western values with the help of “moderate” Muslims.

In this view, the culprits behind jihadist violence are not only the infinitesimally small proportion of Muslims who actually carry it out but also the majority of the world’s Muslims, who “are unwilling to acknowledge, much less to repudiate, the theological warrants for intolerance

and violence embedded in their own religious texts,” as the activist Ayaan Hirsi Ali wrote last year in this magazine. In the United States and Europe, this line of thinking exists on a spectrum whose most extreme end takes the form of a virulent Islamophobia. Right-wing voices now openly call for something akin to the criminalization of Islam and the forceful exclusion of Muslims from the West altogether. But the post-9/11 obsession with seventh-century theology blinded many to the mutations in the heart of secular modernity that link radicals in the Muslim world to not only other exponents of terrorism and violence elsewhere but also some of the most consequential political and social movements in modern Western history.

In nineteenth-century Europe, the rise of industrial capitalism was accompanied by wrenching political, economic, and social upheavals that led eventually to world wars, totalitarian regimes, and genocide in the West through the first half of the twentieth century and well into the second. The same kinds of changes are now affecting much vaster regions and bigger populations in the rest of the world. First exposed to Europe’s fateful experience of modernity through imperialism, large parts of Africa, Asia, and the Middle East are now plunging deeper into struggles with the same forces that produced terror and unprecedented bloodshed in the West just decades ago.

In the West, the gains produced by technological innovation and economic growth have frequently been offset by systematic exploitation, growing inequality, the destruction of social bonds, and intercommunal violence.

That disruptive process is now playing out everywhere else, challenging how billions of people conceive of life's meaning and goals. All over the world, botched or failed experiments in Western-style politics and economics have resulted in inviable nation-states, unrepresentative democracy, and vastly unequal distributions of wealth. In places where globalized capitalism has not fulfilled its promise of opportunity and prosperity, culturally and spiritually disorientated people have become increasingly susceptible to demagoguery and extremism. As "all that is solid melts into air," in Marx's formulation, some have reacted with frantic assertions of static identities based on race, ethnicity, nationhood, and religion. These voices seek to re-create an imaginary golden age, sometimes through nihilistic violence. Many of them crave bloodshed for its own sake, seeing it as the only path to individual and collective salvation.

ISIS and other present-day extremists are products of their own times and places. But they also follow in the footsteps of their Western forbears of the nineteenth and early twentieth centuries: the shiftless aesthetes who glorified war and misogyny; the nationalists who accused Jews of rootless cosmopolitanism and celebrated irrational violence; the revolutionaries who turned mass murder into an administrative chore; the imperialists who met demands for equality from subject peoples with violence and chicanery.

"It seems," Virginia Woolf despaired in 1938 (a far bleaker moment than the present), "as if there were no progress in the human race, but only repetition." History, however, is far from being

repeated. The wars, genocides, and totalitarian tyrannies of the early twentieth century in the West and the state-sponsored calamities elsewhere (such as Mao Zedong's Great Leap Forward in China) are unlikely to recur. In this age of frantic individualism, the dangers are less intense but more diffuse and unpredictable.

FOGGY MEMORIES

In a massive and underappreciated shift that has taken place in the past few decades, people everywhere have come to understand themselves in public terms primarily as individuals with rights and interests. Competition, envy, and domination over others have become the essential condition of existence in commercial societies. This condition is only slightly aggravated by the fact that, as the political theorist Hannah Arendt wrote presciently (if slightly prematurely) in 1968, "for the first time in history all peoples on earth have a common present." In the age of globalization, as Arendt put it, "every country has become the almost immediate neighbour of every other country, and every man feels the shock of events which take place at the other end of the globe."

Self-seeking individuals with very different pasts now find themselves herded together into a global marketplace where intense disparities of wealth and power have created humiliating new hierarchies. This proximity is rendered more claustrophobic by digital communications that have increased people's capacity for envious and resentful comparison. It has resulted, as Arendt rightly feared, in a "tremendous increase in mutual hatred and a somewhat

universal irritability of everybody against everybody else.”

After the final discrediting of communist regimes in the early 1990s, many Western liberals assumed that the great struggling majority of the world’s population would gradually come to resemble themselves, as long as non-Western societies made their political institutions more democratic, their economies more liberal, and their worldviews less inimical to the individual pursuit of happiness. Such Western observers may have been correct—except they forgot what their own societies actually looked like during their brutal initiations into modernity, and they failed to see what their history portended for the future of the developing world. In post-Cold War commentary and discourse in the West, the centuries of violence and suffering induced by colonialism, slavery, civil wars, and institutionalized racism and anti-Semitism were often reduced to the story of the two world wars—which in turn were interpreted primarily as necessary if terrible stages in liberal democracy’s eventual triumph over its antimodern ideological rivals. Totalitarianism, in both its fascist and its communist flavors, was identified as a malevolent reaction to a liberal tradition of rationalism, humanism, and universalism. In the optimistic haze of the post-Cold War era, Western intellectuals forgot (or unlearned) that totalitarian politics had in fact emerged from turn-of-the-century ideas—eugenics, racial unity, jingoistic nationalism, imperialism, social engineering—that had appeared first in liberal states and that were immensely popular in such bastions of

liberalism as France, the United Kingdom, and the United States.

Forgotten, in short, was the fact that even though the Enlightenment philosophers of Europe had formulated the principles of the secular modern world, the West had also generated precisely the kind of militantly anti-modern (or perhaps radically modern) ideologies that have now emerged elsewhere. More recently, in the post-9/11 era, this collective forgetting has also afflicted the Western discourse about terrorism, which, far from being an exclusively Islamic phenomenon, is in fact a tactic that has been used by people of all faiths and ideologies since it was developed by the European and Russian revolutionaries and anarchists of the late nineteenth century.

FREEDOM TO FEAR

In retrospect, D’Annunzio’s utopia in Fiume presaged many contemporary themes: the challenges and perils of individual freedom, the yearning for reenchantment, the surrender to large movements with stringent rules and charismatic leaders, and the cult of redemptive violence. His orgies confirmed the link between sexual transgression and unbounded individual freedom originally plotted by the Marquis de Sade and Lord Byron and recently retraced by the pedophiles and rapists of ISIS.

D’Annunzio’s macho posturing also articulated a misogynist fantasy that has historically been as common among distinguished thinkers as among racial and cultural chauvinists—an image of women, in Rousseau’s words, as “specially made to please

man” and meant “to be subjugated.” According to Hegel, the ideal woman “simply unfolds like a flower, without struggle and without resistance.” But D’Annunzio went further, embedding disdain for women in a hypermasculine dream of grandeur, heroism, self-sacrifice, power, and conquest—a fantasy shared today by aggressive men across racial, ethnic, national, and religious lines who believe that the quickest path to self-empowerment is through the domination and degradation of anyone they see as vulnerable.

But at the time that D’Annunzio took Fiume, the idea of individual empowerment through conquest and domination had distinctly limited applicability. Only about 20 percent of the world’s population lived in countries that could even claim to be independent. The overwhelming majority of the world’s population was deprived of self-rule. In most of the independent countries, women couldn’t vote, and the mildest suggestion that they should be able to provoked fierce opprobrium. Indeed, even the idea of suffrage for all adult males was still considered radical. Put simply, in 1919, relatively few people could become disenchanted with liberal modernity because only a tiny minority had enjoyed the opportunity to become enchanted with it in the first place.

Since then, however, billions more people have been exposed to the promises and illusions of modern development, most of them after the formal decolonization of Africa and Asia. The global process of individualization, or atomization, was accelerated following the collapse of the communist regimes. Beginning in the 1990s, a revolution of

personal, materialistic aspirations—an extension of the one that Alexis de Tocqueville had witnessed with much foreboding in the United States in the 1830s—swept the world.

Hundreds of millions of people have emerged from rural poverty and moved to urban areas, only to find life outside traditional communities to be burdened with fear, uncertainty, and unfulfillable fantasies of self-aggrandizement. Their social isolation has also been intensified in many countries by the decline or abandonment of postcolonial nation-building ideologies and projects and by their leaders’ embrace of a global neoliberal economy that imposes constant improvisation and adjustment—and, frequently, rapid obsolescence. As Tocqueville wrote, “To live in freedom one must grow used to a life full of agitation, change and danger.” Otherwise, one will move quickly, he warned, from savoring unlimited freedom to craving unlimited despotism.

This experience of freedom in a void is now endemic among populations in countries at all levels of development. Anarchic expressions of individuality and mad quests for pseudo-religious purity and transcendence have come to fill a gaping moral and spiritual vacuum. In many Western countries in recent years, extremist Islamism has grown in tandem with radical nativism against the backdrop of economic decline, social fragmentation, and disenchantment with electoral politics. Marginalized blue-collar Christians in rust-belt America and postcommunist Poland and alienated young Muslims in France push dueling narratives of victimhood and heroic

struggle pitting the faithful against the heretics, the authentic against the inauthentic. Their blogs, YouTube videos, and social media effusions mirror each other, down to their shared conspiracy theories about pernicious transnational Jews.

ISIS represents the most spectacular negation of the pieties of liberal modernity. But it is only one of the many beneficiaries of a worldwide outbreak of individual and collective mutinies. And although ISIS is unlikely to survive for long, others will follow in its footsteps. The sudden and rapid success of racist nationalists and cultural supremacists ought to make liberals wonder whether the millions of young people awakening around the world to their inheritance—which for even the richest among them includes global warming—will be able to realize the modern promise of freedom and prosperity, or if they are doomed to hurtle, like many Europeans in the past, between a sense of inadequacy and fantasies of revenge.

Some will doubtless continue to insist that the secular and modern West is locked in a battle with retrograde Islam or Islamism. But such spine-stiffening rhetoric can no longer obscure the fact that the belief systems and institutions that France, the United Kingdom, and the United States initiated and advanced—the nation-state, the commercial society, and the global market economy—first caused a long emergency in the West and are now roiling societies in Africa and Asia. The radical aspirations inspired by these ideas are far from burnt out. Demagogues are still

emerging, in the West and outside it, as the promise of prosperity collides with massive disparities of wealth, power, education, and status. Militant secessions from a civilization premised on gradual progress under liberal democratic trustees—the kind of civilization that D’Annunzio and his peers denounced as feeble and corrupt—are once again brewing within the West and far beyond it: and as before, they are fueled by a broad, deep, and volatile desire for destruction. 🌍

BRAZIL'S CURRENT MACROECONOMIC SCENARIO

Brazil is in the spotlight for its current macroeconomic and political situation. From 1993 to 2013, the country lived its golden years, when there was a combination of many political, economic and social developments. It was only in 2014 that Brazil started to face strong instability, leading to an economic downturn in 2015; the economy shrank 3.8% and it is projected to further decline this year. Despite this scenario, growth is expected mainly through a cut in public spending, the redesign of the national infrastructure concessions program, and a gradual boost in trade with Europe and the United States.

Public spending has grown by an annual average of 6% for the past 20 years, much faster than GDP, creating imbalances that need to be tackled. The pension system is burdensome since it represents 40% of the federal government's expenses and needs to be revised. Moreover, the national infrastructure concessions program should be reformulated while still embracing public infrastructure projects that comprise of roads, railroads, airports and seaports. There are some privatizations, essential for attracting foreign direct investment that might have to be implemented. Regarding trade, Brazil should gradually boost its international trade broadening the country's commercial ties beyond the purely south cone strategy. Doing so, it hopes to generate competitive forces and gains from global value chains, attracting investment and increasing the export potential of the most competitive sectors. But commercial agreements alone will not automatically increase exports as economic competitiveness and productivity should improve for sustainable growth.

Fortunately, Brazilian democratic institutions remain strong and committed to bringing back stability and growth, functioning as catalysts of change as the country's democratic base has been reinforced during this adjustment process. Despite its turmoil, Brazil is still among the top 10 biggest economies in the world by GDP (\$ 1.8 trillion) and attracts more than \$70 billion per year in FDI, not forgetting that its five regions with particular competitive endowments attract large investors that could unlock many opportunities.

FGV GOALS AND MISSION: ENCOURAGING DEVELOPMENT THROUGH EDUCATION

Fundação Getulio Vargas (FGV) privileges a constructive perspective regarding the current issues in Brazil, believing that the country will come out even stronger after this crisis. It has been following the current momentum closely, as its path is deeply linked with the Brazilian contemporary history. FGV is a center for quality education and applied research founded in 1944 and several Ministers, Central Bank Presidents, other authorities and public officials of high national importance, belong to its family. As a leading think tank in Latin America and one of the top 20 worldwide, its mission is to promote Brazil's socio-economic development. For over 70 years, FGV has been educating, conducting research, creating projects, disseminating information and ideas, and avidly engaging in national debates in matters of the global agenda.

With its eight schools, one technical advisory unit, two institutes, and thirteen applied research centers, FGV is responsible for the main measurements of the Brazilian economy, including inflation and economic performance indexes, and is known as one of the main generators of knowledge and human capital for both the public and private sectors. São Paulo School of Economics (FGV/EESP), followed by Brazilian School of Economics and Finance (FGV/EPGE), and the Brazilian School of Public and Business Administration (FGV/EBAPE) occupied the first, second and third place, respectively, of the national ranking compiled by the Brazilian Ministry of Education and Culture (MEC).



Cesar Cunha Campos.
Director, FGV Projetos

FGV has been gathering privileged expertise through its technical advisory unit, FGV Projetos, which has supported public and private institutions in Brazil and abroad for more than 30 years by producing expertise in crucial development areas such as economics and finance, law, management, and public policies. Its multidisciplinary team tailors business solutions to the specific needs and regional preferences of its clients through the use of innovative methodologies, business models, finance strategies, and tools for monitoring and evaluation, integrating the academy with the public and private sectors. With this scope, it develops and produces technical studies, publications, and conferences that guarantee an exciting exchange of experiences with the world. Some highlights include: "Brazil Competitive Profile", "Brazilian Agribusiness Overview", "The Culture Sector in the Brazilian Economy", among others.

FGV Projetos helps not only foreign companies and private investors to deepen their understanding of Brazil but also Brazilian companies who wish to explore investment opportunities abroad. FGV has been leveraging its international presence through the development of effective results partnerships with key international players, such as OECD, Koelnmesse, Deutsche Bahn, Kiel Institute for World Economy, European Investment Bank, Financial Times, Brazilian-American Chamber of Commerce and, more recently, with *Foreign Affairs*. The outlook for the coming years is promising since FGV Projetos' is investing in international initiatives that will harness its strategic partnerships and expand on new opportunities for bilateral collaboration.

FGV PROJETOS AND FOREIGN AFFAIRS: A STRATEGIC PARTNERSHIP

The fifth Brazil Economic Summit marked the debut of FGV's partnership with *Foreign Affairs*. It was a unique opportunity to bring together influential policy-makers and executives to share insights on matters important to Brazil's long-term growth and a timely event as many of the perspectives discussed by the experts were actually verified. Encouraging such debates is essential to open new channels of communication and create a knowledge platform.

FGV handpicked its partners in a concerted effort to engage in mutually beneficial projects, functioning as an articulator between relevant international players and their interests in the country despite its current conjuncture, and privileges a long-term constructive perspective on the current issues, proving the importance of the institution in advancement of the country.

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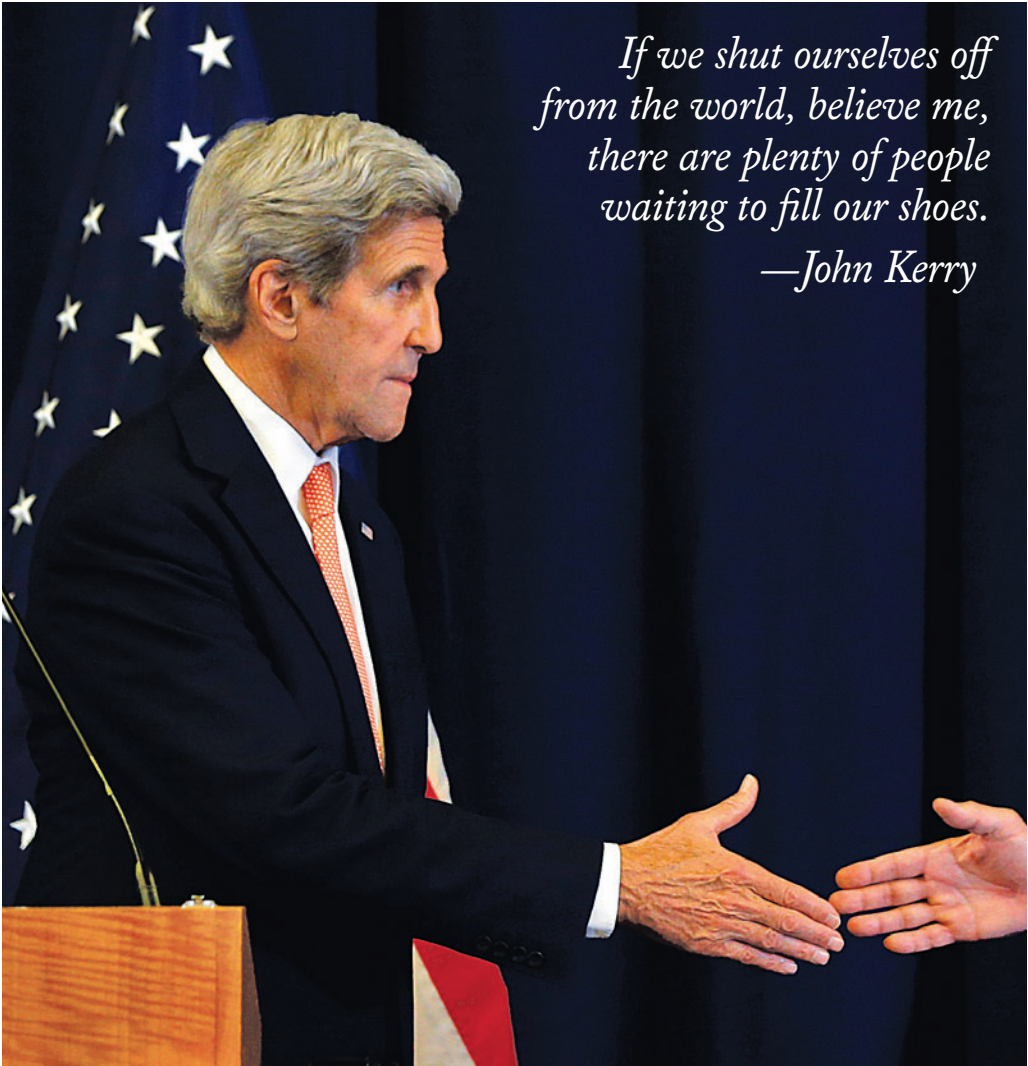
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ESSAYS



*If we shut ourselves off
from the world, believe me,
there are plenty of people
waiting to fill our shoes.*

—John Kerry

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The Envoy

A Conversation With John Kerry

After serving five terms in the U.S. Senate—including four years heading the Foreign Relations Committee—and surviving one unsuccessful run for president, John Kerry became President Barack Obama’s secretary of state in February 2013. Since then, Kerry, a decorated Vietnam veteran, has been in near-constant motion, logging more miles than any of his predecessors (1,281,744 at last count). On September 13, Kerry met with *Foreign Affairs*’ managing editor, Jonathan Tepperman, in Washington to discuss his tenure and his plans for his last months in office.

You just negotiated a deal with the Russians on Syria. How is it different from the last one, and what gives you the confidence that this one might work?

I can’t sit here and tell you with confidence that it will work. What I’m saying with confidence is that this is an opportunity, and it carries hope. But it depends on a lot of moving parts. It’s very, very complicated.

What makes it different, and the reason I have hope, is that it imposes a series of actions and responsibilities on the players in ways that will encourage them to conform. For instance, Russia has to meet our mistrust and skepticism by providing seven consecutive days of

reduced violence. That would be a confidence-builder.

As an incentive for them to do that, they can’t get what they want—the cooperation of the United States in going after Nusra [the al-Nusra Front] and ISIL [also known as the Islamic State, or ISIS]—without that seven days. And unless we get our [allies in the] opposition to comply, we don’t get the establishment of the Joint Implementation Center, which would lead to the first [joint] targeting, which would be the trigger for [Syrian President] Assad to not fly in the agreed-upon zone.

There’s also a mechanism here for dealing with the most significant confusion exploited in [earlier negotiations], which was Nusra being integrated with some of the opposition. That gave Assad cover to lump everybody together. Hopefully, that will now be diminished significantly.

How are you getting the word out to the opposition groups to separate themselves from al-Nusra?

We’re reaching out through all of our contacts to the armed groups on the ground and speaking with them very directly and encouraging them to live by this [agreement]. It’s not as if they’ve been winning enormous amounts of territory in the last months or growing in strength. So there are real reasons for them to try to get to the table in Geneva.

This interview has been edited and condensed.



*Kerry at the UN in Vienna,
January 2016*

If we can get something moving there, then there's a prayer.

People say, "Oh, my gosh, this can't work." Maybe they're right. But the alternative is to throw up your hands and add to the 450,000 people who have already been killed—a spectacle that would put the world to shame. And I don't think that's acceptable.

A week ago, President Obama said that one of the things preventing an agreement was the gap of trust between the United States and Russia. What changed?

We sat at a table and worked through a methodology that gave us each confidence. Both of us are required to do something. That could conceivably build some confidence that both sides are serious about making this happen.

Do you see a model there for other areas of U.S.-Russian friction?

Sure. We're already doing it. When we were in Hangzhou, China last week for the G-20 meeting, President Obama put to President Putin a new way to try to resolve the challenge of Ukraine more rapidly. And we have a group working on it right now. Our hope is that we can get [Ukrainian] President Poroshenko and Russia to a place where we're simultaneously teeing up both security and political measures that will give each side confidence that the other is actually going to deliver.

So that's the lesson from this Syria deal: structure agreements with sufficient incentives for both sides to comply?

That's the trick in any negotiation. Getting to yes means getting the other party satisfied that its interests are being met sufficiently. You rarely have

one side completely happy and the other completely unhappy. You've both got to get something out of it, enough that you're prepared to go fight for [the deal] at home.

Best-case scenario, where does this deal take Syria a year or two from now?

Best-case scenario is that you actually achieve a political transition, a plebiscite where the people choose their new leadership. You have a secular, constitutional, democratic Syria that is able to stay united and embraces the rights of its minorities.

And how do you get there with someone as intransigent as President Assad, who just a few days ago said he's still planning to reconquer all of Syria?

People say things. Some of the opposition still says Assad has to go tomorrow; I don't put a lot of stock in that [either]. Let's see what kind of song Assad sings if Russia and Iran and others view it as in their interest to keep the peace and find a way forward. If you provide stability, and people begin to come home, and the dynamics begin to change, the politics of the negotiation will also change. You can't predict every piece of that, but I'd rather get to that problem than see the continued disintegration of the country.

Don't you think that has already happened?

No. It's close. But I think the country can still be unified.

Can you envision a deal that the United States, Iran, and Russia can all live with?

I can envision it. Whether they're prepared to compromise is up for grabs, and no one is going to telegraph his bottom

line at this point. But better to be at the table trying to test that through negotiations than witness the utter destruction of Aleppo and of Syria.

You're choosing between very difficult options here. If you decide—as Americans seem to be pretty overwhelmingly disposed—not to put American forces on the ground and go in and fight another war in the region, then that's the bottom line.

You have only a few more months on the job. What's the one thing you'd most like to accomplish?

It probably will come as no surprise to you, but there is not just one thing.

We are pushing extremely hard right now to get the Paris agreement [on climate change] ratified and in force. The president and I want to see that brought to fruition.

I would like very much, obviously, to see if we can put Syria in a better place. I'm working very hard on a Yemen resolution right now with the Saudis and the Omanis and the Houthis and so forth. We may even be able to get a cease-fire in the next few days.

We're working very hard to try to put Libya in better shape, working with the Emiratis, the Egyptians, and the [Libyan] Government of National Accord, and I think we're making some progress. It's a little slower than I would like, but we're pushing on that very, very hard.

The number one priority is making sure that when we leave office, Daesh, ISIL, is in extremis to the greatest degree possible. We've put a real dent in ISIL's capacity. They haven't gained any territory in almost 18 months. The leadership has been significantly diminished.

We've limited the number of troops coming in. They've lost major battles in Iraq and Syria. We've taken back communities and are bringing the population back. I went out at the president's direction and put together a coalition of 66 countries, and we're working very effectively in a unified, multilateral effort to get rid of this scourge.

We're also very involved in the Colombia peace process. I want to see that come to fruition.

TPP [the Trans-Pacific Partnership] is another key priority. We've got to get that done. It's critical for business and for the future of the region. It would underpin the [administration's] rebalance [to Asia], and it's also critical to important relationships, like with Vietnam, where there are huge transitions in the labor market as a result of what we've done.

I can say with some confidence that our agenda is going to remain very full until the last day, including, I might add, the Oceans Conference, which we are sponsoring. We will have some 35 foreign ministers here, 25 environment ministers, over 100 countries represented. We will have 120 different initiatives. A dozen countries will announce marine protected areas. We're going to establish a new, global Safe Ocean Network that will help to protect sustainable fisheries and put a new focus on the oceans.

When you look over your tenure, what's the big one that got away?

It's obvious to everybody that the constant elusiveness of peace between Israel and Palestine stands out as a continuing challenge.

What prevented progress? It seems that you've applied the same dogged approach to a lot of different issues. That paid off on issues such as Iran but didn't work here. Why is that?

Because you had intervening events that just got in the way, frankly.

Events or personalities?

A combination. You have to have willing partners to complete an agreement. People have to want to get to yes. And there are serious questions about whether either side wanted to get there at that moment.

You also really did have external events. For instance, to hear on the radio, while you're in the middle of negotiations, that a reconciliation is taking place between Hamas and Fatah—that was a kind of disruption that took a while to get over.

If we had more time, we could get back to the table. We have laid out a superb road map. We have a very clear sense of what has to be done. We did more work than any administration in history on the security issues. General [John] Allen and I worked extremely hard in developing something that would provide absolutely and unequivocally for Israel's physical security on its borders and so forth. And then there was a plan for the internal security in terms of the management of the [Palestinian] state that went way beyond anything that had been previously developed. It was really very precise, and I think people will come back to that. We have five more months in which we will continue, as we are right now, having a dialogue with these parties. We're not finished. We're not in the same kind of visible, day-to-day direct-engagement effort, but we're

trying to get the parties back to a place where the next administration can pick things up.

You mentioned the TPP. One of the extraordinary things about the TPP is the enormous gap between how the professional foreign policy community sees it—as an essential good for the United States and much of the world—and how much of the American public and Congress sees it. What accounts for that?

This is well-trod territory, but America has a growing gap between the haves and the have-nots. Increasingly, people perceive that they are not sharing in the benefits of globalization. Anger has built up over the unwillingness or inability of Congress to deliver on campaign promises. So people are angry. Their lives are not what they were before. Their purchasing power has gone down. In many cases, their income has gone down even if they have a job. Some people have lost jobs at an age in life when it's really hard to get another one. So these [anti-trade] forces have been unleashed. But they don't have to be—there are answers to all of those problems.

But what can we do about it now?

We have to make sure that people understand that the problem is not trade per se. You have to make certain that people get the things that they need, are paid a decent salary, get the benefits that they deserve. But don't throw the baby out with the bath water. You can't give up trade when 95 percent of the customers are in other countries.

There's a mistrust now, because the political system has let people down. I understand that. But I also understand

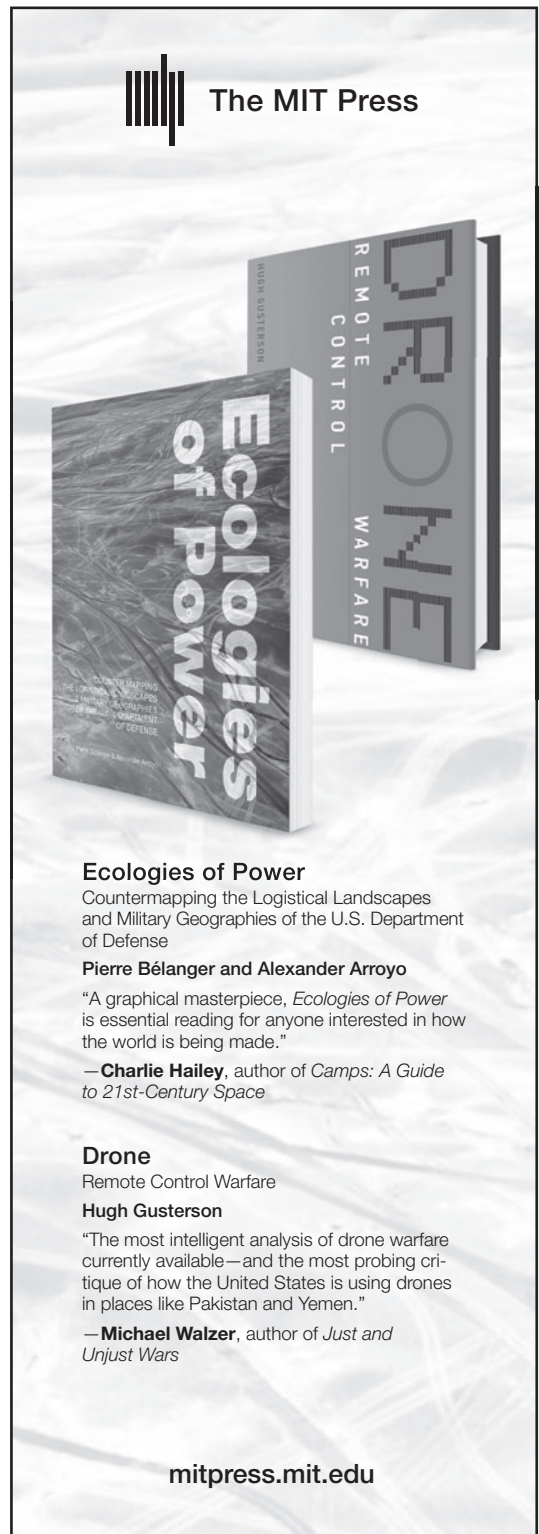
that we will not be better off as a country if we do not get TPP passed and have rules of the road for business that create a race to the top rather than the bottom, rules that increase rights for people around the world, protect the environment, establish labor standards, and open up markets. If we shut ourselves off from the world, believe me, there are plenty of people waiting to fill our shoes.

But this isn't just a policy problem now; it's a political one. How do you overcome the fact that there's so much political hay to be made from opposing trade?

Well, I'm not in politics now. I'm in the job of trying to strengthen America's position in the world and make sure we protect our interests and our values. I believe that our interests lie in passing TPP, and I think we will cause a terrible self-inflicted wound if we don't succeed in passing and ratifying it.

There's a growing sense both abroad and at home that the United States is retrenching. Perhaps as a consequence, there's also a growing sense that the United States can be pushed around without consequences. You see this in various ways, whether it's Russia buzzing U.S. airplanes, Iran harassing U.S. ships in the Persian Gulf, or the Chinese offering Obama a rude welcome on his recent visit. Meanwhile, U.S. allies are complaining about feeling unsupported. Does all of this make your job harder? And what can be done about it?

The nature of conflict today makes the job much harder. And the levels of corruption and the number of failed or failing states, coupled with massive increases in population, lack of opportunity, an increase in radical religious



The MIT Press logo is at the top left. Below it, two book covers are shown. The first is 'Ecologies of Power' by Pierre Bélanger and Alexander Arroyo, featuring a dark cover with white text and a map-like background. The second is 'Drone Remote Control Warfare' by Hugh Gusterson, with a grey cover and large, stylized text. Below the books, there are two sections of text, each with a quote and a testimonial. At the bottom right, the website 'mitpress.mit.edu' is listed.

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Pierre Bélanger and Alexander Arroyo
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extremism, and the clash of modernity with cultural conservatism—all of these forces and more are creating a much more complex set of choices for American foreign policy.

A lot of people react to this situation by throwing up their hands and saying, “America is not doing what it used to do.” But that’s just false. It could not be more incorrect. We’ve just put \$3.4 billion on the table for reassurance plans for frontline states in Europe. NATO stands strong. Putin is not in Kiev; he’s wrestling with the eastern part of Ukraine—and our sanctions have worked.

You know, buzzing an aircraft is not a *casus belli*. It’s a stupid activity. It’s provocative. But it’s not the first time in history it’s happened. And the fact is, our military is the strongest in the world. Everybody knows that. I don’t think anybody is going challenge our military in some sort of overt way.

The United States has made it crystal clear to President Putin and other would-be challengers that we’re going to take them on. Witness the strengthening of our alliances in the Mideast, the proactive strengthening of the Gulf Cooperation Council, the work we’re doing on a missile defense system for the Gulf, our continued leadership in Afghanistan (where we helped put this unity government together, which has kept the country from imploding).

Our leadership has been critical to keeping Ebola from moving around the world. When people said a few years ago that there were going to be a million people dead by Christmas, President Obama deployed 3,000 troops, and we—joining with the French and the British, who did an amazing job, and the Japanese and

others, who gave materials—we took that on. And we succeeded.

Look at AIDS in Africa today. Because of our work, our leadership, and PEPFAR [a Bush administration program], which we continued and upped in many ways, we’re on the cusp of seeing the first generation of children born AIDS free.

We’ve been engaged in Power Africa. We’re engaged in Nigeria. We helped [President] Buhari and the government have a clean election. And we’re fighting Boko Haram.

We’ve done the same thing in Somalia, where we’ve put al Shabab on its heels. We’ve strengthened AMISOM [the African Union peacekeeping mission there]. We’re leading and have led those efforts. You can look at what we’ve done with respect to Yemen, Libya, Syria, the coalition we put together in Syria to fight Daesh.

Remember what was happening there recently. ISIL was sweeping across Iraq. Mosul fell. It didn’t fall because Americans weren’t there; it fell because the Shia army that had been built by [Iraqi Prime Minister] Maliki as a personal army didn’t have any investment in standing and fighting in Mosul, which is Sunni. They backed out on a sectarian basis and folded. And so in came ISIL. And what happened? The president of the United States made the decision to send U.S. warplanes in, started attacking ISIL, pushed them back, protected Baghdad, helped build the army, and we have methodically taken back Tikrit, Ramadi, Fallujah, and are moving up now, surrounding Mosul, and have put ISIL on its heels in Syria as well.

Then there’s American leadership on climate change, on the oceans. Everywhere you look, things are happening,

and they're happening with important American input and leadership.

So why is this not recognized? Why is the message not getting out?

Because there are still these places of conflict and turmoil. People think it only takes an American decision to solve this or that problem. There is a lack of awareness about the degree to which the United States is already leading and working.

Look at what we're doing on North Korea, on the sanctions in the UN. Look at what we've done with the South China Sea. Look at what we've done with our allies in Korea and in Japan. We are front and center on Arctic issues, on Antarctic issues. We're leading on each one of these things.

The United States is more engaged, involved and leading in more places, and making a greater difference with respect to global security than at any other time in American history.

Are your hands and the president's hands tied by the lack of appetite among the public for direct U.S. intervention abroad?

Yes, yes. Of course. There is some restraint as a result of that. But we're also restrained by the fact that this is a moment when the world needs a new Marshall Plan. The world desperately needs the United States and other countries to contribute significantly to providing education and jobs and opportunity now. You have about 1.5 billion kids in the world who are 15 years old or under. They have smartphones or watch TV. They know how the rest of the world is living. They know what other people have and they don't. That drives aspirations,

and if you don't meet those aspirations, the result will not be good.

My point is, we know what we can do and how to do it. Helping would be an investment in America's security. There's no "over there" anymore; "over there" is everywhere. If we're not engaged in helping countries meet their challenges, then really dangerous, nihilistic ideologies can fill people's heads, and you wind up with conflict.

Do you think we have a Congress and a public that would get behind such efforts?

Not yet. But you have to ask for it. You have to educate. You have to talk about it. That's why I'm laying it out for you right now. At some point, people are going to realize that this has to happen. We need to plus-up the budget of the State Department, increase the amount of aid we give, and help the world through this difficult moment. That is the price of leadership. But in the end, it's far cheaper than spending the trillions of bucks that we spent on Afghanistan and Iraq and other misadventures.

Do you think your administration is making that case adequately?

I think we're making the case. You'll hear the president in the course of the campaign make the case for why America needs to lead and be engaged. But we have a Congress that is not ready to embrace it.

By the administration's account, the nuclear deal with Iran is working well in achieving its narrow objective, which is pausing work on Iran's nuclear program. Is there any reason to hope that Iran will moderate its behavior in other areas, anything that can be done to encourage it?

Well, the most important thing we can

do is make sure that we live up to our side of the bargain.

Are we doing that?

Yes. We've even gone beyond it in efforts to try to make sure that banks that are reluctant to do business [in Iran] for various reasons will do business. We've lifted all the sanctions that we agreed to lift. But there are other problems. We need to help Iran recognize that it has some challenges internally it has to deal with relative to its own banking system, to its own business practices, its transparency.

Can we really help Iran with those problems?

Yes. We could help on technology and certain other things. But it's very difficult when Iran is engaged in Yemen and supporting Assad and supporting Hezbollah and firing missiles that people deem to be threatening and so forth. That hugely complicates efforts to move forward rapidly.

I think the supreme leader is, unfortunately, extremely suspicious of the West and us. And that puts internal pressures on the political system. That's unfortunate. But over time, my hope is that Iran will rejoin the community of nations in constructive ways to try to make the region more stable and bring peace to places that need it.

It's no secret that you wanted this job for a long time. Has it turned out to be what you expected? And what's your advice for your successor, whoever it is?

Actually, I didn't want this job for a long time. I wanted to be president of the United States, and ran and tried and it didn't work out. So I think it's

safe to say that I thought this might be a good job for four years.

I'm not going to give advice to the next secretary through an interview. I'd rather deliver that advice personally. But I will say, generally speaking, to anybody who wants to do this job or another like it: it's really important to make sure that the entire policymaking establishment understands the country they're making policy about and sees it through the eyes of the people in it, not just through our eyes. We don't always do that. We've gotten ourselves into some real pickles because of it. The Iraq war, the Vietnam War—things like that.

And you have to move fast in today's world. You don't get a lot of latitude [for mistakes]. There are too many things coming at you too frequently. So you need a capacity for multitasking and intensity.

But I would say to anybody, you're about to come into what is probably the best job in the world—in many ways, better than being president, because you're not distracted as much by politics. You're focused on policy, diplomacy, particular negotiations. You can really bear down, and you have the luxury of picking and choosing where to bear down—something the president doesn't get to do. 🌐

MEANING OF New American Leadership FOR Asia

Prof Kishore Mahbubani

Dean of the LKY School of Public Policy, NUS, is the author of *The Great Convergence: Asia, the West and the Logic of One World*.

It is said that ASEAN has never had a better friend in the White House than President Obama. Do you see America's 'pivot' towards ASEAN changing with the new President?

Obama knows well how unique ASEAN is because he lived there as a child. He also knows that there are massive reservoirs of goodwill towards America in the region. Hence, he made ASEAN a priority.

Looking ahead, it would be a mistake to predict the future American president's foreign policies on the basis of campaign statements. In 1992, Bill Clinton said he would not "coddle the butchers of Beijing". Yet, that is exactly what he did a year later.

When either Hillary Clinton or Donald Trump assume office in January 2017, their policies towards ASEAN will be guided by American interests. These are well-served by a strong and dynamic ASEAN. ASEAN has profoundly changed the political chemistry of East Asia, and it provides the only viable platform for great powers to engage each other. It is therefore in America's interests to strengthen ASEAN. Both Clinton and Trump will do this.

At the same time, there is no doubt that Clinton understands ASEAN better. As former Secretary of State, she participated in several ASEAN meetings. She also has strong personal networks in the region.

How do you see regional security being impacted, especially on the South China Sea issue?

Managing a rising China will be the priority for the next American

President. However, if the South China Sea issue is used to embarrass China, it may yield short-term dividends, but also lead to long-term costs.

An aggressive struggle over the South China Sea would severely stress ASEAN. It could even lead to its break-up if ASEAN members are forced to choose between America and China.

Wiser heads should therefore prevail in Beijing and Washington. Both countries should see the value in sustaining a strong and dynamic ASEAN and avoid taking a hard stance on the South China Sea issue. If America and China focus on their common global mercantile interests, a solution is possible.

What should ASEAN's priorities be when navigating the new relationship with the White House?

ASEAN's main priority in dealing with the new White House will be to once again educate it on America's long-term interests in Asia. The 21st century will be the Asian century. As America surveys the region and assesses who its long-term friends have been, few can match the consistency and strength of ASEAN. My next book on ASEAN documents how America has benefited from ASEAN's success.

America should participate actively in ASEAN's 50th anniversary celebrations in 2017, and lay the foundation for another 50 years of steady relationship. As American foreign policy is known for short-term calculations, it should demonstrate that it is capable of being a strong and reliable long-term partner to ASEAN.

America's active economic and military engagement with Asia should continue mainly because of its contribution to regional peace and prosperity.

A portrait of Prof Khong Yuen Foong, an older man with dark hair, wearing a dark suit, white shirt, and patterned tie. He is looking slightly to the right of the camera with a neutral expression. His hands are clasped in front of him.

Prof Khong Yuen Foong

Li Ka Shing Professor
of Political Science
Lee Kuan Yew School
of Public Policy

What aspects of Obama's Asia foreign policy should the new American president continue?

America's active economic and military engagement with Asia should continue mainly because of its contribution to regional peace and prosperity.

The perception that America has neglected the region is a misconception. If you look carefully at what the superpower has done since the Cold War, I would argue that it has reaffirmed and consolidated virtually all its military alliances in Asia. America has elevated its alliances with Japan, South Korea, Philippines and Thailand, and has given them all major non-NATO ally status.

Also, America has encouraged military allies to have strategic links with one and another, such as Australia and Japan, and India and Australia. By encouraging these democracies to interact strategically with one another, America hopes to continue as the hegemon in the region.

How will the two presidential candidates impact US-Asia foreign policy?

Hillary Clinton would like to continue with the 'pivot' (after all she was instrumental in starting it), if only the politics allowed it. She is a member of the Eastern establishment. She plays by Washington's rulebook, and is well versed with what is good for America's prosperity and security.

There are many advantages of the pivot and of America's alliances in Asia. I would be very surprised if any American president chooses to change engagement rules in Asia (although Trump has made statements to this effect). If you pull out troops, where are you going to house them? It might be more costly to base them at home than in Asia. There is a huge domestic political incentive to let things carry on as they are.

What does Asia expect of America, regardless of who comes into the White House?

There is a diversity of opinion about what to expect from America. For instance, China hopes that Asia will be responsible for solving its own problems. Indonesia has, in the past, also used this vocabulary.

Asia is not facing America with one voice. That being said, the majority of Asia welcomes American engagement on the military and economic fronts, and acknowledges that the relationship has played an important role in maintaining peace and stability in the region.

Will the TPP be a priority for both the presidential candidates?

The TPP is a non-starter for both candidates. For Trump, free trade agreements have had an adverse impact on American interests, and he doesn't want to have anything to do with it. He is not entirely wrong here, as globalisation and free trade pacts have cost America many jobs; he has just failed to factor in the enormous gains accruing to America's hard-to-beat services and technological industries.

Clinton has retracted her support for the TPP. From her perspective, the best thing that can happen is for the TPP to be ratified by Congress when Obama is still in office. If not, Clinton - if she wins - will have to go back to the drawing board to renegotiate the treaty, or give it up altogether.

How will the two US presidential candidates shape future US-China foreign policy?

Donald Trump's policy-making is likely to be much more unpredictable than Hillary Clinton's. However, it will depend on the team the two candidates build. Who will be his or her Secretary of State, Secretary of Defense, and National Security Advisor? Who will be his or her Cabinet members? The President is important, but more important is the team in foreign policy.

The other factor to consider is how the new leader will read the situation and respond accordingly. How China would respond to the new President and his/her policy will also be a determinant.

In retrospect, presidential candidates always tend to be tough on China. But once they were in office, they had to deal with the reality. I wouldn't worry too much about the US-China relationship, no matter who the leaders in Washington and Beijing are. The foundation of the relationship is solid and can't be changed overnight.

What are the defining characteristics of this solid foundation? Why does it matter that the new President preserves this?

The relationship between China and the US has become irrevocably interdependent since the 1980s. As such, US-China relations have transcended the bilateral relationship. Every issue between the two countries, such as trade imbalance, human rights, currency and security, has global implications. On the other hand, we can hardly solve, or even manage, the challenges the world is facing now without the two countries working with each other. I don't believe either side wants to confront each other unless fundamental interests are threatened. They have to work together to solve major issues.

China's rise is unique. In the past, all the rising powers challenged the existing international system while they were rising. But China has risen by integrating into, rather than challenging, the existing international system, which is built and led by the US and its allies.

What outlook will the two candidates have on the South China Sea issue?

The South China Sea issue involves a two-level game. Territory disputes between China and the other claimant countries represent one level. The stakes here are sovereignty, natural resources, and national identity. Then there is also the game between China and the US. In this game, the two great powers are competing for moral high ground and international support so as to gain strategic initiative and strategic resources. Regardless of who wins the presidency, this two-level game will continue, but it is unlikely that there will be a confrontation, as all the involved parties have learned how to play the game. We will surely hear a lot of thunder, but not much rain on the South China Sea.

The recent Hague ruling is overwhelmingly against China. But the solution of the South China Sea issue will have to be a political one. In this sense, the ruling was a fumble because it has wiped out all the grey areas necessary for negotiation and compromise, which is the only way to find a peaceful solution.

The only situation in which the two countries would confront each other would be in the case of a zero-sum game – a scenario where policy-making is ideology-driven, economies are independent and isolated from each other, hence the world is divided into two camps, with both sides building up security alliances for confrontation. Obviously, this is not the situation in today's world as well as between the US and China.

The other factor to consider is how the new leader will read the situation and respond accordingly. How China would respond to the new President and his/her policy will also be a determinant.



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The Rebalance and Asia-Pacific Security

Building a Principled Security Network

Ash Carter

In April, I laid a wreath at the Manila American Cemetery, in the Philippines, where some 17,000 Americans are buried. Looking up at the mosaic maps of battles whose names still echo throughout the U.S. Department of Defense—Guadalcanal, Midway, Leyte Gulf, and more—it is hard not to appreciate the essential role that the U.S. military has long played in the Asia-Pacific. Many of the individuals buried in the cemetery helped win World War II. For the people and nations of the region, they also won the opportunity to realize a brighter future.

Since World War II, America's men and women in uniform have worked day in and day out to help ensure the security of the Asia-Pacific. Forward-deployed U.S. personnel in the region—serving at Camp Humphreys and Osan Air Base in South Korea, at the Yokosuka naval base and Yokota Air Base in Japan, and elsewhere—have helped the United States deter aggression and develop deeper relationships with regional militaries. The thousands upon thousands of sailors and marines aboard the USS *John C. Stennis*, the USS *Blue Ridge*, the USS *Lassen*, and other ships have sailed millions of miles, made countless port calls, and helped secure the world's sea-lanes, including in the South China Sea. And American personnel have assisted with training for decades, including holding increasingly complex exercises with the Philippines over more than 30 years.

Every port call, flight hour, exercise, and operation has added a stitch to the fabric of the Asia-Pacific's stability. And every soldier, sailor, airman, and marine has helped defend important principles—such as

ASH CARTER is U.S. Secretary of Defense.

the peaceful resolution of disputes, the right of countries to make their own security and economic choices free from coercion, and the freedom of overflight and navigation guaranteed by international law.

Ensuring security and upholding these principles has long been U.S. policy. During Democratic and Republican administrations, in times of surplus and deficit, and in war and peace, the United States has played a part in the region's economic, diplomatic, and security affairs. This engagement has persisted despite frequent predictions that the United States would cede its role as the main underwriter of security in the Asia-Pacific.

The results have been extraordinary: the Asia-Pacific has long been a region where every nation has the opportunity to thrive. Indeed, economic miracle after economic miracle has occurred there. Japan, South Korea, Taiwan, and the countries of Southeast Asia have all risen and prospered, and China and India are now doing the same. Human progress has produced enormous gains, as education has improved and democracy has taken hold. And compared with many other regions in recent decades, the Asia-Pacific has experienced more stability and peace.

In light of the Asia-Pacific's progress and all the economic, political, and military changes it has produced, U.S. President Barack Obama announced in 2011 that he had "made a deliberate and strategic decision—as a Pacific nation, the United States will play a larger and long-term role in shaping this region and its future." The so-called rebalance to the Asia-Pacific sought to reenergize the United States' economic, diplomatic, and military engagement there. After a decade of counterterrorism and wars in the greater Middle East, the United States—and the Department of Defense—would shift its investments, commitments, and operations to the Asia-Pacific. Five years on, as the Defense Department operationalizes the latest phase of the rebalance, it is important to review the progress we have made as the United States works to ensure that the Asia-Pacific remains a region where everyone can rise and prosper.

A CHANGING REGION

The Asia-Pacific is increasingly becoming the world's economic, political, and military center of gravity. The population changes alone are staggering: already, more than half of humanity lives in the region, and by 2050, four Asian countries—India, Indonesia, the Philippines,



Carter in the Philippines, April 2016

and Vietnam—are expected to have grown by approximately 500 million people in total. Despite some recent projections of reduced growth, the Asia-Pacific remains a key driver of the global economy and an indispensable market for American goods. The region is already home to some of the world’s largest militaries, and defense spending there is on the rise. Preserving security amid all this change is a priority for the United States and many other nations, since these dynamics are producing opportunities not only for greater growth and progress but also for greater competition and confrontation. And so the rebalance was designed to ensure the continued stability and progress of this unique region at a time of change.

To do so, Washington is strengthening economic ties with the region because the economic destinies of the United States and the Asia-Pacific are intertwined. As Asian economies continue to grow, the United States wants to reinforce the open and inclusive approach that has benefited so many in the region. Thus, one of the most important initiatives of the rebalance is the Trans-Pacific Partnership, or TPP, which aims to bind the United States more closely together with 11 other economies, guarantee a trading system with high standards, and support American exports and higher-paying American jobs. The TPP is an opportunity that the United States—and Congress—should not miss.

Through the rebalance, the United States has also reenergized its diplomacy in the region. In addition to increased visits to the region by the president and his cabinet, the United States is playing a critical role in the conversations that are helping determine the Asia-Pacific's economic, political, and security future. And in many cases, the United States has hosted these talks. For example, in February, Obama hosted the first-ever U.S.-based leaders' summit of the Association of Southeast Asian Nations (at Sunnylands, in California), and in September, I hosted the ten defense ministers of ASEAN in Hawaii to discuss regional security challenges.

The Pentagon is operationalizing the military part of the rebalance to ensure that the United States remains the primary provider of regional security for decades to come. The first phase of the rebalance sought to

The Asia-Pacific is increasingly becoming the world's economic, political, and military center of gravity.

enhance the U.S. military's force posture so that the United States continues playing a pivotal role from the sea, in the air, and underwater. It also sought to make our posture in this vast region more geographically distributed, operationally resilient, and politically sustainable. The Defense Department has committed to homeporting 60 percent of its naval and

overseas air assets in the region. It has also announced plans to modernize its existing footprint in Japan and South Korea. And while maintaining a robust presence in Okinawa, Japan, it began to realign U.S. marines from a highly centralized posture there to additional locations, including Australia, Guam, and Hawaii (with Guam serving as a strategic hub).

In the rebalance's second phase, which I launched last year, the Pentagon is continuing to place some of our best military personnel in the region and deploying some of our most advanced capabilities there. Those capabilities include F-22 and F-35 stealth fighter jets, P-8A Poseidon maritime patrol aircraft, V-22 Ospreys, B-2 bombers, and our newest surface warfare ships. The Defense Department is also devoting resources to new capabilities critical to the rebalance. We are increasing the number of surface ships and making each of them more lethal, and we are investing in Virginia-class submarines, advanced undersea drones, the new B-21 long-range strike bomber, and state-of-the-art tools for cyberspace, electronic warfare, and space.

The Defense Department is also developing innovative strategies and operational concepts and practicing these new ideas in training exercises, both on our own and with partners. For example, this past summer's Rim of the Pacific (RIMPAC) multilateral maritime exercise—which occurs every two years and is the largest of its kind in the world—brought together 26 countries to work to promote open sea-lanes. In a remarkable show of cooperation, the United States and China even sailed together from Guam to Hawaii for the exercise, conducting several practice events along the way, including one to enhance search-and-rescue capabilities.

STRENGTHENING DEFENSE RELATIONSHIPS

As RIMPAC demonstrates, the United States' defense relationships with allies and partners form the foundation of its engagement in the Asia-Pacific. These ties have been nurtured over decades, tested in crisis, and built on shared interests, values, and sacrifice. Under the rebalance, the Defense Department is modernizing these alliances and partnerships to ensure that they will continue to serve as the bedrock of the region's stability and prosperity.

In East Asia, the U.S.-Japanese alliance remains the cornerstone of Asia-Pacific security. And with the new defense guidelines that Washington and Tokyo signed last year, the alliance has never been stronger or more capable of contributing to security around the region and beyond. Updated for the first time since 1997, the guidelines take new trends and technologies into account and enable U.S. and Japanese forces to work together more closely and on a wider range of contingencies—including those below the threshold of conflict and those in space and cyberspace.

The U.S.-South Korean alliance took a major step forward in 2014, when the two countries agreed to a conditions-based, rather than timeline-based, approach to determining when South Korea would obtain operational control of alliance forces in the event of a war. And in July of this year, as part of an effort to defend against North Korean ballistic missiles, our two countries decided to deploy an advanced missile defense battery, called THAAD (Terminal High Altitude Area Defense), in South Korea at the earliest possible date. The U.S.-Australian alliance, for its part, is becoming more and more a global one. The two countries are continuing their close defense cooperation not only across the region, including through a bilateral

force posture initiative, but also outside the region, in the fight to accelerate the defeat of the Islamic State, or ISIS.

As Obama has made clear, the U.S. commitment to the Philippines is ironclad. Under the rebalance, the alliance has made great strides. U.S. and Philippine personnel regularly train together, and thanks to the landmark Enhanced Defense Cooperation Agreement, signed in 2014, the U.S. military will help modernize the Philippine armed forces. Meanwhile, through the U.S.-Thai alliance—one of the United States' oldest in the region—the United States is helping Thailand better defend itself.

Beyond alliances, the United States is also deepening its partnerships with friends across the region. For example, the U.S.-Indian relationship is destined to be one of the most significant partnerships

China's model is out of step with where the Asia-Pacific wants to go.

of the twenty-first century. The United States and India are two great nations that share much in common: democratic governments; multiethnic and multicultural societies with a commitment to individual freedom and inclusivity;

and growing, innovative, and open economies. In June, the White House recognized India as a “major defense partner,” a designation that will facilitate defense trade and technology sharing with the country on a level that the United States reserves for its closest friends and allies.

As part of what I have called a “strategic handshake”—with the United States reaching west in its rebalance and India reaching east in its Act East policy—the two countries are undertaking military exercises and strengthening the bilateral security relationship to face common challenges. There's also a technological handshake between the two countries' militaries. Four years ago, the United States and India created the Defense Technology and Trade Initiative to take advantage of both countries' industrial and technological capabilities, a program that dovetails with Prime Minister Narendra Modi's “Make in India” campaign, which is aimed at boosting domestic production. As a result, the two countries are starting to jointly develop and produce a wider range of defense projects.

The rebalance has also helped the United States develop deeper partnerships across Southeast Asia. Obama's historic visit to Hanoi in May was just the latest demonstration of how dramatically the U.S.-Vietnamese partnership has been strengthened: the United States has



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BE THE CHANGE.

lifted the ban on lethal weapons sales to Vietnam, which will help the country's military get the equipment it needs. The U.S.-Singaporean relationship also continues to grow. In December 2015, the two countries signed the Enhanced Defense Cooperation Agreement. In addition, the U.S. Navy sent P-8A Poseidon maritime patrol aircraft on their inaugural rotation to Singapore, where we will also deploy up to four U.S. littoral combat ships on a rotating basis. Meanwhile, the United States is working with Indonesia and Malaysia to help them even better meet their own security challenges and to promote regional security.

The rise of China, of course, is also having a profound impact on the Asia-Pacific. The United States welcomes the emergence of a peaceful, stable, and prosperous China that plays a responsible role in and contributes to the region's security network. Many countries seek beneficial and productive relationships with China, but concerns are growing about some of its actions and its willingness to accept regional friction as it pursues its self-interest. Although China has long benefited from the regional principles and systems that others, including the United States, have worked to establish and uphold, with its actions on the seas, in cyberspace, in the global economy, and elsewhere, Beijing sometimes plays by its own rules and undercuts those principles.

China's model is out of step with where the Asia-Pacific wants to go; it reflects the region's distant past, rather than the principled future the United States and many others want, and its approach is proving counterproductive. China's actions are excluding it from the rest of the Asia-Pacific—erecting a Great Wall of self-isolation—at a time when the region is coming together economically, politically, and militarily to promote shared interests and a principled order. As a result, countries across the region are voicing concerns—publicly and privately, at the highest levels, in regional meetings, and in global forums—about China's actions.

The United States remains committed to working with China to ensure a principled future for the region. The two countries have a long-standing military-to-military relationship. The U.S. and Chinese militaries recently completed two confidence-building measures, one on maritime rules of behavior and another on crisis communications, and we regularly participate together in multilateral exercises. Through these actions, our two countries have made great strides in forging more and better communication channels and reducing the risk of miscalculations that could lead to crises.

DEVELOPING A PRINCIPLED SECURITY NETWORK

The rebalance to the Asia-Pacific will also help the United States play a critical role in the region's developing security network. This in itself is another change for such a dynamic region: unlike elsewhere in the world, in the Asia-Pacific, a formal regionwide structure, akin to NATO in Europe, has never taken responsibility for promoting peace and stability. That has made sense given the Asia-Pacific's unique history, geography, and politics. Yet as the region becomes more politically and economically interconnected, its militaries are also coming together to plan together, train together, and operate together more than ever before.

The growing Asia-Pacific security network weaves every state's relationships together to help their militaries do more, over greater distances, more efficiently. It allows countries to take coordinated action in response to humanitarian crises and natural disasters, address common challenges such as terrorism, and ensure the security of and equal access to the commons, including vital waterways. Recent examples of this networked approach can be seen in collective responses to Typhoon Haiyan in 2013 and the Nepalese earthquake of 2015.

Most important, this is what I call a "principled and inclusive security network." It is inclusive, because any nation and any military—no matter its capabilities, budget, or experience—can contribute. Everyone gets a voice and no one is excluded, and hopefully no one chooses not to participate. As this security network reflects the principles that its members have upheld for decades, it will help them realize the principled future that many in the region have chosen.

By sharing the burden for regional stability, this network represents the next wave in Asia-Pacific security. To help lead it, the United States is bringing its unique capabilities, experience, and influence to bear. For example, the Defense Department is implementing the Southeast Asia Maritime Security Initiative, an initial \$425 million, five-year U.S. commitment to build maritime domain awareness and security in Southeast Asia. More than simply providing money or hardware, this initiative will help Indonesia, Malaysia, the Philippines, Thailand, and Vietnam work with one another and with the United States so that everyone can see more, share more, and do more to ensure maritime security in the region's vital waters.

The Asia-Pacific security network is developing in three additional ways. First, some pioneering trilateral mechanisms are bringing together

like-minded countries that previously cooperated only bilaterally. The U.S.–Japanese–South Korean partnership helps coordinate responses to North Korea’s nuclear and missile provocations, and earlier this year, the trio conducted its first-ever trilateral ballistic missile warning exercise. For the past three years, the United States, India, and Japan have conducted the Malabar naval exercise together, showcasing how yet another trilateral relationship is starting to provide practical security cooperation that spans the region. And starting last November, the United States and Thailand brought Laos into a successful program on the disposal of explosive ordnance, and now the three are training together to eliminate this danger.

We plan to do more, not less, in the Asia-Pacific for decades to come.

Second, many Asia-Pacific countries are cooperating on their own, without the United States. India has ramped up its military’s training with Vietnam’s military and coast guard. Australia, India, and Japan held a trilateral dialogue last year, marking a welcome addition to the region’s security network. Japan is also working to build the capacity of the Philippine maritime forces. And this year, Indonesia, Malaysia, and the Philippines agreed to conduct joint counterpiracy patrols.

Third, and even more broadly, many countries in the region are creating a multilateral security architecture through the ASEAN Defense Ministers Meeting–Plus. This initiative, which convenes the defense ministers of all ten ASEAN members plus those of eight other countries, fills the growing need for an action-oriented, ASEAN-centric institution that builds trust and facilitates practical security cooperation.

The principled security network is not developing in response to any particular country. Rather, it demonstrates that the region wants cooperation, not coercion, and a continuation of, not an end to, decades of peace and progress. More important, since this network is not closed, nations can more easily work together. For example, although the United States and other nations have some disagreements with China, they are committed to working through these problems, bilaterally and through the network, in ways that do not destabilize the region.

The network will also help ensure stability amid a number of security challenges. North Korea continues its provocative behavior. Violent extremism has been no stranger to the Asia-Pacific over the

past several decades, and terrorist organizations, including ISIS, continue to operate in countries throughout the region. The heavily traveled Asia-Pacific sea-lanes make attractive targets for pirates seeking to steal goods or hold ships and crews for ransom. And already prone to earthquakes and volcanoes as part of the Ring of Fire, the Asia-Pacific also regularly suffers from devastating storms, worsened by accelerating climate change.

And then there are the challenges unique to this region, including those resulting from its changing economic, political, and military dynamics. Thanks to coercive actions by some states, most notably China, contentious and long-running regional disputes, particularly at sea, have grown more tense in recent years. Indeed, in the South China Sea, a transit route for approximately 30 percent of the world's maritime trade last year, including about \$1.2 trillion in ship-borne trade bound for the United States, there is a growing risk to the region's prosperous future.

The United States is not a claimant in the current maritime disputes in the Asia-Pacific, and it takes no position on which party has the superior sovereignty claim over the disputed land features. But Washington supports the peaceful resolution of disputes, especially through mechanisms such as international arbitration. It sees the July ruling by the Permanent Court of Arbitration on maritime claims and activities in the South China Sea as an opportunity for the region to recommit to a principled future, to renewed diplomacy, and to lowering and resolving tensions rather than raising them. The U.S. military will also continue to fly, sail, and operate wherever international law allows, will continue to stand with its allies and partners in upholding core principles such as freedom of navigation and overflight, and will continue to ensure that these core principles apply equally in the South China Sea as they do everywhere else. Only if everyone plays by the same rules can the region avoid the mistakes of the past, when countries challenged one another in contests of strength and will, with disastrous consequences for humanity.

SUPPLYING THE OXYGEN

The rebalance made sense for the United States when it was announced in 2011, but what has become clear since then, especially to U.S. officials traveling in the Asia-Pacific, is that it makes as much sense for the region's people, militaries, and nations. On each of my trips

to the region as secretary of defense, one thing has remained constant: requests from defense counterparts and national leaders for the United States to do more, not less, in the region. As has long been said of the Asia-Pacific, security is like oxygen: when you have enough of it, you pay no attention to it, but when you don't have enough, you can think of nothing else. For more than 70 years, U.S. service members have helped provide the oxygen—the security that allows hundreds of millions of people around the world to feel safe, raise their children, dream their dreams, and live full lives.

Thanks to the investments and planning of the first two phases of the rebalance, the United States will have the tools it needs to continue playing this role in the Asia-Pacific. And in the next phase, the Defense Department will work to strengthen the region's emerging principled security network through more frequent and more complex training and exercises. The Defense Department will also continue to qualitatively upgrade the United States' force posture in the region and prioritize "big bet" investments in advanced technologies. By working within the region's principled security network and on its own, the United States will continue to demonstrate to its allies, its partners, and the region at large that it plans to do more, not less, in the Asia-Pacific for decades to come.

With the rebalance, the United States is ensuring that its military is well positioned to help transform an era of historic change into one of historic progress. By operationalizing the rebalance, and by supporting the region's growing principled security network, the Defense Department can help ensure that the next 70 years in the region are as secure, stable, and prosperous as the last. 🌐

How to Succeed in the Networked World

A Grand Strategy for the Digital Age

Anne-Marie Slaughter

Foreign policy experts have long been taught to see the world as a chessboard, analyzing the decisions of great powers and anticipating rival states' reactions in a continual game of strategic advantage. Nineteenth-century British statesmen openly embraced this metaphor, calling their contest with Russia in Central Asia "the Great Game." Today, the TV show *Game of Thrones* offers a particularly gory and irresistible version of geopolitics as a continual competition among contending kingdoms.

Think of a standard map of the world, showing the borders and capitals of the world's 190-odd countries. That is the chessboard view.

Now think of a map of the world at night, with the lit-up bursts of cities and the dark swaths of wilderness. Those corridors of light mark roads, cars, houses, and offices; they mark the networks of human relationships, where families and workers and travelers come together. That is the web view. It is a map not of separation, marking off boundaries of sovereign power, but of connection.

To see the international system as a web is to see a world not of states but of networks. It is the world of terrorism; of drug, arms, and human trafficking; of climate change and declining biodiversity; of water wars and food insecurity; of corruption, money laundering, and tax evasion; of pandemic disease carried by air, sea, and land. In short, it is the world of many of the most pressing twenty-first-century global threats.

In this world, problems and threats arise because people are too connected, not connected enough, or connected in the wrong ways to

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Nothing but net: Asia at night from the Suomi NPP satellite, 2012

the wrong people or things. The Islamic State, or ISIS, can motivate so-called lone wolves to massacre their officemates. A deadly virus can spread across the globe in a week. Meanwhile, the disconnection of millions of young people from the possibility of a decent education, a job, and a fulfilling life fuels violence that spills across borders.

Despite this new reality, most foreign-policy makers reflexively act as chess players, seeing the world as if they lived in the seventeenth century, when the Peace of Westphalia created a framework of sovereign and equal states. They understand the reality of networked threats but lack strategies befitting the world of web actors. It is time to develop those strategies and to integrate statecraft with webcraft, the art of designing, building, and managing networks. The United States, for its part, needs a grand strategy that pursues American interests and values in the web as well as on the chessboard.

The next U.S. president should adopt a grand strategy of building and maintaining an open international order based on three pillars: open societies, open governments, and an open international system. The essential fault line of the digital age is not between capitalism and communism or democracy and autocracy but between open and closed. Alec Ross, a technology expert and former State Department

official, lines up countries on an “open-closed axis.” As he argues, “the societies that embrace openness will be those that compete and succeed most effectively.”

Openness encapsulates the distinctive logic of networks. They are open in the sense of being participatory: networks accommodate the participation of the many rather than the few and derive power from

The essential fault line of the digital age is between open and closed.

that participation. They are open in the sense of transparency: they thwart efforts to control information, just as the July 2016 coup attempt in Turkey was defeated by the ability of President Recep Tayyip Erdogan and his sup-

porters to use FaceTime, Facebook Live, and Twitter to circumvent the army’s domination of the television networks. And they are open in the sense of autonomy: unlike rule-governed hierarchies, networks encourage self-organization.

This is not the only view of networks, however. In his book *The Seventh Sense*, Joshua Ramo recognizes that a “new age of constant connection” has arrived, but he sees the openness of those networks as dangerous to the United States. He articulates a grand strategy of “hard gatekeeping,” based on the power to grant or deny access to closed networks he calls “gatelands.” Under this approach, the United States must construct physical and virtual “communities to manage everything from trade to cyber-information to scientific research.” Hard gatekeeping is a strategy of connection, but it calls for division, replacing the physical barriers of the twentieth century with digital ones of the twenty-first.

The historical debate over the essential nature of U.S. foreign policy thus continues into the digital age. On one side are the adherents of Nixon- and Kissinger-style realism, who see the championing of universal values as a recipe for harmful foreign entanglements. On the other are adherents of Wilson- and Roosevelt-style (both Franklin and Eleanor) liberal internationalism, who have a healthy respect for power but see standing for universal values as part of the United States’ national identity and as a source of power.

Open order building comes down squarely on the side of liberal internationalism, but updated for the digital age. It marries the worlds of the chessboard and the web, recognizing states as powerful while acknowledging individuals, groups, businesses, and institutions as actors in their own right. And it affirms the vision of a United States

strengthened by deep international ties based on common values rooted in universal human rights.

A RESILIENT SOCIETY

The top priority of any U.S. grand strategy must be to protect the American people and safeguard U.S. allies. It is impossible, however, to guarantee security in a constantly connected age. The very promise of safety is an irresistible temptation to hackers, the invading hordes of the twenty-first century. So, too, with lone-wolf terrorists. Dictatorships fare little better than democracies at stopping such attacks, and at a far higher cost to civil liberties.

Better, then, to embrace openness and strive for resilience and self-reliance. People should expect their governments to develop webs of surveillance and protection but still uphold citizens' civil rights. (Accordingly, much of the civil rights work of this century will entail championing digital rights.) And people must accept that their governments cannot guarantee absolute safety. A measure of insecurity is the price of liberty and democracy. It's a price worth paying.

In this world, as Juliette Kayyem, a former assistant secretary at the Department of Homeland Security, argues in her book *Security Mom*, citizens can and should do much more to provide for their own safety. "No government," she writes, "ought to guarantee perfect security, because no government can provide it." The government's role is to "invest in creating a more resilient nation," which includes briefing and empowering the public, but more as a partner than a protector. The government also benefits from this approach. Stephen Flynn, an expert on resilience, has pointed out all the ways that Americans armed with more information from the government, rather than less, would have been able to help stop or at least mitigate disasters.

What would have happened, Flynn asks, had U.S. authorities given a press conference in August 2001 apprising the public of intelligence about the threat from al Qaeda and the known risk of hijackers blowing up a plane or using one as a missile? Many would have called such a briefing alarmist. But some of the passengers on the planes that hit their targets in New York and Washington would have suspected that the hijackers were lying when they said they were returning to the airport. Perhaps some would have taken action, as did the passengers of Flight 93, who, because they took off later, had heard that other planes had been flown into the World Trade Center and the Pentagon.

The self-reliance necessary for open security depends on the ability to self-organize and take action. Society-wide, this approach requires limiting power, both public and private. Overly concentrated power, whether in public, private, or even civic hands, is an invitation to abuse. Ramo argues that the winner-take-all nature of network effects means that the current platform monopolies are here to stay. Nine of the 12 most popular mobile apps, he points out, are connected to American-owned companies, such as Apple, Google, and Microsoft. Facebook, WhatsApp, and YouTube all have more than one billion users.

But the strain of democratic republicanism that runs from President Thomas Jefferson to the Supreme Court justice Louis Brandeis is

Open-government experiments are reenvisioning government with the people rather than merely for the people.

reemerging in American politics, challenging concentrations of economic power on the grounds that competition is good for its own sake, no matter how well intentioned or beneficial monopolies may be. In a democracy, data about the people belong to the people. Users currently sign away their rights to that data in return for the wonderful

free goods and services that big technology companies provide. Eventually, however, the people will insist on receiving a slice of the value of their data.

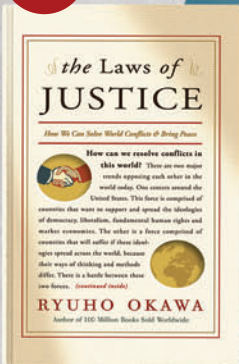
Smaller, more distributed hubs have many advantages. Over time, as Apple and Microsoft have come to realize, the key to competitive success will shift from dominating a platform to ensuring the interoperability of many platforms. Currently, competition functions through the intense rivalry of multiple start-ups all seeking to be bought by one of the big players. Those start-ups should instead be growing into midsize and large companies on their own, creating more competition and jobs along the way.

The United States and other powers will gradually find the golden mean of network power: not too concentrated and not too distributed. Paradoxically, strengthening Asian and European competitors in American-dominated industries will advance long-term U.S. interests—just as the Marshall Plan did, even as it rebuilt former enemies. Better to have robust competition on one Internet, for example, than multiple national internets, which would become the twenty-first-century equivalent of autarky.



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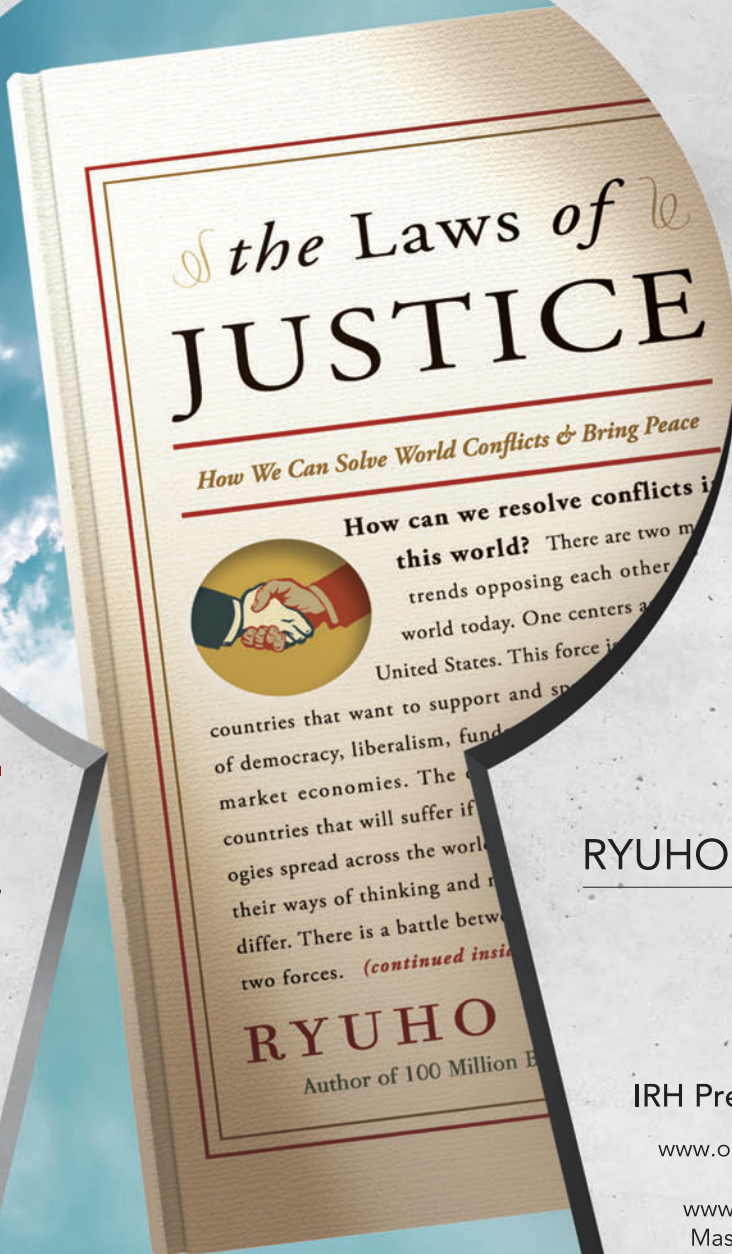
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The United States was famously founded as a government of limited powers; suspicion of concentrated private power has surged in periodic waves throughout its history. Size ultimately becomes oppressive, even to the big. Buildings and empires really do topple under their own weight. Moreover, the masters of new technologies cannot master the power of politics, even if they are right to challenge the current deep dysfunction of the U.S. political system. Washington and Silicon Valley, right and left, populists and elitists—all will have to find a way to forge a new social and political contract, one that marries new technologies with the principles of limited power.

The international order of 1945 was based on the principle of “embedded liberalism,” meaning that the insecurity of open money and trade was cushioned by domestic safety nets. Similarly, an open international order of the twenty-first century should be anchored in secure and self-reliant societies, in which citizens can participate actively in their own protection and prosperity. The first building block is open societies; the second is open governments.

GOVERNMENTS AND THE GOVERNED

In 2011, U.S. President Barack Obama launched the Open Government Partnership with seven other countries: Brazil, Indonesia, Mexico, Norway, the Philippines, South Africa, and the United Kingdom. By 2016, the group had grown to include 70 countries. All participants must sign the Open Government Declaration, a set of principles that they pledge to implement through a national action plan. So far, participants have made more than 2,250 specific commitments.

The declaration’s three major principles are transparency, civic participation, and accountability. Transparency means increasing the availability of information about government activities and making those activities open to as many people as possible, a commitment that is likely to lead to open data standards. It does not mean abolishing secrecy in all government deliberations, a step that would quickly bring a government (or any other organization) to a halt, but it does mean making information about what the government knows and does visible and usable.

The second principle, civic participation, follows from transparency: signatories to the declaration commit to “creating and using channels to solicit public feedback” on policymaking and “deepening public participation in developing, monitoring and evaluating government

activities.” Making this commitment real will require a regulatory, as much as a technological, revolution. Instead of antiquated “notice and comment” procedures—in which legislatures and regulators deliberate for months or years about the text of proposed rules, taking input from vested interests and then ultimately passing what political forces will allow—governments must move to methods that alert all affected citizens in real time. In many countries, legislatures and government agencies have begun publishing draft legislation on open-source platforms such as GitHub, enabling their publics to contribute to the revision process.

The third major principle of the declaration is accountability, defined in large part as professional integrity. Participating countries commit to having “robust anti-corruption policies, mechanisms and practices”; transparent public finances and government procurement processes; and programs to strengthen the rule of law. In practice, governments must have a legal framework that requires the disclosure of the income and assets of all high government officials and must put in place a set of deterrents against bribery.

Taken together, these principles entail a much more horizontal relationship between a government and its people than the traditional vertical relationship of either democracy or autocracy. Open-government experiments currently under way around the world are reenvisioning government with the people rather than merely for the people. The result is a side-by-side relationship between officials and citizens that offers a template for how chessboard and web actors can coexist in the international system.

Writing about “connexity” 20 years ago, the British author and political adviser Geoff Mulgan argued that in adapting to permanent interdependence, governments and societies would have to rethink their policies, organizational structures, and conceptions of morality. Constant connectedness, he wrote, would place a premium on “reciprocity, the idea of give and take,” and a spirit of openness, trust, and transparency would underpin a “different way of governing.” Governments would “provide a framework of predictability, but leave space for people to organise themselves in flatter, more reciprocal structures.”

Mulgan was prescient: in many ways, the Open Government Partnership and similar initiatives are operationalizing the new social contract he envisioned. But people are not only organizing themselves; they are also working directly with government officials to coproduce government services. Coproduction embodies a philosophy of self-

government that is very different from the republican form of representative democracy that the American founders envisaged. Instead of governing themselves through those who represent them, citizens can partner directly with the government to solve public problems.

Networks of citizens are already participating in contests over how best to use open data in cities around the world; they are assisting with crisis communications in disasters; and they are helping draft government budgets, legislation, and even constitutions. That domestic role for citizens in open government will penetrate the international system, as well. As foreign, finance, justice, development, environment, interior, and other ministers—not to mention mayors—take a greater role on the global stage, they will bring with them the corporate and civic networks they are accustomed to engaging with as coproducers of government services at home.

The evolution of open governments illustrates the ways in which common values give rise to common structures, aided by the enormous potential of digital platforms. Nations willing to join the Open Government Partnership are embracing values and developing structures that will allow them to knit their societies and economies closely together. A strategy of open order building starts from a community of allies and partners woven together by many different government, corporate, and civic relationships. Imagine a set of school friends on Facebook who stay connected to one another and add connections to their life partners, their business associates, the parents of their children's friends, their fellow churchgoers and volunteers, fellow sports fans and hobbyists, spreading out but also binding the most connected members ever more closely together.

The United States should thus maintain and deepen relationships with its current allies, assuming that they are willing to embrace the principles of both open societies and open governments. The alliances that the United States built in the second half of the twentieth century were not just bulwarks against the Soviet Union; they were also anchored in a common commitment to the values enshrined in the Universal Declaration of Human Rights. Neither the United States nor any of its allies has fully lived up to those values, but they struggle

If the current international order proves too brittle to change, it will simply crumble.

to do so openly, through a free press and freedom of expression, along with a willingness to respond to citizens' demands, even when those demands include changing the government.

The United States should not serenely contemplate Japan's or Europe's creation of its own gated communities for finance, industry, services, communications, education, medicine, or other vital economic and social transactions. Washington should of course recognize its allies' desire for autonomy and self-protection, but it should encourage integrated networks and work to ensure that interoperability ripens into community.

More fundamentally, U.S. policymakers should think in terms of translating chessboard alliances into hubs of connectedness and capability. Many of the world's most farsighted leaders are already doing just that. NATO, as Anders Fogh Rasmussen, then the organization's secretary-general, explained in 2010, has sought to transform itself into "the hub of a network of security partnerships and a center for consultation on international security issues." In Asia, which is much less connected in security and economic terms than Europe, U.S. Secretary of Defense Ashton Carter has proposed a "principled security network" that is designed to deepen the connections between nations on the periphery of a security web and those at its core.

THE NEW NEW WORLD ORDER

The final pillar of open order building is the maintenance and expansion of an open international system. It must be open to both chessboard and web actors and to shifting power relationships among them. According to systems theory, the level of organization in a closed system can only stay the same or decrease. In open systems, by contrast, the level of organization can increase in response to new inputs and disruptions. That means that such a system should be able to ride out the volatility caused by changing power relationships and incorporate new kinds of global networks.

The current international system, however, is fixed and hierarchical. Some nations are more equal than others. The permanent members of the UN Security Council, the founding members of the World Bank and the International Monetary Fund—these nations, which ruled the world in 1945, designed an international order to preserve peace and prosperity and to secure their own interests. Although they had a far more universalistic understanding of international order than many of

their predecessors, they created a set of inevitably self-interested arrangements for a world of what was then just 73 recognized sovereign states, including empires with scores of colonies.

It is time for reform. The institutions built after World War II remain important repositories of legitimacy and authority. But they need to become the hubs of a flatter, faster, more flexible system, one that operates at the level of citizens as well as states. That means finally tackling the job of opening up the postwar institutions to newer actors. It also means flattening the hierarchy between the UN and regional organizations, so that the latter can act more autonomously, with either advance or subsequent Security Council approval of their actions.

Revising the UN Charter would open Pandora's box. Substantive changes in the past have required a cataclysm, which the world cannot afford. But rising powers will not wait forever. They will simply create their own orders, with their own regional institutions and security networks. If the current international order proves too brittle to change, it will simply crumble. Like the once great European dukedoms, it will keep the buildings and the pageantry, but the power will have moved on.

A power shift must take place between twentieth- and twenty-first-century states, accommodating the rise of Africa and Asia and giving voice to countries that existed only as colonies (or not at all) in 1945. But as the scholar Jessica Mathews wrote presciently in these pages in 1997, it also must take place between states and nonstate actors—the people and organizations that should be thought of as web actors. Networks of bad web actors threaten global security and well-being on a daily basis; the best response to them is to create integrated networks of good web actors, corporate, civic, and public.

Some of the existing networks link only national government officials, and they should thus be reformed. The Proliferation Security Initiative, for instance, enables its more than 100 endorsing nations to interdict weapons of mass destruction and related materials going to and from states, groups, and individuals that present a high risk of proliferation. An updated version of the institution should retain its voluntary character and its decision-making rules but be docked with some part of the UN—a change that would help counter criticism from India and other nations that the initiative is illegitimate. Many other regulatory, judicial, and legislative networks should likewise be formally anchored to global or regional institutions. To that end, among

the most promising new developments are networks of mayors, men and women who have both the authority and the ability to make policies that affect 54 percent of the world's population.

Moving beyond government officials, networks of global charitable organizations already enjoy close connections to international institutions. The Office of the UN High Commissioner for Refugees works with more than 900 nongovernmental and UN organizations. The vaccine network Gavi relies on funding from industrialized states and helps developing countries secure predictable, self-sustaining financing for immunization programs. And Bloomberg Philanthropies has funded international climate change networks, most notably the Global Covenant of Mayors for Climate and Energy, which connects governmental and nongovernmental actors in more than 7,100 cities worldwide in efforts to combat global warming.

These examples are only the beginning. For every nongovernmental organization that has been granted hard-won observer status at a UN meeting, thousands more have been shut out by the state gatekeepers of the current international system. The chess players are still firmly in control. For networks to nest within or have formal connections to traditional hierarchical organizations, those organizations must flatten. They have to open up their hierarchies and formalized routines to allow for more flexible arrangements among their members and to allow for interactions with a mix of citizen, corporate, and civic networks. After all, if Facebook—at 1.7 billion members, more populous than any country in the world—can function as a network of networks by providing a platform for individuals to connect spontaneously to one another, then networks connected deliberately and strategically can certainly contribute as decisively to global order as a group of often weak member states can.

To see the difference between the twentieth-century international system and a twenty-first-century open system, consider the negotiations for the Trans-Pacific Partnership and those for the Paris agreement on climate change. The TPP negotiations were conducted in private and involved only national trade representatives. This secrecy generated mistrust among U.S. citizens and lawmakers and cast an elitist pall over the TPP that has contributed to the intense opposition to its ratification it now faces. The Paris negotiators, on the other hand, recognized that business, academia, civil society, and ordinary people all have a role to play in tackling climate change. And so the

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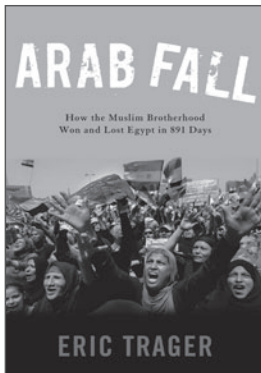
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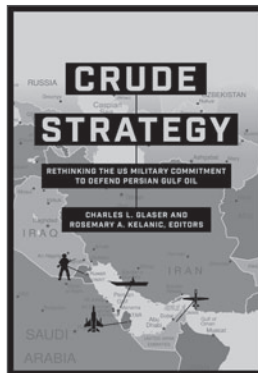


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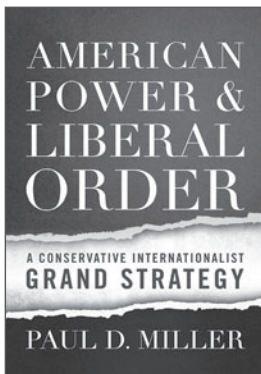


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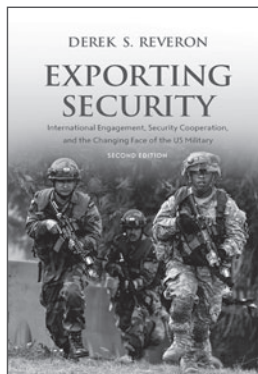
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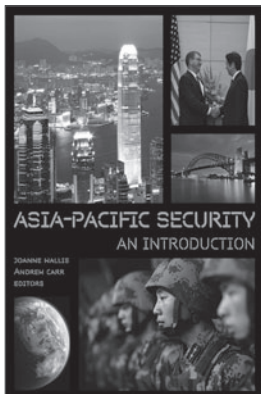
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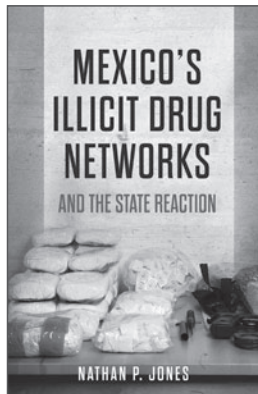
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talks, as sprawling and messy as they were, involved everyone from corporate leaders to activists to billionaire philanthropists. Although the resulting agreement does not set binding targets under international law, it will do far more than a state-centric agreement would to save the planet, since states will be joined by many different actors in implementing it.

Over time, the shells of twentieth-century interstate organizations can become global and regional platforms for multiple types of associations among both chessboard and web actors. The UN, the International Monetary Fund, the World Bank, the World Trade Organization, the European Union, the Organization of American States, the African Union, the Association of Southeast Asian Nations, and a host of other organizations can all build on and perhaps even transcend their original functions.

PROTECTING STATES AND CITIZENS

A U.S. grand strategy along these lines would advance U.S. interests by building an open global order composed of open societies, open governments, and an open international system. The goal is a world in which both American citizens and their foreign counterparts are safe, prosperous, and endowed with opportunities to live full and productive lives. That is a world in which Americans can protect and advance themselves as Americans but also pursue the universal values that define the United States.

That open global order must be anchored in an international legal order that recognizes and protects both states and people. The legal order of the chessboard recognizes only sovereign states as both the agents and the subjects of international law, with a separate and untouchable sphere for domestic law. The legal order of the twenty-first century must be a double order, acknowledging the existence of domestic and international spheres of action and law but seeing the boundary between them as permeable.

In this order, states must be waves and particles at the same time. They must continue to serve as the principal actors when it comes to dealing with interstate war, weapons proliferation, state-sponsored terrorism, criminal networks, ethnic and religious conflict, boundary disputes, and many other issues. But states must also be viewed as the places where web actors reside, reaching across boundaries as they engage in commercial, civic, political, and criminal pursuits that reverberate in global affairs just as much as state actions do. It is

impossible to say what form that double order will ultimately take. Astonishingly enough, however, it is emerging before our eyes—slowly, painfully, but inexorably.

The origins of this shift lie in the human rights movement of the twentieth century, beginning with the Hague Conventions of 1899 and 1907, which laid down rules of war for both soldiers and civilians. But human rights themselves became politically polarized during the Cold War, with the West championing civil and political rights; the East championing economic, social, and cultural rights; and both sides tending to ignore violations in their client states. When many frozen conflicts thawed and then exploded in the 1990s, the world turned once again to the urgent question of what is owed to citizens who are suffering atrociously at the hands of their own governments.

The first step was the development of international criminal law, moving from the victors' justice of the postwar Nuremberg trials to a fast-growing body of law and courts holding individual officials accountable for their actions. Then came a sea change in the law of humanitarian intervention.

In 2000, responding to an appeal from UN Secretary-General Kofi Annan, the Canadian government gathered a group of distinguished foreign policy practitioners and international lawyers to determine when states could and should take military action to protect at-risk people in another state. The group, the International Commission on Intervention and State Sovereignty, came up with what it termed "the responsibility to protect," later shortened to "R2P." In its final report, the commission argued that signatories to the UN Charter had accepted certain "responsibilities of membership." Specifically, when a state abrogated its responsibility to protect the basic rights of its people, other states had a responsibility to protect those citizens, if necessary through military intervention.

In 2005, the UN General Assembly adopted a watered-down version of the R2P doctrine. The resulting resolution declared that "each individual state has the responsibility to protect its populations from genocide, war crimes, ethnic cleansing and crimes against humanity." Should states fail to do this, the responsibility shifts to the international community, which should employ "peaceful means" to protect a population and, if necessary, "take collective action . . . through the Security Council." Since then, the doctrine's application has proved controversial, most acutely in regard to the UN-sanctioned intervention in Libya in 2011.

The wheels of international law grind slowly. The principle of sovereign equality enshrined in the Peace of Westphalia took hundreds of years to implement. Yet R2P has managed to take hold remarkably fast: the UN Security Council has already invoked the doctrine 50 times in the past decade. Today, as the Obama administration nears its end, R2P has gone deeply out of fashion, but that is surely temporary. What is important is that 68 years after the adoption of the revolutionary Universal Declaration of Human Rights, the relationship of a sovereign to its subjects is receiving yet another level of international scrutiny. International law is recognizing states and citizens at the same time. The double order is emerging, as the masters of the chessboard, willy-nilly, make room for the web.

PEOPLE POWER

The logic of that shift is inexorable. Even the chess master Henry Kissinger might agree. In *World Order*, he points out that the Peace of Westphalia, which ended the Thirty Years' War—a holocaust that killed perhaps one-third of the people in the German lands—was meant above all to create a better system that would protect people from “forced expulsions and conversions and general war consuming civilian populations.” Furthermore, although “the right of each signatory to choose its own domestic structure and religious orientation” was affirmed, “novel clauses ensured that minority sects could practice their faith in peace and be free from the prospect of forced conversion.” In other words, the Westphalian world order mandated the sovereign equality of states not as an end in itself but as a means to protect the subjects of those states—the people.

The people must come first. Where they do not, sooner or later, they will overthrow their governments. The technology that is fueling the transformation of the social and economic order within nations—from hierarchies to networks—gives the people more power to destabilize politics than ever before. Their governments also have more power than ever before, but borders and walls, whether physical or digital, cannot ultimately contain the power of a connected citizenry. Open societies, open governments, and an open international system are risky propositions. But they are humankind's best hope for harnessing the power not only of states but also of businesses, universities, civic organizations, and citizens to address the planetary problems that now touch us all. 🌐

Salvaging Brexit

The Right Way to Leave the EU

Swati Dhingra

On June 30, a week after the British public voted to leave the EU, Theresa May gave a speech launching her candidacy for prime minister in which she declared, “Brexit means Brexit.” Her message was straightforward: even though she herself had supported remaining in the EU, she would not hesitate to implement the will of the voters. Yet months after assuming office, May has yet to answer crucial questions about what a British exit, or Brexit, would mean for trade, immigration, and financial services. It is still not at all obvious what Brexit will actually look like.

That’s because the referendum has confronted the government with two distinct but related problems: how to leave the EU as painlessly as possible and how to reverse the years of economic neglect that have divided the country. Solving each will require hard choices, and whatever the politicians decide, some of their supporters will feel let down. With this in mind, they should prioritize prosperity over politics and defy radicals on both sides of the debate. Simply ignoring the referendum result would be politically untenable. But abruptly abandoning the single market, which guarantees the free movement of goods, services, and people, would cause widespread economic hardship.

The best path forward, then, is to strike a temporary deal to keep the United Kingdom in the single market—a deal similar to that which Norway enjoys. Such an arrangement would remove uncertainty among businesses over the United Kingdom’s future relations with its biggest trade and investment partner and would buy time to work out a permanent settlement. Assuming it can be sold politically at home, such an interim solution should also prove palatable to the EU.

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But trade policy can achieve only so much. In order to respond to the grievances that led to the Brexit vote in the first place, the British government also needs to take big and immediate steps to restore economic equality and raise the country's potential for future growth. To that end, it should rebuild its creaking infrastructure and overstressed public health and educational systems. Only by targeting the underlying sources of economic anxiety can policymakers finally begin to heal a broken nation.

IT'S NOT EU, IT'S ME

In order to understand why the British people chose to leave the EU, it's necessary to understand what has happened to the British economy in the four decades since the country voted for membership in the European Economic Community. In 1975, two years after it acceded to the EEC, the United Kingdom held a referendum on continued membership. As in this year's vote, those who wanted to leave in 1975 claimed that doing so would lower prices, boost wages, and create jobs for British workers. A majority of the public rejected these claims, and 67 percent of voters chose to remain in the EEC. This time around, obviously, the result was different; only 48 percent opted to stay.

The shift in public opinion can be explained by the intervening increase in economic stress. Although the "leave" campaign's message in 2016 centered on the need to regain British sovereignty, curtail immigration, and stop contributing to the EU budget, many Britons used their votes to express anger at the country's political establishment and its failed economic policies instead. That shouldn't be surprising: even as the economy has grown, the gap between the top and the bottom has stretched wider and wider. In 1980, the top ten percent earned 2.7 times as much as the bottom ten percent; in 2013, the top ten percent took home 3.7 times as much. This is because, for decades, median wage growth has lagged behind average wage growth. In other words, the pie has grown, but workers have seen their slices grow far slower. The financial crisis only made things worse. From 2003 to 2014, all workers suffered as average weekly earnings shrank by 1.8 percent, but the poorest did the worst, as median earnings slid by 2.8 percent over that period. It's not enough to just blame the crisis, however. As far back as 2000, the share of working-age men without qualifications (having left school before the age of 16) who were not

active in the labor force had reached 30 percent, compared with less than four percent two decades earlier. By April 2016, that figure stood at over 43 percent.

The state bears most of the blame for these problems. For years, it has underinvested in public services, eroded the power of trade unions, and failed to promote employment or raise wages. The national minimum wage remained low by international standards for decades, until a Labour government raised it in 1998. The result has been that for many in the United Kingdom, having a job is no guarantee of financial security. Half of poor children in the country have parents who work but are nevertheless below the poverty line.

In recent years, one of the worst examples of government underinvestment has been in health care. In 2010, the new coalition government of Prime Minister David Cameron pledged to protect the National Health Service from austerity. Despite this guarantee, however, health-care spending has grown by just 1.2 percent per year since 2010,

The British state bears most of the blame for the economic malaise.

compared with 3.7 percent between 1949 and 1979 and over 6.7 percent from 2007 to 2009, during the financial crisis. The United Kingdom now ranks 13th among the 15 original members of the EU in the percentage of GDP spent

on health care. Cuts to the NHS' budget made in the name of efficiency have led to perverse policies, such as hiring expensive temporary staff to meet the shortfall in permanent employees. Remaining staff feel underpaid and overworked.

And it's not just health care where the government has failed. In 2010, the coalition government also reduced child benefits, a policy that researchers at the Institute for Fiscal Studies estimated would push an extra 200,000 children into poverty by 2016. Sure enough, the share of children living in relative poverty ticked up from 27 percent in 2011 to 29 percent in 2015, an increase of 300,000 children, even as the economy recovered.

The imposition of fiscal austerity after 2010 was the coup de grâce for many of the country's most deprived regions. London's poorer boroughs, England's forgotten seaside towns, and the declining industrial areas of northern England, the South Wales Valleys, and Glasgow have experienced the biggest declines in welfare payments over the last six years. In contrast, the more prosperous south and east of England have



England expects: in Portsmouth, once a major shipbuilding port, November 2013

seen only small spending reductions, since many of the cuts were to public spending that mostly benefited poor individuals. Reductions in disability benefits, housing-support payments, and unemployment assistance hurt most those areas that already had the highest shares of claimants.

DIDN'T WE ALMOST HAVE IT ALL

Real as the anger is, scapegoating the EU for British economic hardship is unfair. In fact, it's doubly so: not only is the British government responsible for the problem, but the EU has actually mitigated its impact. Forty years of data point to the overwhelming conclusion that EU membership reduced the price of goods, increased real wages, and helped fund British public services.

The EU did all this by reducing barriers to trade, which increased competition among firms and caused them to slash the markups they charged consumers. According to a study by the economist Harald Badinger, for example, markups for manufacturing goods across ten EU states fell from 38 percent to 28 percent of costs between 1981 and 1999. What's more, as markets integrated, consumers could more easily purchase products from other countries, which harmonized prices across borders. The economist John Rogers has shown that the local prices of dozens of household goods—from bread to wine to

sweaters—converged dramatically between 1990 and 2001. By the end of that period, prices varied within the EU about as much as they did within the United States.

At the same time as the EU lowered prices, it also raised British workers' job prospects, since British businesses expanded production as they obtained cheaper access to European markets. According to researchers at the Institute for Fiscal Studies, this helped raise real wages in the United Kingdom and caused unemployment to fall by 0.7 percentage points between 1988 and 1999. Firms also intensified their research and development to respond to increased competition, which in turn increased overall economic productivity.

Another pillar of the EU, the free movement of people, has driven both economic growth and economic fear. Over the past four decades,

Economic hardship, inequality, and political alienation are not unique to the United Kingdom.

workers from the poorer countries of Europe have flocked to the relatively prosperous United Kingdom—over a third of the 8.5 million immigrants currently in the country hail from elsewhere in the EU. Ever since the United Kingdom's accession to the EEC, many voters have feared that these immigrants

would displace British workers. This concern played an important role in the June referendum: the higher an area's share of immigrants or the larger its recent increases in immigration, the more likely it was to vote to leave.

Yet immigration from other EU states has not actually harmed British citizens. Even after the EU expanded in the first decade of this century to include much of eastern Europe, there is no evidence that British-born workers experienced higher unemployment or lower wages in counties with above-average numbers of EU immigrants. Nor has EU immigration exacerbated inequality by harming less skilled workers, the segment most vulnerable to competition from immigrants. Changes in wages and joblessness for this group show little correlation with changes in EU immigration.

European immigrants have even been a boon to public finances, because they pay more in taxes than they consume in government services. Euroskeptics often accuse immigrants of robbing British citizens of places in schools and hospitals, but given immigrants' net contributions to such services, these deprivations are more accurately

characterized as the result of chronic government underinvestment. Nor have immigrants from the EU undermined social stability: in 2013, researchers at the London School of Economics and University College London found that the large wave of economic immigrants from eastern Europe after the enlargement of the EU in 2004 did not lead to more violent crime or theft.

BREAKING UP IS HARD TO DO

Despite the benefits of staying in the EU, of course, voters chose to leave it, and now the government must respect their decision. But there are several different forms that the departure could take. The most sensible option would be a deal similar to Norway's, whereby the United Kingdom would remain a member of the single market by joining the European Economic Area, a group of all the EU members and three nonmember countries (Iceland, Liechtenstein, and Norway) that trade freely with the EU but do not participate in its political institutions. Under this arrangement, the costs of trade would still rise, since the United Kingdom would face some nontariff barriers that currently apply to the non-EU members of the EEA. To avoid duties, manufacturers would have to prove that their goods qualified as made in the United Kingdom, for example, a costly process thanks to increasingly complex global supply chains. The European Commission might also impose tariffs on British exports if it ruled that they were being sold to the EU below market price. In 2006, for example, Norwegian salmon exporters who received financial support from the Norwegian government incurred a 16 percent tariff. The United Kingdom would also lose the ability to influence future reductions in trade barriers, such as those the EU is considering in the service sector, which makes up a large part of the British economy. But by preserving access to the single market, this approach would minimize the losses from reduced trade and investment.

Obtaining a Norwegian-style deal wouldn't be easy, however. For one thing, it would require joining the European Free Trade Association—composed of the three non-EU members of the EEA plus Switzerland—which might be unwilling to let the United Kingdom in. Norway has already said it might block British participation, as the relevant agreements have evolved over 20 years to reflect the needs of the association's current members. But Norway's opposition is not certain, and such a deal should prove more palatable to the EU

than any other option, since if it were framed as a temporary measure, it would give the union time to think about how it will deal with emerging threats to the European project. The economic hardship, inequality, and political alienation that led to the Brexit vote are not unique to the United Kingdom; they are also present in France, Italy, and the Netherlands, any of which could soon face a similar campaign to leave. The EU must walk a fine line: if it is too soft on the United Kingdom, a host of other countries will want to renegotiate their positions in the EU, but if it is too harsh, it will further alienate anti-EU voters.

Perhaps a greater challenge would be getting the British public to accept the continued free movement of EU citizens, sure to be part of any Norwegian-style deal but a redline for many Britons in the leave camp. As a result, some prominent figures, including Rupert Harrison, former chair of the Council of Economic Advisers, have floated the idea of an “EEA minus” option. Such a deal would involve

*Free movement of labor is
the sine qua non of the EU.*

a comprehensive British-EU free-trade agreement similar to the Swiss-EU deal but, crucially, also restrictions on immigration. From the EU’s perspective, however, this would be a nonstarter. Free

movement of labor is the sine qua non of the EU, and the Swiss had to accept it in order to get deep access to the single market. Even after a referendum in 2014 in which the Swiss people voted to limit immigration from the EU, Brussels refused to let the country impose any limits on movement without losing all of its EU financial and trading rights. Besides, Switzerland’s deals with the EU took over 20 years to negotiate, time the United Kingdom can ill afford. And to keep the club together, the EU cannot make leaving too easy.

The only path that would allow the United Kingdom to control immigration and free it from EU regulations and trade policy would be to exit the single market entirely, leaving the country with no comprehensive free-trade agreement with the rest of Europe. Were it to take this route, the United Kingdom would face harsh external tariffs, which, in an ironic twist, would hit hardest some of the areas that voted to leave.

To understand what’s at stake, consider the northern industrial city of Sunderland, which voted for Brexit by a 22 percent margin. Sunderland is home to one of Nissan’s most cost-efficient manufacturing plants, and last year, it began producing the company’s newest luxury

car, the Infiniti Q30. About half of British car exports currently go to the EU, which they can enter duty free. Should the United Kingdom leave the EU without a trade deal, it would be treated just like any other non-European trading partner, subject to the default World Trade Organization rules, under which the EU would charge its usual ten percent import tax on cars. No longer so attractive to Nissan, Sunderland could turn into Detroit.

Nissan isn't the only company facing this problem. In a 2014 survey, the Society of Motor Manufacturers and Traders, a British industry group, found that 70 percent of its members expected that leaving the EU would hurt their business in the medium or long term, and three-quarters felt that it would reduce foreign investment in the United Kingdom. History suggests that they're right: the British car industry spent a decade stuck in the slow lane until the country merged with the single market in 1973, allowing British manufacturers to get the same access as French and German ones.

To counter such gloomy predictions, the leave campaign set out grand visions of resuscitating trade within the Commonwealth or reorienting trade toward China or the United States. On the surface, these sound like great ideas, but nothing currently stops the United Kingdom from trading with those countries as a member of the single market. (Indeed, Germany does exactly that, and with great success.) Making up for the loss of membership in the single market would prove difficult, moreover, no matter how ambitious the new trade deals outside the EU were. For one thing, economists have long known that countries trade most with large, rich, nearby markets—and in the case of the United Kingdom, that's the EU. For another thing, trade agreements take many years to negotiate. And without the clout of the EU, British trade negotiators would find it far harder to defend the United Kingdom's interests against those of large countries such as China and the United States.

Besides, with tariffs at record lows, these deals have become less about reducing import duties and more about harmonizing regulations. Many countries outside the EU still lag far behind the United Kingdom in product and labor standards, and so bringing British rules in line with less stringent countries would prove politically difficult and often undesirable. In short, despite what the Brexiteers promised, abandoning the single market would do grave damage to the British economy.

LONDON BRIDGE IS FALLING DOWN

Not only would striking a trade arrangement with the EU soften the blow of leaving; it would also give the United Kingdom the time and resources to get its own house in order. Over the past two decades, the fortunes of the wealthiest Britons have risen, while the poorest have been stuck in a cycle of falling wages and unfulfilling work. Geography has become destiny: London and the prosperous south and east of England feel increasingly like a different country from the declining industrial north. In the referendum, the latter voted as though it were seeking revenge on an elite it felt had forgotten it. Indeed, the lower the wage growth in a given region, the more likely its people were to vote to leave. Unfortunately, such votes were masochistic. The same regions that voted to leave are those that depend the most heavily on EU trade, investment, and transfers. Leave voters were also poorer and less educated than the average—the very group that will suffer more than most if the United Kingdom leaves the EU.

There are promising signs that May and her allies within the Conservative Party have recognized the scale of the problem. Since the vote, they have proposed a number of progressive policies, such as transferring funds from richer regions to poorer ones and giving workers representation on company boards. Although they would help, however, such changes would not go far enough. The United Kingdom needs to make a more fundamental shift away from its neoliberal ideology, which presumes that government efforts to promote growth never work and that balanced budgets are next to godliness, back to its earlier tradition of investing heavily in assets that raise long-term growth. Even the most ardent believers in the free market, including Germany and the United States, support their domestic industries—through public investment in research and development, for example—because they recognize that this kind of spending promotes future growth and economic equality.

Nothing illustrates what has gone wrong with the United Kingdom better than education. Today, poor British children perform worse in school than their richer classmates, and the correlation between socio-economic background and school performance, although present in every rich country, is stronger in the United Kingdom than in many others, including countries as varied as Greece, Russia, and Spain. This broken educational system not only stifles social mobility but also depresses labor productivity. To fix it, the government needs to find

ways to recruit the best teachers and invest more in training them. At the same time, policymakers should make sure they are using the right yardstick when measuring success. Past attempts at educational reform have failed to improve social mobility, so the government should judge new proposals by how much they will improve the performance of children from disadvantaged backgrounds and not just based on average attainment. The silver lining of the referendum result is that, by highlighting the many places where social mobility is lowest, it appears to have created the political will for such policies.

Public investment in health care would also spur economic activity. Such moves have worked before: government regulation of prices in the NHS forced drug firms to innovate and encouraged competition from low-cost producers; support for biomedical research in public universities in the postwar era helped build a world-class pharmaceutical industry in the United Kingdom. Stepping up health-care spending would not only improve public health but also generate jobs in industries linked to health care and improve corporate bottom lines by creating a healthier work force.

Unfortunately, the vote to leave was masochistic.

The United Kingdom's problems aren't limited to education and health care, however; the country also spends less on infrastructure than most other rich nations. Many of its roads, houses, and power grids were built in the 1960s and 1970s and are now coming to the ends of their useful lives. The electrical system has deteriorated to the point that earlier this year, the country's energy regulator warned that power shortages could be coming. Investing in infrastructure now would create jobs and lay the foundations for future growth, just as it did for the United States during the Great Depression, when such spending put millions of Americans to work improving the roads and laying the sewer pipes and other equipment that enabled the country's subsequent recovery.

Finally, the British government should ramp up its investments in innovation, focusing on firms that have high growth potential. Innovation produces social benefits—technological advances that can be used in other sectors, for example—beyond the returns to private investors, so it deserves government support. Yet the British government spends much less on promoting innovation than do the governments of France, Germany, and the United States. Since such

spending makes workers more efficient, it's no surprise that labor productivity in the United Kingdom is seven to 39 percent lower than it is in those countries.

The British government also does too little to encourage investment in small and medium-sized enterprises, diverting private investments away from young businesses and toward safer activities such as real estate. Smaller companies form the backbone of the British economy, providing 60 percent of private-sector jobs and generating high returns relative to the support they receive. Yet private commercial investors tend to think in the short term and are reluctant to support such businesses, especially during recessions. It wasn't until 2012 that the government attempted to help by setting up the British Business Bank to lend to these firms. And even now, the bank's total lending remains small compared with that of similar facilities in the United States. The government should dramatically scale up the bank's operations.

None of these ideas are radical. But for them to work, politicians must be willing to spend dramatically more than in the past; a few percent of national income will not do the trick.

The Brexit vote has handed the country a gargantuan challenge, and no response to it will satisfy everyone. But if the British government can maintain access to the single market and invest in education, public health, infrastructure, and innovation, then it will contain the immediate damage and may even begin restoring prosperity and hope in the country's forgotten places. 🌐



LAOS

THE GREAT LEAP FORWARD



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WITH MUCH PRIDE, THE LAO PEOPLE'S DEMOCRATIC REPUBLIC (PDR) LAST YEAR CELEBRATED FORTY YEARS OF INDEPENDENCE. Over the course of four decades, Lao PDR (otherwise known as Laos) has remodeled itself. From a country torn by civil war, it has changed into a stable and peaceful nation with big ambitions. Lao PDR today is counted among the world's fastest growing economies and is set on a course of full regional and international integration.

Over the past two decades, the gross domestic product (GDP) of Laos has grown at an average annual rate of more than seven percent. This has transformed the country from a largely agrarian society into a mobile, upward-oriented economy. The country completed the transition in 2011 from low-income economy to lower-middle income economy, followed by admission to the World Trade Organization (WTO) in 2013. And in 2014, the services sector overtook agriculture as the country's largest contributor to GDP. Much progress has also been made in achieving the country's Millennium Development Goals (MDGs), set by the United Nations. Laos has come close to meeting its targets, particularly in terms of poverty reduction and improvement of health and education.

"The achievements over the past forty years represent a leap in progress for the Lao people," says Prime Minister Thongloun Sisoulith. The government of Laos is committed to moving the nation higher on the scale of developing countries. Prime Minister Sisoulith explains, "The Lao PDR is focusing all of its efforts on poverty reduction, infrastructure development, and building an economic foundation for industrialization and modernization, in order to graduate the country from the 'least developed country' status."

The government's 8th National Socio-Economic Development Plan (NSEDP) sets targets for annual GDP growth of no less than 7.5 percent over the next five years. It also makes a commitment to more sustainable growth and improved access to education, which are crucial factors for the country's future competitiveness. At the current pace of development, Laos is likely to outgrow its 'least developed country' status by 2020. Moreover, the government's 15-year development plan foresees Laos developing into an




Thongloun Sisoulith, Prime Minister of the Lao PDR

upper-middle income country by 2030, with Gross National Income (GNI) per capita projected at five times the size of what it is today.

"Our medium-term national development vision, or Vision 2030, is to develop a more sustainable and equitable modern economy," explains Khemmani Pholsena, Minister of Industry and Commerce. "In order to make contributions to achieving both 2020 and 2030 development plans, our trade and private sector development strategies aim to promote a more diversified economy."

Although the economy is growing fast, it is however largely based on the exploitation of the country's natural resources. Laos trades primarily in agricultural and forestry products, minerals (including gold, copper, zinc and lead), and electricity generated from hydropower. Mining and electric power exports currently account for more than two thirds of total exports. Economic diversification is therefore high on the government's agenda.

"We adopted a development strategy to promote diversification that is built on three pillars: enhancing enterprise competitiveness, creating a business-friendly environment, and deepening economic integration," says Minister Pholsena. 

ASEAN – Turning Vision into Reality

Regional integration is a principal element of Laos' development strategy. "The Lao PDR has built mutually beneficial relations with all neighboring countries to ensure a regional environment of peace, stability, equality, and trust," says former Prime Minister Thongsing Thammavong. "This is the foundation for socio-economic development."

The country's location in the very heart of Southeast Asia's high-growth region presents a clear opportunity as Sayakane Sisouvong, Ambassador to the UK, Ireland and Iceland, describes, "We have a long-term vision of Laos becoming [the] Switzerland in this part of the world."

The country's dedication is reflected in Laos' current chairmanship of the Association of Southeast Asian Nations (ASEAN). The association has entered a historic moment in time when the ASEAN Economic Community (AEC) is starting to become a reality. The AEC will gradually abolish all trade barriers between ASEAN's ten member states to create a free market for more than 600 million people. "The Lao PDR will be the first country, in cooperation with the ASEAN member states, to turn the ASEAN Community Vision 2025 into reality," says Prime Minister Sisoulith. "We will continue the integration process, enhance connectivity, and redouble efforts to narrow the development gap among member states."

Alounkeo Kittikhoun, Minister to the Prime

Minister's Office, and ASEAN Senior Officials Meetings (SOM) Leader for Laos, adds: "We want to create a single market and production base, a market which is fully integrated not only within the Asian world but also in the global economy."

Establishment of the AEC is not without challenges for Laos. Companies and industries face competition from within the community, especially as import tariffs on even the most sensitive goods are phased out by 2018. Also, as Sandra Nicoll, Country Director of the Asian Development Bank, Lao PDR Resident Mission, explains, "For the country as a whole it is important to focus on education to ensure that the young people have the right skills to prosper in this new community."

Still, the benefits are expected to largely outweigh the costs. The country is likely to become more attractive to investment, which in turn will lead to more jobs. Minister Pholsena furthermore expects that "Laos will see lower-cost imports coming into its economy. This will help improve the efficiency of firms that use imported materials and it will benefit consumers." 🌏

The U.S. Dimension

The United States is seeking greater engagement with the region. A special U.S.-ASEAN Leaders Summit held in the United States earlier this year - the very first of its kind - confirmed a strategic partnership between the U.S. and ASEAN. President Obama also attended the ASEAN Summit in Vientiane in September this year. The first ever visit of a sitting U.S. President to Laos was a historic event for Lao-U.S. relations.

"The leaders of our two countries will have the opportunity to exchange views, covering a number of areas such as trade, investment and bilateral exchanges at all levels," said Prime Minister Sisoulith prior to the meeting. "The visit by President Barack Obama to the Lao PDR will open a new chapter in the relationship between our two countries."

Trade between the U.S. and Laos is still limited, but it is experiencing growth. The Office of the U.S. Trade Representative reports that trade in goods grew five-fold in the past ten years to \$70 million, while agricultural trade grew eight-fold to \$8 million. The two countries signed a historic Trade and Investment Framework Agreement in February this year, opening the door to more trade and investment. "The agreement paves the

"The visit by President Barack Obama to the Lao PDR will open a new chapter in the relationship between our two countries."

Thongloun Sisoulith, Prime Minister of the Lao PDR

way for future growth in trade and investment between the two countries," says Mai Sayavongs, Ambassador of the Lao PDR to the United States.

Laos already works closely with the U.S. in the framework of the regional Lower Mekong Initiative (LMI), which the U.S. has been funding for years. As Prime Minister Sisoulith says, "These projects have contributed significantly to the socio-economic development of the Mekong countries including the Lao PDR." During his visit in Vientiane, President Obama announced that the U.S. would double funding to \$90 million annually over the next three years to support demining efforts in Laos. Earlier this year, the U.S. also announced it was launching a \$6 million nutritional program addressed at school children. 🌏



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Time for Investment

The government of Laos is counting on growth across sectors to achieve the ambitious targets of the 8th National Socio-Economic Development Plan. This depends on growth in the agricultural and forestry sectors, in industry, and in services.

An estimated \$27 billion, which is equivalent to 30 percent of national GDP, is required to implement the plan. A mix of state investments, loans, and private investments is expected to provide the necessary funding. The biggest contribution - about 55 percent - is to come from domestic and foreign investors in the private sector.

Most foreign investments currently originate from China, although Thailand and Vietnam also remain to be important investment partners. "Since 2009 the relationship between the Lao PDR and People's Republic of China has grown into a strategic partnership," says Prime Minister Sisoulith. "Our cooperation has increased significantly in the areas of people-to-people exchange, trade, development assistance, and investment.

China financed the construction and launch of Laos' first communications satellite last year and it currently cooperates with Laos on a \$6 billion railroad project linking southern China to Bangkok through Laos.

"Lao PDR's ability to attract inward investment compares favorably with regional competitors and the LDC (least-developed countries) average," says Minister Pholsena; however, she also points to the fact that "investment is almost entirely resource-seeking rather than efficiency-seeking and an estimated 80 percent of foreign direct investment (FDI) goes to the energy and mining sector."

Accordingly, the government is pushing for more diversity and for investments to strengthen Laos' role in the region. Minister Pholsena explains, "We will make extra efforts to promote manufacturing industries, especially agro-processing industries, tourism, and other service sectors where Laos has a comparative advantage. Since most key export markets are opened for Lao products, our focus will be on developing supply capacity and improving the environment for doing business."

Sally Burningham, Country Manager Lao PDR, World Bank, comments that "the country is at a stage where every sector means something and the World Bank hopes to bring expertise and add value to all of these sectors."

Laos' Special Economic Zones

The establishment of Special and Specific Economic Zones (SEZs) in Laos has boosted the country's growth and development.

"The objective of SEZs is to attract domestic and foreign investments; create a strong foundation for industrialization; contribute to GDP growth, technology transfer, and job creation; and increase government revenue," explains Bouatha Khattiya, Standing Vice Chair of the Lao National Committee for Special Economic Zones (NCSEZ). "Ultimately this is to attain our goal of graduating from LDC status by 2020."

Laos currently operates a total of twelve SEZs, covering a total area of about 19,000 hectares. More than 290 foreign and domestic firms have invested in the SEZs with activities divided between the service sector, industry, and trade. Invested capital already exceeds more than \$1.6 billion. This has led to significant improvements in infrastructure, both inside the zones and in surrounding areas, and has created about 15,600 jobs.

The government is hoping to spread this success across the country, with more SEZs to be constructed over the next ten years, many in remote and rural areas. "The SEZ strategy envisions the establishment of 25 SEZs throughout the country by 2020," says Khattiya and further explains, "In addition to industry and manufacturing, the strategic plan focuses on tourism, trade, and services, and on logistics for SEZs that are located in border areas."

Laos has introduced a number of measures in order to drive foreign and domestic investment in the SEZs. It offers attractive incentive packages, including tax exemption for equipment and raw materials for infrastructural construction, as well as lower income tax and lower value added tax compared to investments outside the zones. In addition, the administrative process for investors has been greatly simplified. Khattiya explains, "In each and every zone there is a One-Stop Service office (OSS) with the authority to make decisions regarding investments in the zone. Investors can get their business license directly from the OSS without having to go to several offices."

For Standing Vice Chair Khattiya, the economic zones have contributed to raising Laos' profile as an investment destination: "SEZs in Laos have attracted many world-class companies such as Aeroworks, Essilor, Nikon, Toyota, Mascot and others, which have been exporting their products 'Made in Laos' globally. Those products are well received by the global markets and have thus contributed to increased confidence of investors." 

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Phonesack Group aims to be one of Lao PDR's most valued and dynamic Lao-owned business enterprises. Poised and ready to lead the modernization and development of Lao PDR's energy, infrastructure, mining and natural resources industries, Phonesack Group is committed to help pave the way to gaining favorable inroads into global markets, while at the same time delivering excellent value to its employees and investors.

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Powering Ahead: Turning Laos into ASEAN's 'Battery'

The power and electricity sector is arguably the single most important driver for the country's growth and development. Laos generation and transmission capacities have increased substantially in recent years, supporting both domestic and foreign demand.

Blessed with abundant water resources, Laos generates most of its electricity from hydropower installations. The country is estimated to have a total hydropower capacity of 26,000 megawatt (MW) along the Mekong River and its tributaries.

"We want to develop the hydropower potential as rapidly and responsibly as we can," explains Viraphonh Viravong, Vice Minister of Energy and Mines. "Today, we have an installed capacity of 6,000 MW. By 2020, we expect to reach an installed capacity of 10,000 MW. And between 2020 and 2030, we want to add another 10,000 MW, the equivalent of 1,000 MW per year."

Total installed capacity has increased ten-fold over the past decade, with more than forty hydropower stations currently in operation and more under way. Viravong adds, "There are at least 20 to 25 hydropower sites currently under construction. This corresponds to an additional capacity of 4,000 to 5,000 MW."

Domestic demand for electricity is rising quickly, at a rate of 18 percent annually, and is expected to exceed 2,600 MW by 2020. This reflects the current pace of industrial development in Laos as well as the success of a rural electrification program. An estimated 89 percent of households have access to electricity today, compared to 50 percent of households twenty years ago. By 2020, the government expects to reach its target of providing 95 percent of all households with electricity.

Crucially, Laos has also become a major exporter of electricity. About two thirds of electricity generated in Laos is routinely exported to Thailand, Vietnam, and Cambodia, where demand is also on the rise.

Foreign and private investors acting on these opportunities have played a principal role in driving the expansion of Laos' power sector. The country's landmark project, the \$1.2 billion Nam Theun 2 Hydroelectric Project (or NT2), has the backing of 27 development partners and financial institutions, including the World Bank Group and the Asian Development Bank. Inaugurated in 2010, NT2 is the largest hydropower project in Laos to date.

"This project has been a real case study for the government of Laos," says Frédéric Hofmann, CEO of the Nam Theun Power Company (NTPC). "NT2 is an example for other such projects in Laos and in the region."

The plant has an installed capacity of 1,070 MW, much more than could be absorbed locally. About 95 percent of power generated by NT2 is instead exported to Thailand. Managed under a 25-year concession agreement, the installation is a cornerstone of the government's long-term development plans.


"The plant is expected to generate \$2 billion in government revenue over 25 years of the concession period. At the end of this period, in 2035, NT2 will be transferred to the government," explains Hofmann. "This is the big story. Our mission is not just to produce electricity but also to develop the country."

The Future of Power Generation

The state-owned utility Electricité du Laos (EDL) is the dominant force in Laos' power industry. It owns and operates the country's main generation, transmission and distribution assets and supplies electricity for domestic consumption. Since 2010, EDL Generation, a publicly listed company, has been in charge of EDL's power plants and the growth of generation capacity. "We started with a generation capacity of 300 MW. Our goal is to reach 2,000 MW by 2020," says Bounoum Syvanpheng, former CEO of EDL Generation. "To do that we have mobilized investments to buy other hydropower projects, to buy shares in projects implemented by independent power providers, and to build more hydropower stations across the country."

EDL Generation has already managed to build a portfolio that approaches its 2020 target. "We now have twenty-six projects, producing a total of about 1,400 MW. Provided that we can mobilize the necessary investment for these projects, we will be able to produce about 1,800 MW by 2018 or 2019," says Syvanpheng.

Moving forward, EDL Generation will not limit itself to hydropower. Syvanpheng further explains, "For 2025, our goal is the diversification of our energy sources. We do not want to rely on water alone and are looking into sources such as wind, coal and solar. We have already received the concession from the government for a 100 MW solar energy project and we are in a study phase for a coal energy project."

According to Syvanpheng, Laos is well prepared to take on a bigger role in the region. "We have been working very hard to ensure that we can distribute electricity to neighboring countries, setting up stations, distribution lines, control centers, and training our staff. I believe that by 2020, we will be able to truly become the 'battery' of ASEAN." 

Local Leaders in the Power Industry


The Vientiane-based Phonesack Group Co., Ltd. is a local industry leader in the power and electricity sector. The group was recently assigned the development of two projects with a combined capacity of 1,550 MW: the Nam Theun 1 hydroelectric power project with a generating capacity of 650 MW and a coal-fired power project with a generating capacity of 3 x 300 MW.

“Phonesack Group was appointed as the sole owner of these projects. This differs from past projects that required foreign investment or multilateral collaboration between the state, private entities, and foreign institutions to fund the development,” explains Phonesack Vilaysack, Chairman of the Phonesack Group. “We have invested millions of dollars in engaging experts to carry out technical surveys and globally recognized consultants to perform a thorough study of these projects.”

Vilaysack understands these projects as an important contribution to national development. “These two projects will be a source of stable revenues for the nation, and they will create job opportunities for technical staff, local experts and the Lao labor force, thereby enhancing the nation’s skills and employment in the hydroelectric and mining sectors,” he says.

Thermal power plants, such as the one built by Phonesack Group, are still a relative novelty for Laos. But this is changing, given the country’s large reserves of anthracite and its desire to make power generation more stable, regardless of any fluctuations in water levels. The coal-fired Hongsa Power Plant, developed by an independent power producer and completed in 2016, is set to become Laos’s highest-capacity power plant, with a generation capacity of nearly 1,900 MW.

Vilaysack sees potential for growth and investment in both the coal-fired power production and hydroelectric power production sectors as a means of providing stable power supply. Accordingly, he expects the company to engage in other similar projects following the immediate assignment. “After completion of the 3 x 300 MW coal-fired power plant in the next five years, we expect to expand by another 600 MW thereafter,” says Vilaysack.

Phonesack Group is also mindful of the impact of these projects on surrounding areas and local communities. The coal-fired power project that is being developed by Phonesack Group will use state-of-the-art, environmentally-friendly technology. As Vilaysack explains, “We have invested in making the social and environmental impact assessment of these projects our first priority. It is a privilege that the government has recognized our project work as a model in terms of socio-economic development and sustainable environmental protection.” 



Sustainable Choice For You, Sustainable Power For The Nation

EDL-Gen has a strong desire to be a leading company in Lao PDR to ensure reliable electric power supply for the socio-economic development of Lao PDR, strongly contributing to the realization of Lao PDR's vision of being the battery of ASEAN, as well as in ensuring sustainable and reliable power supply to the ASEAN community.

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EDL Generation Public Company

Thirst for Fuel Drives Competition

Laos' booming economy is driving a growth in fuel consumption at a rate of 10 percent per year. In 2015, fuel consumption reached 1.4 billion liters, following demand from the country's numerous construction projects and a steady rise in vehicle ownership. In 2015, more than 1.7 million vehicles were recorded in Laos, which is 8.2 percent more than in the previous year.

The Lao State Fuel Company (LSFC), a state-owned enterprise, works to guarantee that demand is met and energy supply rises with national development. Khamchanh Rattanavong, Senior Deputy Managing Director of the Lao State Fuel Company says, "We provide fuel for the needs of the society and of the government. We also supply fuel to remote areas regardless of whether we make a profit or not."

LSFC is the leading fuel company in Laos in an increasingly competitive environment. "In 2015, we had a turnover of \$175 million and a profit of \$4.25 million. We sold about 260 million liters of fuel, representing a market share of about 23 percent," Rattanavong says. "We are faced with hard competition in a small country. Before, there were only a few companies – now there are 25 companies."

LSFC relies on existing assets to defend its leading position, but also plans for more modernization. "We have facilities in every province, modern laboratories, three hundred service stations throughout the country, a modern truck fleet, a transport company,

and a construction company. These are all advantages that we have over our competitors," describes Rattanavong. "We have also started working with a Chinese company on building a refinery in Vientiane and we are planning to modernize our service stations and our transport company."

Thai Ambitions

PTT Lao, a wholly owned subsidiary of Thailand's PTT Group, has been present in Laos since 1993 servicing the retail fuel business. As part of PTT Group, the largest oil and gas company in Thailand, PTT Lao has established itself at the top of the market. "We currently have twenty-seven gas stations. Last year we had sales of about 170 million liters, which is considerable. Our target for this year is about 220 million liters," says Nisit Phongvutirapant, Managing Director of PTT Lao. "In terms of market share, we are number three according to 2015 data."

Still one of the biggest challenges for PTT Lao is finding the right staff. "We invest a lot into local staff. We send them to Thailand for training and we bring trainers here from Thailand to provide on-the-job training."

The company has firm plans of growing its market share, also beyond its fuel business. "We plan and we wish to become number two in Laos," says Phongvutirapant. "We are planning to have ninety gas stations by 2020. In addition, PTT Lao will also grow the presence of PTT Lubricants and of its non-oil retail business. This includes our Jiffy convenience stores and Café Amazon coffee shops that we plan to expand from currently thirty to seventy branches within the next five years."

Competition in the Lao fuel sector is not going to let up any time soon. 🌈

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Financing the Country's Growth

Laos' financial sector has been instrumental in bankrolling the country's economic development. Significant lending by the financial sector has boosted economic activities, thereby contributing to the success of the country's previous national socio-economic development plan.

The financial sector is bank-based, with banks' assets accounting for more than 90 percent of the total assets of the financial industry. According to a World Bank report, these assets amounted to \$12 billion in 2015. There are now 42 commercial banks in Laos, consisting of four state-owned commercial banks, three joint-venture banks, seven private banks and 28 subsidiaries and branches of foreign banks. The influx of foreign banks in recent years means that the share of foreign branches in total assets has grown significantly. In 2015, foreign branches held 26 percent of all assets, compared to 18 percent in 2013.

"Public confidence in the financial sector is high, as indicated by the level of deposits, which by the end of 2015 were equivalent to 53.34 percent of GDP," says Vathana Dalaloy, Deputy Governor of the Bank of the Lao PDR (BOL). "Besides the expansion of the banking sector, the Bank of the Lao PDR also promotes non-bank financial institutions (NBFIs) in order to increase financial access to households in rural areas. As of 2015, there were 147 NBFIs supervised by BOL."

For the near future, the Bank of the Lao PDR focuses on the development of financial infrastructure, including the modernization of payment and accounting systems, financial inclusion, and capital markets that are supporting regional financial integration.

Going Public

"To further support financial sector development, Lao PDR established its first stock exchange in 2010 with the purpose of raising long-term capital to finance socio-economic development," says Dalaloy.

The Lao Securities Exchange (LSX), a joint venture between BOL and the Korea Exchange, was established in 2010. The power and electricity company, EDL Generation, and the state-owned bank BCEL were the first companies to be listed on the exchange. Between 2010 and 2015, the LSX mobilized total funds of more than \$700 million.

"This is what we are here for," confirms Vanhkhamb Voravong, CEO of the Lao Securities Exchange. "The securities exchange market has contributed significantly to raising capital and funding to move the economy forward."

Five companies are currently registered on the LSX, representing some of the largest companies in Laos. This number is expected to grow, as LSX invests

in educating the market and continues adapting its rules to be more suitable for smaller companies. Voravong explains, "Many businesses in Laos are family businesses. Joining the securities exchange market is a big decision for them. But in our expansion plan, we have the goal of registering at least 25 to 35 companies in the LSX by 2020."

"The financial sector is a key engine for economic growth and social progress, and it helps fulfill the achievement of the government's development policies."

Vathana Dalaloy,
Deputy Governor of the Bank of the Lao PDR

Innovation in Banking

One of the first companies to be listed on the Lao Securities Exchange was the Banque pour le Commerce Extérieur Lao Public (BCEL). Established as a state-owned commercial bank in 1989, BCEL is the country's leading bank. "BCEL contributes to the socio-economic development of the country," says Phoukhong Chanthachack, General Managing Director of BCEL. "And we will continue contributing to government goals by mobilizing the funds necessary to offer credits to society and by providing accessibility to our customers." The bank maintains a strong network of more than one hundred branches and service units across the country, especially in rural areas, and is a leader in the use of automatic teller machines (ATMs), deposit machines, and mobile and internet banking services.

BCEL has won multiple awards, including the 2011 Bank of the Year award from Bankers Magazine, the 2012 Wholesale Banking Award from Asian Banking and Finance Magazine and the 2013 Most Innovative Retail Bank Laos award from Global Banking and Finance Review. Some of the bank's innovations include BCEL One, an application that allows customers to use their smart phones to automate transactions and to pay bills, and the BCEL smart card solutions for payment of public transportation. "The awards that we have received give recognition to the bank's continuous development," says Chanthachack. "This does not mean that the bank will now remain static; we will continue developing our technology and our human resources."

In the country's evolving financial landscape driven by regional financial integration and especially the ASEAN Banking Integration Framework (ABIF), BCEL will be exposed to more competition. But regional

integration will also bring potential benefits through market expansion and a growing volume of cross-border financial and trading activities.

Chanthachack is confident about BCEL's position. "We will cooperate and coordinate with other ASEAN banks to offer even better banking services for our customers. And we will also develop as a bank towards achieving international banking standards, moving towards Basel principles and a corporate governance policy."

Ever Stronger China-Laos Trade

The Industrial and Commercial Bank of China (ICBC), Vientiane Branch, is another increasingly active player in Laos' banking sector. As China's largest lender – and the world's largest bank by market value – it opened its Lao branch in 2011 to service corporate and individual clients and to facilitate cooperation between the two countries. China is Laos' second largest trading partner and its largest foreign investor. Bilateral trade amounted to an impressive \$2.78 billion in 2015, while Chinese investments in Laos extend to currently 760 projects with a value of about \$6.7 billion.

"We believe that the economic and political relations between Laos and China will be much closer in the future. This will provide more opportunities for ICBC and other companies," says Lu Jian, General Manager of ICBC Vientiane Branch.

"For the past five years we have tried our best to be a part of the growth of this country and its

economy," he continues. "ICBC Vientiane Branch grows along with the economy and has developed very fast. Since the start of the bank's operations, its profit has increased by an average of 40 percent annually, in some years reaching 100 percent."

In 2012 the Bank of the Lao PDR appointed ICBC Vientiane Branch the sole renminbi (RMB)-clearing bank in Laos, giving it the right to open RMB accounts for banks, enterprises and individuals in Laos and clear RMB transactions between Laos and China. The move replaced the need for cash settlements and created the basis for a growth in RMB settlements between the two countries.

ICBC is deeply involved in financing Laos' long-term development projects. Lu explains, "So far the bank has focused on the construction sector. We think that infrastructure development will lead to social development and empower the local economy. We have been working with the Ministry of Finance on large projects related to modern agriculture, hydropower constructions, and other infrastructure projects."

These are stepping stones in consolidating the bank's market position. "In accordance with the Lao regulatory system, we are permitted to have only one physical location to provide services to our customers. With possible changes in legislation, we have plans of expanding our business to the north and to the south of the country. Our goal for the next five years is to fortify our current position in Laos and become a leading bank in Laos with high profitability,



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performance, and prestige.”

The bank's success in Laos is also based on the quality of its local staff. “Human resources management is a key factor for our development and we pay much attention to the personal development of our employees,” says Lu, explaining that “We have a total of eighty-three employees, 80 percent of which are from Laos. Just four years ago, about 80 percent of the Lao employees knew little about banking. However, after four years of working in our

bank and training, they have adapted to the bank's culture at all levels and some have grown to become deputy managers in our departments. We have an excellent team!”

ICBC sees further regional integration as a clear opportunity. “The role of Laos in the AEC will become more important by the day. There are a lot of opportunities for investors in various sectors and we hope that we will promote all these sectors in the future,” says Lu. “I am very confident for the future.” 🌏

Telecommunications Taking Off

Laos successfully launched its first communications satellite last year in cooperation with China. The \$258 million satellite project is expected to strengthen a telecommunications sector that is already booming and extend services to Laos' rural areas. Hiem Phommachanh, the former Minister of Post and Telecommunications, explains, “Our communication satellite will be in service in 2016, and we expect that it will lead to an increase in telephone and internet penetration, especially in remote areas.”

Currently, 87 percent of the population has fixed and mobile telephone access. Internet usage is estimated at about 21 percent but is likely to be higher considering access provided by 3G and 4G mobile telecommunications technologies. “Our main focus is to turn Laos from a landlocked to a land-linked country in the ICT sector,” says Phommachanh. “Foreign investors are welcome to help us in this process.”

“Many people in Laos are poor and in order to improve their situation they need to have access to information. This is where we come and help,” says Khamkhith Saysongkham, General Director of the state-owned operator, Sky Telecom State Company, which is

one of five telecommunications operators currently active in Laos alongside Lao Telecom, ETL, Unitel, and Beeline. Sky Telecom, a former government service, is the youngest entry in the market. “Our company is a special company. Unlike other telecommunications companies we are not only focused on profit, but also focus on helping the people.”

Sky Telecom holds a unique position because it owns and manages the country's network of underground fiber-optic cables. Dark fiber is the principal source of income for the company. Saysongkham explains, “If someone wanted to lease optical fiber lines, they would have to come to us. For example, the satellite company comes to us to rent lines to merge their satellite with our fiber optic network.” But Sky Telecom is also pushing for additional services. “We have been preparing many products, including an internet upgrade from traditional systems to broadband, IMS (Internet Protocol Multimedia Subsystem), IPTV (Internet Protocol Television), and 4G mobile,” says Saysongkham, concluding that the company is “open to everything.” Telecommunications in Laos is truly taking off. 🌏



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The Reward of Taking the Initiative

When the Phongsavanh Group celebrated its 35th anniversary earlier this year, it was presented with the Order of National Development, a high-level government award. No other private company in Laos has quite the same standing and presence in the country's economy. Phongsavanh Group first started as a company in the timber industry but has since evolved into a group of companies with a total of 2,000 staff and a lead role in multiple sectors. Some of the leading companies in the group include PetroTrade, Phongsavanh Bank, and Phongsavanh Telecom.

"It is our policy to always try and start something new, something challenging, something difficult," says Prof. Dr. Od Phongsavanh, Founder and President of the Phongsavanh Group, explaining the company's strategy and growth. He draws a connection between the group's activities and vision, and the country's socio-economic development. "Our driving force is to reduce poverty among our people. We work closely with the government and we help wherever we can."

"We always try and start something new, something challenging, something difficult."

Prof. Dr. Od Phongsavanh,
Founder and President of the Phongsavanh Group

PetroTrade, part of the Phongsavanh Group, started from a similar premise. PetroTrade's CEO, Chanthone Siththixay, explains, "Back in 2008 when PetroTrade was formed, farmers in rural areas bought petrol at very expensive prices, about five times higher than in city areas. We decided to form this company to provide petrol at a lower cost to all people, especially to farmers. We believe that energy is the lifeblood of economic development."


Starting from small-scale petrol stations in rural areas, PetroTrade quickly grew into a nationwide enterprise and the second largest petroleum supplier in Laos. "We have about 120 stations across Laos and we are expanding by an additional 30 stations this year. Our annual sales volume in Laos is about 190 million liters. This is forecast to increase by 40 percent this year, because we are also going to re-export to the region for the first time," says Siththixay. "PetroTrade is the first company in Laos to bring oil not only from Thailand and Vietnam but also from the Middle East and other parts of the world."

The group's Phongsavanh Bank has proven to be a similar game changer. When it was established in 2007, it broke new ground as the first privately-owned bank in Laos. "Before we operated in the banking sector, a lot of investors were not brave enough to come to Laos. After we started operating, more than thirty banks started investing in Laos," recalls Phongsavanh.

"Right now there are about forty banks in Laos and they are growing fast. The competition has become very strong," says Bounthanh Vongsoury, Managing Director of Phongsavanh Bank, further detailing that "there are seven private banks in Laos right now, of which we are number one, enjoying great customer loyalty. Our market share is about 15-20 percent of the whole commercial banking sector in Laos and we expect to grow our market share by 3-5 percent every year."

Vongsoury is proud that Phongsavanh Bank has made itself a pillar for the country's development. "We offer deposit ability and lending to the economic sectors but mostly we focus on small and medium sized enterprises (SMEs) because we think that SMEs are very important for the country and must be supported. We also implement many projects to help the government reduce poverty in rural areas and we provide loans to low-income families so that they have the opportunity to invest in agricultural production and make a better living."

True to its policy of always starting something new, the Phongsavanh Group is also currently in the process of setting up the first life and non-life insurance company in Laos. "Insurance is one of the most important aspects for society. We will cover accidents, life insurance, health insurance as well as big financial projects by the government and the private sector. We are also going to set up an association for insurance companies, as well as a rescue team and ambulances," says Od Phongsavanh. Supported by Singapore-based advisors Mekong Group and Deloitte, the Phongsavanh Insurance Company (APA) will become operational by the beginning of next year.

Phongsavanh's concern is to establish a secure environment for foreign investors: "We want to make sure that investors can come to Laos and find a professional and highly-equipped team of people to assist them in case of emergency." And he is convinced that, with all parameters in place, more investors will want to come to Laos. "Laos is an attractive place to invest because we have a very good legislative system, a very stable political system, and a very strong financial sector." 

Getting a Taste of Laos

Anyone ordering a beer in Laos is likely to be served a beer produced by the Lao Brewery Company (LBC). After more than forty years of brewing and selling beer, LBC controls 98 percent of the national beer market. Its portfolio includes three types of beer under the Beerlao brand, as well as another beer under the LaneXang brand and locally-brewed Carlsberg.

The success of LBC has made it become an important part of the Lao economy. The President of the Lao Brewery Company, Sounthone Phommachack, says, "LBC is the single largest contributor to the Lao government in terms of taxes, thereby enabling the government to further drive the country's economic development. We also estimate that over 35,000 people in Laos are indirectly employed, as a result of LBC, in closely associated industries such as farming and distribution."

Boasting two production facilities and modern machinery, LBC currently has an annual production capacity of 210 million liters of beer. Beer is not all the company produces. LBC also markets Laos' leading brand of drinking water under the Tigerhead brand, and it produces soft drinks for PepsiCo. "From relatively humble beginnings in the 1970s, LBC is today the number one drinks company in Laos," says Phommachack.

"LBC focuses heavily on innovation in terms

of different types of beverages and packaging styles. We recently refreshed our Tigerhead Water packaging and introduced a number of international imports, such as Somersby Cider and Kronenbourg 1664, to improve our market offer."

The success of Beerlao is no longer limited to Laos. The beer has won several international awards and is now appreciated globally. "Export is one of the fastest growing areas of our business and we are working with highly professional partners in many markets where we are jointly developing Beerlao as a premium imported beer," says Phommachack. "We now export to over twenty markets worldwide."

Aware of its wider role in society, LBC takes a responsible course of action. It contributes to social activities, and it was the first company in Laos to install a Carbon Monoxide Detector (CMD) system to conserve energy and reduce its carbon dioxide emissions by as much as 40 percent.

"Since the company owes its growth to the support from Laos' society, LBC considers social responsibility both an obligation and a priority in the way it conducts its business," says Phommachack. "We partner for the preservation of the Lao culture, support the protection and preservation of the environment, and promote a healthy and balanced lifestyle." 🌈




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Laos' New Breed of Entrepreneurs

The TK Group represents a new generation of companies that are contributing to the development of new industries as they are seizing the opportunities of the growing Lao economy. Established in 2005, the TK Group grew from a single enterprise to a major group of companies in just 10 years.

Thatnakhone Thammavong, President and CEO of the TK Group, was inspired by his experience abroad to start his first company, TK Support. "I studied and lived in Singapore for a few years and I saw the high level of technology available. By establishing TK Support, I wanted to apply in Laos what I had seen and help the country advance in technology."

TK Support has since developed from a small enterprise offering information technology hardware and software services into Laos' leading IT solutions and service provider. The various companies of the TK Group developed in parallel to the original business, gradually adding to the group's presence and role in the Lao economy. "With the help of the companies that we have created over the years, we have been able to create many job opportunities. We started with only a few employees in 2005, but today TK Group has more than 200 staff."

Today, the diversified group includes a total of eight companies with activities in information technology and new media, mining, construction, trade, and mechanical and electrical engineering. The challenge, faced by many companies in a developing economy, is not in finding the right opportunity but the right people. "Human resources are a big challenge in Laos as there is a shortage of skilled management staff," says Thammavong. "To implement large projects, such as hydropower and other construction projects, we need

expertise and highly skilled labour, but we don't have enough yet in Laos."

TK Group is always looking for new opportunities and invites new entries into the market. "Our activities are diversified and we try to accommodate every investor in Laos," says Thammavong, describing some of the group's recent initiatives. "Last year we approached U.S. investors to come and invest in Laos. We discussed franchise options with companies in the food and beverage sector and we visited Microsoft to explore the possibility of establishing a data center in Laos. We can also offer real estate for the construction of apartments, hotels, and shopping malls."

This is an open invitation to investors. 🌍



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The Intelligent Way to Market

For many investors and businesses, Laos still represents uncharted territory. Companies willing to seize the opportunities of Laos' high-growth economy must be prepared to enter the market as first movers, navigating local needs and requirements and building connections with local communities.

Coca-Cola – which is no stranger to international expansion – has been in the country for less than four years and opened its first bottling plant in Laos in 2015. “There are very few countries left in the world where Coca-Cola does not have a local operation. To come to a country that is a total greenfield project for Coca-Cola is quite unique,” says Mark Griffin, General Manager of Lao Coca-Cola Bottling Company.

Coca-Cola is careful to uphold its standards as a responsible company. Griffin explains, “Globally, we have made a commitment to be water-neutral by 2020. This means that we will return to communities and nature an amount of water equal to what we use in our finished beverages and their production. For example, we have integrated in our bottling plant a rain water harvesting and collection storage system that allows us to operate almost entirely on rain water during the rainy seasons.” “We are helping local village communities to apply the same principle. We have worked with village authorities in five local communities providing large rain water storage jars to over 1,000 homes. We will issue another 1,000 jars over the next couple of years to help local communities conserve water.”

Griffin suggests another global Coca-Cola initiative being applied to Laos, the 5by20 program. “5by20 means that the company aims to empower five million women entrepreneurs globally by 2020. It is a program specifically aimed at establishing women in business. We will have our own 5by20 in Laos, promoting 5,000 women entrepreneurs by 2020. We will partner with local NGOs and banks to provide capital and identify business opportunities and launch this initiative by the end of 2016.”

Focus on Women to Double Market Share

In a similar spirit, the Banque Franco-Lao (BFL) has made services for women entrepreneurs a key part of its growth strategy. The bank was established in 2008, as a joint venture between BCEL and COFIBRED, a subsidiary of the French banking group BRED Banque Populaire. In a competitive market, BFL focuses on SME development.

“BRED is a cooperative bank and since its beginning has been dedicated to financing SMEs,” says Guillaume Perdon, Executive Managing Director of BFL. “So this is really what we are here to do: we want to finance local SMEs.”

BFL has been quick to reach out to its customers by establishing a country-wide network of branches and investing in electronic banking services. Increasingly, it focuses on women as a distinct market segment. Perdon explains, “One of our main projects this year is to build a banking solution for women SMEs. For us this is a matter of differentiation, the idea of reaching a target group that other banks have not tried to approach.”

As a result, BFL expects to be able to double its current 2.5 percent market share. It already cooperates with the International Finance Corporation (IFC) for a financing facility that provides loans to women entrepreneurs. And it joined the Global Banking Alliance for Women, working towards a dedicated Women's Market Program.

“This is not just some kind of marketing activity; these will be real tools that we will develop in partnership with others institutions and subcontractors to support women SMEs,” says Perdon. “The official launch is planned for this year.”

Turning Leisure into Business

Theppanya Printing, Sign and Advertising, a successful printing company that started its business in 2000, has turned a service to its employees and national passion for soccer into a business. Ever since providing its employees with a soccer field for after work entertainment, Theppanya found there was popular demand.

“Over the past five years, the soccer-field business has been very successful,” says Vannared Panyavichith, Managing Director of Theppanya Premium Football Field. “We now have two soccer fields and in the future we want to open an academy so that young kids can learn to play professionally. The sports business has a big growth potential.”



Towards a World-Class Destination

Tourism is an important growth sector for Laos. For the past ten years, the number of tourists visiting the country has increased at an impressive average annual rate of 18 percent. In 2015, Laos recorded 4.3 million arrivals and revenue from tourism of \$670 million. Most visitors travel to Laos from neighboring countries; however their stay in the country is still quite short, compared to other countries in the region.


Seeing tourism's potential, the government is focused on developing its many tourism sites, improving infrastructure and transportation, and encouraging private investment in the sector. Popular destinations in Laos include the ancient town of Luang Prabang, a UNESCO World Heritage site; the sacred That Luang monument; and the Buddha Park in Vientiane.

The Landmark Mekong Riverside Hotel has opened the door to a new kind of tourism, bridging business and leisure. Located along the Mekong River promenade in Laos' charming capital, Vientiane, the luxury hotel opened in time for the 9th Asia-Europe Meeting (ASEM) Summit in 2012. "With 188 rooms and suites and beautiful gardens, this is one of the top luxury hotels in the country. Our hotel is an urban resort that can accommodate both tourism and business guests," explains Mickael Frangin, Group General Manager of the Landmark Mekong Riverside Hotel.

Responding to growing demand, the hotel is set for further expansion.

"The hotel is adding an international convention and event center that will accommodate eighteen meeting rooms of variable size plus a grand ballroom that is able to receive up to 2,300 guests. This development facilitates increasing demand for meeting rooms from industry and commerce and the ASEAN Summit meetings held this year. With this extension, the hotel will be the place to go."

The Krittaphong Group, which built and currently owns the Landmark Hotel, has bigger plans. As Boulapha Santikhongkha, Chairman of the Krittaphong Group, says, "We will create the Landmark Group. We have several other hotels that will be added to the group, with the Landmark Mekong Riverside Hotel being its flagship property. Our goal is to become the leading group of hotels in Laos within the next five years and possibly also start expanding to neighboring countries." The group aligns itself closely with the country's development needs. "We know what the government needs and where it wants to go," explains Santikhongka. "We go along with the government's strategy and vision. As a Chinese idiom says: 'When water rises, the ball rises as well'. If the country grows, we are also growing."

This is true for most businesses in Laos. As the country is moving up the rungs of development, opportunities will naturally abound. 

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The Cruise That Changed China

What Zhao Could Teach Xi

Julian Baird Gewirtz

On September 2, 1985, the SS *Bashan* cruised through the green-leaved gorges of the Yangtze River, its prow breaking the waters along its 259-foot length. Inside, the river's shifting light played off the hallways, staterooms, and modish decorations, and air conditioning kept the late-summer heat at bay. The luxurious cruise ship had entered service earlier that year, with room for nearly 150 passengers curious to see sights advertised as "inspir[ing] romantic poets and painters with [a] sense of timelessness, awesome beauty, and endless energy." But the spacious decks of the *Bashan* were strangely empty.

Nearly everyone onboard was massed in the main hall, where a world of accents resounded: American, Chinese, German, Hungarian, Polish, Scottish. All eyes were fixed on a man with elfin features behind thick-rimmed glasses, wearing a long-sleeved white shirt and no jacket: the Hungarian economist Janos Kornai. Behind him was an incongruous prop for a river cruise, a blackboard on which he had sketched out economic models. On his left, Ma Hong, one of China's leading policymakers, listened attentively, and a few seats away, Xue Muqiao, China's most famous economist, sat smoking. The American economist and Nobel laureate James Tobin and the Scottish economist Sir Alec Cairncross were also in attendance. Elsewhere in the room sat two young Chinese scholars: Lou Jiwei, now China's finance minister, and Guo Shuqing, who currently governs Shandong, one of China's richest provinces.

JULIAN BAIRD GEWIRTZ is a doctoral candidate in history at Oxford University and the author of the forthcoming book *Unlikely Partners: Chinese Reformers, Western Economists, and the Making of Global China* (Harvard University Press, 2017), from which this essay is adapted. Copyright © 2017 by the President and Fellows of Harvard College. Used by permission. All rights reserved.

The cruise ship was hosting a weeklong meeting of some of the world's most brilliant economists, who had assembled to figure out a plan for China's troubled economy. The gathering came at the zenith of an era when officials under Deng Xiaoping were scouring the globe for fresh ideas that would set China on the path to prosperity and global economic power.

The orders to gather the group onboard the *Bashan* had come directly from the top official in charge of the economic reforms already under way, Premier Zhao Ziyang. Zhao believed that China should "make up for [its] weak points through international exchange" and use foreign ideas to reform its failed socialist economy. So China's rulers sought advice from abroad. Western experts offered ideas about how to introduce more market-based elements into the Chinese system and modernize the government's role in the economy. The secluded *Bashan* was the setting of the single most important of these many exchanges. The ideas discussed there would propel a shift in China to the mixed "socialist market economy" that exists today and has powered China's economic boom.

"It seems to be a most unusually interesting opportunity," wrote Tobin in a letter to his Yale department chair, asking permission to miss the first week of classes to attend the conference. "The idea seems to be to detach the high officials from their desks and phones so they can concentrate on learning some of the unpleasant facts about managing decentralized economies."

Although it began only 40 years ago, China's age of openness now seems to be slipping away. Chinese President Xi Jinping is presiding over a turn toward intellectual isolation and distrust of the outside world. Leading Chinese officials and publications regularly decry what the party calls "hostile foreign forces." Beijing has introduced new rules designed to eliminate "Western values" from the educational system, promote Internet sovereignty, and control the media. And in April 2016, the Communist Party cracked down on foreign nongovernmental organizations, passing a law that created demanding new registration requirements, increased government monitoring, and limited their contact with Chinese entities; *The New York Times* called it "the latest in a series of actions taken by Mr. Xi against the kind of Western influences and ideas that he and other leaders view as a threat to the survival of the Communist Party."

What Deng knew, and Xi seems to ignore, is that China succeeds not by limiting its connections to the outside world but by opening



I'm on a boat: Kornai (front) and Xue (behind him), September 1985

itself up to new ideas wherever they may originate. Today, China's economy is teetering. Growth is slowing, investor confidence is falling, and debt is rising. According to *The Economist*, the government spent approximately \$200 billion to support the stock market between May 2015 and May 2016; around 40 percent of China's new debt goes to pay interest on its existing loans. If Xi thinks he can make the breakthroughs necessary to save the Chinese economy without drawing on the best ideas from around the world, he faces long odds. It is far smarter to bet China's future on openness than on isolation.

COURTESY JANOS KORNAI

"THE OLD IDEAS WON'T DO"

China in the 1980s was still a country of drab gray buildings—a place where bicycles, not cars, clogged the roads. When Mao Zedong died in 1976 and the Cultural Revolution ended, China's centrally planned economy was in a shambles. Mao had despised capitalism: in 1950, he had trumpeted, "The Soviet Union's today will be our tomorrow." But millions had died from famines and violent campaigns under Mao's leadership, and his death allowed for a sweeping reassessment of China's path.

Beginning almost the moment that Mao died, the government invited foreign economists—from Czechoslovakia, Poland, the United Kingdom, the United States, and beyond—to China to provide advice, and China's new leaders under Deng traveled abroad to study other systems. Visiting Japan, the United States, and Western Europe, they were stunned at how backward China's economy had become. When Deng visited the United States in 1979, China's per capita GDP was still well under \$200—less than one-50th of that of the United States.

So Deng and his colleagues set out to make China rich. The transformation of the economy began in the countryside. The key reforms provided incentives for farmers to produce more than the state-set amount and sell the surplus at whatever price they could get. The reforms soon moved into the cities, but by 1985, the new urban and industrial policies had run into immense difficulties. State-owned enterprises, which produced the majority of China's industrial output, resisted market-oriented change. Growth was soaring uncontrollably, wildly surpassing expectations, but inflation was rising with it. Conservatives within the party made clear that they were ready to put the reforms on hold, and perhaps even toss Zhao out. China's rulers wanted the country to get rich, but not at the cost of control. It was Zhao's job to square the circle.

With the stakes this high, Zhao needed as many options as he could get. "The old ideas won't do," he was fond of saying. The delegation of international economists who came to China in the summer of 1985 for the cruise offered the possibility of new ideas that could help save China's reforms.

On August 31, 1985, Zhao, with his oversized black-rimmed glasses and graying, swept-back hair, met with the visitors at Zhongnanhai, the imperial compound in Beijing that serves as the central headquarters of the government and the Communist Party. The premier asked the group's advice on how to improve China's economy and handle urban economic



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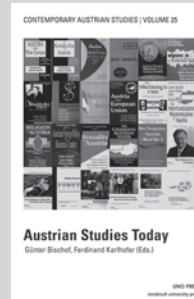
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reform. He singled out the problems of overheated growth: factories were churning out products without clear demand, inflation was rising, and consumers, who were used to stability, were growing anxious.

“All this came out with [a] directness, simplicity, and frankness that seemed quite natural until one stopped to think that the speaker was the Prime Minister of the largest country on earth, canvassing advice from an assorted group of foreign economists,” Cairncross, the founding director of the World Bank’s Economic Development Institute (now called the World Bank Institute), wrote in his diary. “Where else,” he added, “would one find a Prime Minister inviting advice from abroad?”

The group then flew south to Chongqing, where they boarded the ship for the weeklong conference, organized primarily by the World Bank official Edwin Lim. They gathered in the boat’s main hall for the opening remarks by the octogenarian Xue. A party stalwart, Xue declared to the company of foreigners, whose presence would have been unthinkable only a decade before, “We are investing great hopes in this conference.”

Excitement ran high when Tobin took the floor for his presentation. Tobin was a genial, soft-spoken figure with a crooked grin—and a natural teacher, whether at Yale or on the Yangtze. The Chinese listened attentively as he delivered a crash course on monetary policy, outlining how governments manage aggregate demand and describing how they could make stable fiscal and monetary policy. In the middle of his lecture, Tobin pulled out a sheet of statistics. China’s economy was indeed overheating, Tobin said, and inflation had to be brought below seven percent as soon as possible. The Chinese were astonished at the speed with which Tobin came up with such a concrete recommendation.

As the ship chugged along, Kornai moved to the presenter’s seat. The Hungarian had won international fame for his critique of socialist economics in *Economics of Shortage*, published in 1980, a book that began with the simple facts of life in socialist countries around the world: empty grocery shelves, just a few styles of clothing, and lengthy queues at every store. Kornai argued that chronic shortages were the inevitable result of economic planning under traditional socialism. Chinese economists recognized what they saw in the Hungarian scholar’s prose and equations: these were China’s miseries, too.

China’s rulers wanted the country to get rich, but not at the cost of control.

Kornai's topic was "Could Western policy instruments . . . be effective in socialist economies?" But hearing the Chinese say that they did not yet have a goal in mind for their reforms, he decided to answer a far larger question: What path should China take? Kornai argued that the experiences of failed transitions from socialism around the world suggested that China should pursue market coordination with macroeconomic control. He sketched out this model and its alternatives on a blackboard. Instead of seeking only to please cadres who had the authority to set quotas, forgive bad investments, and write off wasteful production, he argued, enterprises should respond to market pressures—competition would force them to improve their performance—but the state could still manage macroeconomic policy and regulate the economic and legal parameters of the market.

The other visiting economists agreed vigorously with the charismatic Hungarian, but the Chinese response was muted. Behind this composure, however, Kornai's words resonated. One prominent Chinese economist, Wu Jinglian, later wrote that he had concluded that "a market with macroeconomic management should be the primary objective of China's economic reforms." That night, a group of Chinese economists excitedly approached Kornai and told him that they were determined to initiate an official Chinese translation of *Economics of Shortage*. Kornai spent the night sleepless in his cabin, exhilarated by the reception he had received.

THE YANGTZE CONSENSUS

On September 7, the *Bashan* pulled into the harbor at Wuhan, a port city in eastern China. Most of the group flew back to Beijing, and the Western economists returned home. Cairncross wrote in his diary, "I have no doubt that they consider what to do very carefully before deciding and do not necessarily accept advice."

The Chinese participants prepared an internal report on the conference and sent it to Zhao and other top leaders. Zhao liked what he saw. Transcripts of internal party meetings show that later that month, he discussed the foreign experts' suggestion that China focus on its inefficient enterprises as the key next step in the reforms. He even used Kornai's analysis to highlight the problems of rapidly expanding investment in these enterprises.

As winter came to Beijing, the public report on the conference appeared in full. With detailed analyses of the ideas presented by Tobin,

Kornai, and the others, the report revealed a group of Chinese reformers who were open to outside influence but understood the importance of reconciling foreign advice with the situation on the ground in China—and a Chinese leadership, with Zhao at the helm, that believed in the value of intellectual exchanges with the outside world.

Yet not everyone was pleased. Party elders, aging but still filled with revolutionary zeal, lambasted the reformers in both internal meetings and public writings for “fawning on foreign theories,” in the words of a widely read editorial titled “Marxist Economics Has Great Vitality.” Zhao defended them, as party records leaked in the summer of 2016 show. Chastising a leading ideologue in 1986, he said, “You should be cautious when criticizing the liberalization of economic theory.”

Despite the attacks on his agenda, Zhao led reformers in a new drive to define the goal of China’s reforms as a system in which “the state manages the market, and the market guides the enterprises.” In 1987, with a series of policy documents released at the historic 13th Party Congress, Zhao succeeded, enshrining a central role for the once forbidden market in China’s future.

LET A HUNDRED FLOWERS BLOOM

Less than two years later, however, Zhao’s leadership came to a rapid end. In the spring of 1989, angry about pervasive corruption, persistent inequality, the lack of political reform, and skyrocketing inflation, students launched protests centered in Beijing’s Tiananmen Square. Zhao opposed the government’s crackdown on the demonstrators, but this time, his views would lose out. Deng removed him from power in late May and placed him under house arrest. Sitting in the courtyard of what had become both his home and his prison, Zhao listened helplessly to the gunfire of the People’s Liberation Army as its soldiers fired on Chinese citizens on June 4, 1989.

Later that month, with order restored across the country, party leaders denounced Zhao. They pointed to his engagement with foreign economists as evidence of his alleged mission to push China to abandon socialism. Eliminating this pernicious influence would from then on require omitting any mention of both Zhao himself and the role of his many Western advisers. Today, his name almost never appears in print in China; the party takes credit for his achievements or attributes them to Deng.

In the 1990s, under the savvy technocrat Zhu Rongji, reforms took off and the economy boomed. The system that China built, a “socialist market economy,” was enshrined in the Chinese constitution in 1993, cementing the enduring mix of state and market that Zhao had embraced and developed. Zhu allowed the rapid growth of the private sector while maintaining state-owned enterprises, particularly in key industries such as energy, banking, and telecommunications, but he made *Bashan*-style reforms to those enterprises, downsizing them, eliminating some government subsidies, and limiting easy bank credit to failing firms, to force them to be more responsive to the market. He developed China’s financial system, created state-dominated stock markets, and overhauled the tax system. He increased the authority of China’s central bank so that it could conduct monetary policy as Tobin had encouraged in 1985. And Zhu led China’s accession to the World Trade Organization in 2001, a major milestone in China’s integration into the global economic system—and a powerful example of the influence of foreign economic ideas, since accession to the WTO required China to embrace a set of established international norms and practices. Indeed, Zhu used the pressure of these external norms to force much-needed domestic changes that had previously been politically untenable, such as increasing market competition with state-owned behemoths and opening up new sectors of the economy (from telecommunications to banking) to foreign financing.

As skyscrapers sprouted up across Chinese cities and wealthy businessmen motored through the busy streets in sleek Audis and BMWs, China became an economic power with few equals. By 2010, China had overtaken Japan as the world’s second-largest economy in terms of GDP. China’s transformation consistently drew on ideas from far beyond its shores.

But the Chinese Communist Party tells a different story, one in which the system of economic organization that Zhao developed is stripped of his name and its international influences. Instead, the party describes China’s rise as a product of the party’s leadership and ingenuity, “grown out of the soil of China” (in the words of Foreign Minister Wang Yi). According to this narrative, only a self-reliant China can succeed in the face of a domineering West; the party’s narrative leaves little room for the truer story of a collaborative partnership.

Indeed, Xi has referred to “the competition with capitalism” and “the protracted nature of contest over the international order.” A party

communiqué leaked as Xi came to power in 2013 warned that “the contest between infiltration and anti-infiltration efforts in the ideological sphere is as severe as ever, and . . . Western anti-China forces [will] continue to point the spearhead of Westernizing” China. In the economic sphere, this struggle is particularly acute, aiming “to change [the] country’s basic economic infrastructure and weaken the government’s control of the national economy.” This is not the language of a country that sees itself as happily integrated into the international economic order.

Western leaders should make clear that their Chinese counterparts risk more than they gain by shutting the door to outside influences. Western policymakers rightly criticize Xi’s militarism, mercantilism, and neglect of human rights and international norms. But people both outside and inside China should also tell a positive story of the rewards of openness, exemplified by the *Bashan* conference 30 years ago.

Deng knew that instead of simply copying, China could adapt the best economic ideas from around the world to fit China’s distinctive context. The engagement of the 1980s was not a sign of failure or submission to foreign hegemony but a signal achievement that powered China’s record-breaking economic growth. It helps explain why China’s transition from socialism, at least until now, has succeeded when so many other countries’ similar attempts have stumbled. And so it is all the more regrettable that China’s leaders today neither acknowledge nor seek to replicate the benefits of that era’s openness.

As a result, China risks missing out on the confidence-building effects of sustained, probing interactions about new ideas to solve China’s problems. Worst of all, by limiting the range of ideas from abroad that are permissible, it risks intensifying the chilling effect on economic thinking and policymaking at home, discouraging experimentation and innovation when it is most urgently needed to confront slowing growth, high debt levels, environmental deterioration, public disquiet, and a major demographic transition, among other challenges. Much of China’s future will turn on whether its leaders once again allow domestic and foreign ideas to mix freely. 🌐

Egypt's Nightmare

Sisi's Dangerous War on Terror

Steven A. Cook

On January 25, 2011, tens of thousands of Egyptians took to the streets, demanding an end to the nearly 30-year rule of President Hosni Mubarak. Eighteen days later, Mubarak stepped down. In Tahrir Square, the crowds cried, “Lift your head high, you’re an Egyptian.” “We can breathe fresh air, we can feel our freedom,” Gamal Heshmat, a former member of parliament, told *The New York Times*. “After 30 years of absence from the world, Egypt is back.”

Today, such pride and hope are a distant memory. Once again, a former military official turned dictator rules the country. But President Abdel Fattah el-Sisi has established an even more harshly authoritarian regime than the one Mubarak oversaw. By almost every measure, conditions in Egypt are worse now than prior to the revolution. Economic growth remains stagnant. Egypt’s reserves of foreign currency have dwindled to perilous levels: in July they dropped beneath \$16 billion, their lowest level in almost a year and a half and barely enough to cover three months of imports. The Egyptian pound has collapsed, and the government has begun rationing dollars.

Egypt’s tourism industry, a vital source of hard currency and investment, has also withered. In 2010, more than one million tourists, on average, visited Egypt every month; in May 2016 (the last month for which statistics are available), fewer than half that number did so. Egypt’s infrastructure is crumbling, and its education and public health systems are deteriorating. And more than a quarter of all Egyptians—about 22.5 million people—live in poverty, while youth unemployment exceeds 40 percent.

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Yet Egypt's rulers have done little to revive the economy. Instead, they continue to focus on the one thing they do well: repressing their citizens. Since Sisi seized power in July 2013, his security forces have arrested more than 40,000 people, killed more than 3,000 (including between 800 and 1,000 on a single day in August 2013), "disappeared" hundreds more, placed thousands in continuously renewable pretrial detention, and injured countless others. More than three years after Sisi ousted President Mohamed Morsi in a military coup, the Egyptian

state has reduced itself to a single function: destroying the organization to which Morsi belonged, the Muslim Brotherhood. Egypt's leaders have paid little heed to the consequences for ordinary Egyptians of their obsessive quest. Yet Egyptians are suffering mightily. And not only them: Gazans, Syrians, and Libyans have also begun paying the price, as Cairo's single-minded pursuit of the Brotherhood—and of any Islamist group that bears the slightest resemblance to the Brotherhood—has become the guiding principle of Egypt's foreign, as well as domestic, policy.

For now, there is little that the United States—Egypt's most important foreign benefactor—can do to change the country's trajectory; Egypt will have to solve its problems on its own. So far, however, Sisi has shown few signs that he is willing or able to implement reform.

“THE ORIGIN OF IT ALL”

Cairo's suspicion and fear of the Muslim Brotherhood predate Sisi's rise by many years. All the way back in 1948, the Egyptian government dissolved the group for allegedly planning a revolution, and the Egyptian leader Gamal Abdel Nasser imprisoned thousands of its members after surviving an assassination attempt in 1954. Nasser's successor, President Anwar al-Sadat, fashioned himself “the believing president” and tried a different tack, tolerating the organization for a period, until his relationship with the group soured after he signed a peace treaty with Israel in 1979. Sadat's successor, Mubarak, also showed the group leniency at first, hoping that the Brotherhood's more moderate brand of Islamism would undermine the appeal of violent alternatives. He allowed the group to operate on university campuses, for example, and he never sought to disrupt the organization's well-developed network of social services, although his government did try to control it. Yet when Mubarak sensed that the Brotherhood had accumulated too much power, he cracked down: after candidates linked to the organization won an unprecedented 20 percent of the seats in a parliamentary election in 2005, for example, he jailed hundreds of Brothers.

Today, Sisi and his allies want to crush the Muslim Brotherhood once and for all. To them, there is no difference between the Brotherhood and the self-proclaimed Islamic State (also known as ISIS)—even though ISIS has characterized the Brotherhood as an “apostate” organization. “They both share the same ideology,” Sisi told *Der Spiegel* in

early 2015. “The Muslim Brotherhood is the origin of it all. All these other extremists emanated from them.” In December 2013, his government declared the group a terrorist organization. Since then, on top of the mass arrests, it has forced the group’s leaders and any midlevel figures who have escaped the crackdown to flee to Doha, London, or Istanbul, and it has shut down almost 500 nongovernmental organizations, many allegedly connected to the group.

Many Egyptians have good reason to be angry with the Brothers, who, in their brief time in power, proved themselves to be alternately incompetent, authoritarian, and sectarian. Yet the Brotherhood has deep roots in Egyptian society. Since Hasan al-Banna founded the group in 1928, the Brothers have offered a vision of authenticity, nationalism, and religious reform that many Egyptians have found appealing. The group attracted followers for its opposition to Zionism in the 1930s, the monarchy in the 1940s, the British in the 1950s, and, more recently, the United States, and its provision of social services to thousands of Egyptians in need has been a critical source of political support.

Sisi has shown few signs that he is willing or able to implement reform.

All of that makes it unlikely that any president will ever manage to eradicate the group entirely. What Sisi has managed to do, however, is further polarize Egypt and escalate the violence that has become commonplace since Mubarak’s fall. Sisi’s war on the Brothers has made a mockery of the calls for unity, decency, and tolerance that filled Tahrir Square in the winter of 2011 and again in late June 2013. To be clear, Morsi was no angel: his blundering and belligerence threatened Egypt’s social fabric, and the generals may have been justified in overthrowing him. Yet the military’s fixation on wiping out his followers has only made matters worse, profoundly destabilizing the nation and raising the chances that it will collapse entirely.

So far, Sisi seems not to care. Backed by compliant media, his campaign against the Brotherhood has kept the country on a war footing. By describing the group as un-Egyptian and exaggerating the threat it poses, he has mobilized popular support for his government.

But he has more important things to focus on. Corruption and bureaucratic inertia are crippling economic growth. Sisi has pursued grandiose megaprojects—he spent more than \$8 billion expanding the Suez Canal, yet revenues have not picked up because the expected

increase in shipping traffic has not materialized—instead of infrastructure improvements that would boost the economy, such as upgrading the country's transportation network. Egypt's educational system is underfunded, and its health care is barely adequate: the government still struggles to provide clean drinking water everywhere, hepatitis C is rampant, and recurrent outbreaks of avian flu and foot-and-mouth disease have swept the country. In August, the International Monetary Fund offered Egypt a \$12 billion bailout, and Sisi promised reform in return. So far, however, it remains unclear whether he will follow through.

FEAR AND LOATHING

The sorry state of Egypt today is worrisome enough in its own right. Yet the havoc wreaked by Sisi's obsession extends far beyond Egypt's borders and has helped destabilize the entire region.

Take Gaza. As president, Morsi offered Hamas (a group founded in the 1980s as an offshoot of the Palestinian branch of the Muslim Brotherhood) symbolic support, but he made few actual policy changes, maintaining the blockade that Mubarak began in June 2007, after Hamas seized control of the territory. Since Sisi took over, however, Cairo has sought the destruction of the group. During Israel's 2014 military campaign against Hamas, the Egyptian government went so far as to encourage the Israelis to reoccupy Gaza and deal Hamas a fatal blow.

The Israelis refused to oblige. So since then, Sisi has taken matters into his own hands, doing all he can to suffocate Gaza. His government has slashed the number of Palestinians permitted to enter Egypt and destroyed many of the tunnels running under the Egyptian border wall that have long been a critical source of Gaza's food, construction materials, tools, luxury goods, and weapons. In late 2014, the Egyptian military created a quarter-mile buffer zone along Egypt's border with Gaza, destroying around 800 homes in the process. The army later expanded the buffer zone to a half mile, demolishing an additional 500 homes. By mid-2016, the military had cleared the entire border town of Rafah and established a three- to five-mile security belt—which even incorporates a moat in some places—along Egypt's border with Gaza.

Hamas is indeed an Islamist organization with links to the Muslim Brotherhood; there is no question that the group wants to govern society in line with its own interpretation of Islam. Hamas is also a

terrorist group, responsible for the deaths of Americans, Israelis, and Palestinians, and Sisi claims that Hamas has killed numerous Egyptians, although there the truth is less clear.

Even if the Egyptian president is right about the violence, however, he has ignored a number of crucial differences between Hamas and Egypt's Muslim Brotherhood. For starters, the two groups have different leaders. They also diverge on tactics, strategies, and goals. Hamas wants to liberate Palestine through violence. The Muslim Brotherhood, by contrast, has for decades sought political power primarily through nonviolent means. No doubt there is solidarity between the two groups. But there is scant evidence that Hamas and the Brotherhood have worked together to undermine the Egyptian regime.

Yet such distinctions are lost on Sisi, whose attempts to destroy Hamas have significantly worsened the already miserable plight of Gaza's 1.8 million residents. Almost 40 percent of Gaza's population lives in poverty, real per capita income is 31 percent lower than it was in the mid-1990s, and access to basic necessities such as water and electricity is unreliable. According to the World Bank, in 2015, Gaza's economic performance was 250 percent worse than that of the West Bank. Only the Israelis, who allow 800–1,000 truckloads of supplies to enter Gaza every day, have prevented Egypt's blockade from successfully strangling Hamas—and all of Gaza with it. As support for Hamas wanes, the group may well lash out once again at Israel, risking yet another round of fighting that will only compound the misery of Gaza's Palestinians.

SISI'S PIVOT

Cairo's unhealthy obsession with the Muslim Brotherhood has also determined its policy several hundred miles north—in Syria. After Mubarak's fall, Egypt's military rulers showed little interest in Syria's civil war: they had far more pressing challenges to deal with at home. Things changed under Morsi, who was far more sympathetic to Syria's rebels. During his tenure, Egypt welcomed large numbers of Syrian refugees and, in September 2012, held a conference with envoys from Iran, Saudi Arabia, and Turkey to explore ways to resolve the conflict.

Then, in 2013, Morsi took things further, with a step that may have sealed his fate. On June 15, he told a packed crowd of supporters at Cairo International Stadium that he was committed to “the liberation of the Syrian population,” implicitly signaling his sympathy with the

jihadist groups fighting the regime of Syrian President Bashar al-Assad. This pronouncement instantly raised alarm bells within Egypt's Ministry of Defense. Just a few weeks later, after massive protests against the president, Sisi, at the time the defense minister, launched his coup and deposed Morsi.

These days, Egypt's government carefully eschews such language on Syria. Instead, in late September 2015, Sisi—echoing Assad's own rhetoric—told CNN's Wolf Blitzer that the priority in Syria should be fighting terrorists, who, for Sisi, include the Muslim Brotherhood.

Egyptians, of course, have reason to worry about terrorism. The war in Syria may be 400 miles away, but ISIS has already established an affiliate in the Sinai, and Egyptians worry that fighters will migrate from the Syrian battlefields to Egypt. Egypt also faces a jihadist threat on its border with Libya.

But in Syria, as in Gaza, Sisi has willfully conflated the Muslim Brotherhood with violent extremists. Syria has its own chapter of the Brotherhood, and Sisi fears that if the Brothers were to play a constructive role in a new Syrian government, it would demonstrate that the Brotherhood could once again be a viable alternative political force in Egypt.

The idea that Syria's Muslim Brotherhood might play a role in a future government is not far-fetched. Although Bashar's father, Hafez al-Assad, crushed the Brothers after protests in Hama in 1982, Bashar

Sisi has willfully conflated the Muslim Brotherhood with violent extremists.

allowed the group to recover. When the Syrian uprising began in March 2011, the Brothers were initially cautious, but the following fall, they helped found the Syrian National Council, an alliance of opposition groups. And they have a powerful ally in Turkish President Recep Tayyip Erdogan, who would surely seek to protect Turkey's interests in a post-Assad Syria by expanding the Brotherhood's role.

But Cairo dramatically overstates the influence of the Syrian Brotherhood today. The group has never wielded the kind of cultural, social, and political influence in Syria that it has in Egypt. Since the Hama massacre, the Brotherhood's leadership has been in exile and out of touch with most Syrians. Yet once again, Sisi has ignored such nuances in his irrational fear that a chapter of the Brotherhood could wield power in Damascus and shape events in Cairo. To prevent that from happening, Sisi has broken from his Emirati, Saudi, and U.S. allies to

support Assad—alongside Russia, Iran, and Hezbollah—despite the fact that Assad's coalition is collectively responsible for the deaths of hundreds of thousands and the displacement of millions. The Egyptians have not sent Assad any money, weapons, or soldiers. But their rhetorical support is nevertheless symbolically important. Mubarak and his successors may have debased Egypt's power and influence, but Egyptian words still carry weight in the region. By supporting Assad in the name of counterterrorism, Sisi has divided the major Arab powers and provided political and diplomatic cover to Assad's Arab and non-Arab allies.

BETTER THE GENERAL YOU KNOW?

Egypt's pursuit of the Brotherhood has also contributed to the destabilization of Libya, a country that has been mired in chaos since its long-time leader Muammar al-Qaddafi was deposed and killed in 2011. In June 2014, Libya held elections in which a coalition of liberals, secularists, and federalists beat out a host of Islamist and Muslim Brotherhood-related candidates, as well as tribal figures based in the city of Misurata. The losers disputed the outcome and refused to cede their seats. This produced two parliaments: an Islamist-dominated body in the capital, Tripoli, and an internationally recognized House of Representatives in Tobruk, in the east.

By the time of the split, militia violence had already been racking Libya for years, but things soon descended into a full-fledged civil war. This unfolding crisis alarmed Sisi. It posed a real threat that armed extremists would take power on Egypt's western border. But even more troubling, Sisi believed that if the forces in the west prevailed, it would strengthen the Islamist-dominated parliament in Tripoli. So he threw his support behind General Khalifa Haftar. A former senior officer in Qaddafi's military who turned against the Libyan leader in the late 1980s, Haftar had spent the better part of two decades living in the United States before returning to Libya soon after the revolution there began. Frustrated by the political chaos that persisted three years later, he raised an army without the government noticing and, in 2014, launched a brutal campaign against extremists and Islamists.

Haftar is violently anti-Islamist and views military force as critical to achieving order—a worldview he shares with Sisi. Egypt, accordingly, has provided him with weapons, money, and diplomatic support (as have France and the United Arab Emirates). In doing so, Egypt

has only helped deepen the divisions in an already badly fractured country. Egypt's backing has allowed Haftar to dismiss the idea of national reconciliation; the general would rather install himself and his allies in Tripoli or, failing that, establish an autonomous region in Cyrenaica, his power base in the east. Haftar has rejected UN efforts to end the conflict through a negotiated settlement and the establishment in 2015 of a unity government, known as the Government of National Accord, and he has prevented members of the House of Representatives from supporting the new unity government.

The Egyptians insist that supporting Haftar is the best way to stabilize Libya. After all, they argue, the Government of National Accord is unwieldy and essentially powerless; it cannot serve as a bulwark against extremism or the Islamism that Egypt's leaders revile. And Egypt's leaders are right to worry. Libya poses the gravest threat to Egypt's security; people and weapons flow easily across the two countries' 700-mile border. But Egypt's actions in Libya are motivated more by Sisi's obsessions than by any legitimate security threat. By helping undermine the Government of National Accord, the Egyptians have accelerated Libya's fragmentation and sabotaged efforts to restore some semblance of stability—the best and only real guarantor of Egypt's security.

THE GREAT MIDDLE EASTERN STABILIZER

Egypt's current policies leave Washington with few good options. Without aid from Washington, the International Monetary Fund, or the Gulf states, Egypt may well collapse. Its failure would have a devastating effect on a region already confronting the fragmentation of four other states—Iraq, Libya, Syria, and Yemen—and unprecedented violence. For now at least, the United States cannot cut Egypt loose.

Yet the United States will also struggle to dissuade Egypt's leaders from maintaining their current approach, because they regard their fight against the Muslim Brotherhood as an existential struggle. They also invariably interpret U.S. criticisms of their domestic repression as advocacy for the Brothers. Sisi and his supporters have not forgotten that in mid-2012, Washington welcomed Morsi's election and thus, at least tacitly, seemed to endorse the Brotherhood. And many U.S. officials did make the mistake of putting too much stock in the Brothers' reformist rhetoric while overlooking their anti-Americanism and authoritarian leanings.

Still, the United States could help in small ways—or at least avoid making things worse. Congress is currently considering whether to designate the Muslim Brotherhood a terrorist organization. Doing so would be a mistake. It would embroil the United States in Egypt's domestic political drama and further harm the United States' position in a country in which almost every political actor already mistrusts U.S. intentions. Declaring the Brothers a terrorist group might help mend ties with Sisi, but it would be tantamount to condoning Cairo's brutal repression.

As for Gaza, U.S. diplomats need to encourage the Turks and the Qataris, who can play an important role in the area's reconstruction, to coordinate their efforts to relieve the pressure created by the Egyptian and Israeli siege, so as to prevent Gaza's further descent into chaos. The Israelis seem to have realized that immiserating Gaza's Palestinians has achieved little and so have eased their blockade. If Washington can convince the Turks and the Qataris to work together, while encouraging Israel to continue to allow goods into Gaza, life there will improve despite Egypt's ill-considered meddling.

In Syria, Washington is less likely to succeed in counterbalancing Cairo's support for Assad. For years now, U.S. policy toward Syria has been indecisive and timorous, allowing pro-Assad forces to gain ground. Unless the United States intervenes more forcefully, it will have few means for undermining or reversing Sisi's support for Assad.

When it comes to Libya, finally, the United States, along with the Europeans and the UN, need to provide the new government in Tripoli with economic assistance, security, and legitimacy. Propping up the unity government might force the Egyptians to change tack, weakening Haftar. The Egyptians are susceptible to international pressure in Libya: they went along with the rest of the UN Security Council and recognized the Government of National Accord in 2015, although Sisi still maintains that the best way to fight terrorism is to support Haftar's army. Yet absent far more dramatic changes, which don't seem likely, Libya's unity government is unlikely to survive in the long term.

The Egyptians have accelerated Libya's fragmentation and sabotaged efforts to restore stability.

Egypt's failures are all its own, but the country's plight also reveals the bankruptcy of U.S. policy toward Egypt over the past 40 years. The United States has spent almost \$80 billion to support Egypt's economic development, national security, and civil society. For decades, U.S. policymakers assumed that Egypt was the great Middle Eastern stabilizer. It's true that under Mubarak in particular, Egypt scrupulously maintained the 1979 peace treaty with Israel, routinely accommodated U.S. requests to support military operations in the region, and repressed violent Islamists. Today, however, the United States needs to reconsider the idea that Egypt is a force for stability. Egypt's foreign policy has changed. Egypt is not a rogue state, but it is exporting its central domestic political conflict—the repression of the Muslim Brotherhood—to its neighbors, with devastating effect. 🌐

Kuwait: The Race For Economic Diversification

Diversifying away from oil is the main target of the 2035 Vision and simultaneously it will be the pillar which will underpin successful and secure development of the economy



Courtesy of Ahmadiyah Contracting & Trading Co. featuring the iconic Al-Hamra Tower on the left and United Tower on the right side

The fall in oil prices has unquestionably altered the economic outlook for the Gulf Cooperation Council (GCC) economies. And yet this change could become an opportunity for the region's economies. In early 2016, several GCC countries revealed deep economic reforms that would have been unthinkable a few years ago. One of them is the reform of domestic energy pricing and subsidies in a region that used to be known for charging amongst the world's lowest rates for basic utilities. At the same time, there has been an acceleration of delayed reforms in other market segments: education and labor markets, investment terms, and the role played by private investment into the region's infrastructure and service sector.

Kuwait understands the need for reforms. The Sabah family rules the country under the terms of a 1963 constitution that allows for a freely elected parliament that has real legislative and oversight authority, which assures to the emirate the most democratic political system in the Gulf. Kuwait is a State of vision, and sustainability. With increasing regional instability, Kuwait remains a secure and stable country, where its people enjoy freedom.

Kuwait can lay claim to the world's first and oldest sovereign wealth fund—the Kuwait Investment Authority, with \$410 billion in assets – according to the Sovereign Wealth Fund Institute. Yet part of its investment aim, to provide well-being for future generations, looks uncertain unless reforms are undertaken to boost the non-oil economy.

Mr. Manaf A. Alhajeri, Chief Executive Officer of the Kuwait Finance Centre, MARKAZ, pointed out: "Falling oil prices prepare us for an interesting,

more diversified economic era. Oil was undeniably crucial for the development of Kuwait and allowed the state to live in a regime of strong surpluses for a very long time, but it also led to inefficiencies. Sometimes it has created a sense of complacency, unfortunately, and I think oil prices going down will help eradicate that. It is an opportunity to look more seriously at the private sector's role in creating jobs."

Before the oil crises, Kuwait, for many years, collected substantial foreign exchange reserves, and those are facilitating the gulf state to face the sharp decline in crude prices. Kuwait is one of the biggest oil producers in the GCC with an output of about 2.9 million barrels a day. Its break-even price of around \$47 a barrel, according to the International Monetary Fund, is the lowest in the region. Still, even with strong financial buffers, Kuwaiti government leaders have indicated their intention to shake up the economy, maybe even tackling expensive subsidies. Kuwait is planning to develop five islands off its coastline into business free zones, part of the country's bid to diversify its economy away from its focus on energy. The free zone plans will be based on international models and will depend on foreign investment to bring them to fruition.

This model was first championed by Dubai in the United Arab Emirates.

However, unlike Dubai, Kuwait has fought to develop a significant non-oil sector and is still very reliant on oil revenues, which account for as much as 95% of government revenues. Burdensome bureaucracy and low standards on governance continue to create barriers to market entry for new firms.

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THE NEED FOR REFORM

The most recent sharp decline in oil prices has adversely affected Kuwait's fiscal and current account balances and slowed growth in 2015-16. High financial buffers are helping support growth through public investment and smooth the needed fiscal adjustment over the medium term. However, the government needs to implement sustained adjustment of current spending, focusing on decreasing rigidities in the budget by continuing with subsidy reform and introducing wage reform to strengthen non-oil growth and ensure intergenerational equity.

More reforms should be initiated without delay, especially in view of the risk of a further sustained oil price decline, with greater emphasis on labor market and other structural reforms to reduce the economy's dependence on oil and lay the basis for private sector-led growth. As Faisal Al Alyar, Vice Chairman of KIPCO, one of the largest conglomerates in the region said, "The main challenge is the government's attitude to fixing itself. We have been keeping the bad habit for the last fourty years. 85% of our workforce is employed by the Government. Kuwait is a welfare state where no one wants to put too much burden on limited-income individuals. That whole mentality must go. Structural reforms are important to reduce the economy's dependence on oil & lay the basis for private sector-led growth. We should also start exporting added valued products and not only crude oil."

BOOSTING PRIVATE-SECTOR PARTICIPATION

The Kuwait Vision 2035 aims at stimulating GDP growth and encouraging the role of the private sector in the economy. According to the Kuwait Authority for Partnership Projects, half of the projects under the development plan will be implemented by the private sector, either through traditional tendering processes in Kuwait (Central Tendering Committee) or Public Private Partnerships (PPPs)

Overall, Kuwait has seen encouraging initiatives toward improving the business climate: The new PPP amendments, the streamlining of the Direct Foreign Investment Law, the cancellation of the offset program and the latest amendments to the capital market and the company law. As Mr Mutlaq Al Sanie, General Manager of the Kuwait Authority for Partnership Projects points out "Through the testimonies of local, regional and foreign developers and investors, it has been confirmed that the resilient financial position of the country and its credit rating provides comfort and attractiveness for investment. Also, the legal and constitutional and regulatory framework in which the government, its public entities and the private sector operate within provides transparent, competitive and secure status where such businesses can be established, operate and grow under the rule of law. Also and due to the drastic drop of oil global prices, many regions were negatively affected, resulting in cancellation of many current and future projects. Such effect even promoted many countries to re-evaluate their current practice of project tendering and its regulations. Yet, the State of Kuwait and through its direct investment promo-

tion and PPP laws, has not taken a step back due to the necessity of such projects and its nature being infrastructure projects that are highly needed for the growth of the country and its public."

RESILIENT BANKING SECTOR

Kuwait's banking sector appears well qualified and ready to fight any slowdown in loan growth resulting from the fall in oil prices and slower non-oil growth resulting from a reduction on public spending, thanks to the fiscal strength and strong bank balance sheets. The banking sector is well regulated and has shown resilience to the oil price shock. The sector had a capital adequacy ratio of 16.9 percent according Basel III definition, nonperforming loans ratio of 2.8 percent, and provisioning ratio of 172 percent on a consolidated basis at end-June 2015 according to the IMF report

Kuwaiti Banks also stand out when it comes to good corporate governance and innovation. As Michel Accad, CEO of one of the leading banks in the country, Al Ahli Bank of Kuwait (ABK) said, "Understanding what customers want is what distinguishes innovation from novelty. Successful innovation, therefore, is all about finding new ways of meeting customer needs. Having a grasp of the trends - consumer, social, environmental and macroeconomic - influencing the marketplace of the future can only help in this effort."

ABOUT ENTREPRENEURSHIP AND THE YOUTH

The number of Small-to-Medium enterprises (SMEs) in Kuwait is high, particularly in retail, but their overall con-



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tribution to the economy is low—just 3% of GDP. This paradox is especially worrying when compared to high income and emerging economies, where SMEs comprise most of the economic activity in the private sector and contribute to 50% and 40% of GDP (respectively).

Building a vibrant business development ecosystem seems critical to promoting long-term, economic diversification in Kuwait. The Government of Kuwait established a National Fund for SME Development in April 2013, an independent public corporation with a total of 2 billion Kuwaiti dinars (\$7 billion) in capital, it aims to help create productive jobs for Kuwaiti professionals, increasing private participation in the economy and the amount of income diversification. The National Fund prides itself on being the first single entity for SMEs in the Gulf. Mohammad Al-Zuhair, Chairman of the Fund, said, "The equivalent of the National Fund in other countries involves four or five different government entities, one for financing, one for business support, etc."

The Ministry of State for Youth Affairs' Undersecretary, Sheikha Al-Zain Al-Sabah, highlights building an entrepreneurial ecosystem as essential in addressing the youth demands and support their ideas and finding the ways to implement them. "We have seen many young Kuwaitis starting their own businesses and using the platform of social media to do it - Instagram in Kuwait, for example, is huge. Still, their contribution to the economy is very small."

ENERGY: FINDING NEW OPPORTUNITIES IN A CHALLENGING SCENARIO

The current challenging situation inspires deep concerns and is forcing Kuwait to rethink the role

that hydrocarbons play in the economy but also offers the scope for expansion and diversification with a keen eye in energy's future demands and the importance of balancing the market supply. As the government shows the willingness to take the matter more seriously, the country has been opening up oil development to international players and could very well use the current scenario to promote a structural reform in the industry.

In the context of Kuwait's multi-billion dollar development plan to push production capacity from its four northern oil fields to four million barrels of oil per day by 2020 and some significant improvements in the regulatory framework to open the way to a more relevant stake of the private sector in the economy, foreign companies are encouraged to step in as the country will require enhanced oil recovery expertise and the technology of foreign oil majors if it hopes to meet the target. With this disposal Kuwait Oil Company (KOC), one of the Ks companies under the umbrella of Kuwait Petroleum Corporation (KPC), awarded Schlumberger a first of its kind contract for the supply of integrated well construction services on its fields in late 2015.

"Our drilling and measurement (D&M) organization is leading the industry, which covers a broad range of customer needs through technological solutions for extended reach drilling and deep wells," explained Ziad Jeha, Schlumberger Country Manager. "Over the last couple of years, we have introduced new technologies to Kuwait to drill at high efficiency."

Regarding the penetration of alternative power sources in the energy mix there are some

good prospects, especially in solar power. In this sense the Kuwait Institute for Scientific Research (KISR), a technical and scientific arm of the Kuwaiti government, is working in cooperation with leading international organizations, such as the Massachusetts Institute of Technology (MIT), the Austrian Research Institute, the Japan Energy Corporation among others, Dr. Samira Omar, Director General of KISR believes that international alliances can bridge a lot of gaps in Kuwait in order to promote research & development, while highlighting the urgent need to reduce local energy consumption, an important challenge in Kuwait. Some good news came in 2006 when KPC announced new free gas reservoirs, the Jurassic Fields, which could provide most of the additional gas needed to meet the ever increasing domestic energy demand due to population growth and local industries' expansion, but the development of the fields and opportunities for foreign participation in the process remains unclear.

Another front the downstream industry in Kuwait that is gaining momentum to develop and increase its production in light of the strategic investments led by the Kuwait National Petroleum Company (KNPC) responsible for the domestic refining and gas processing business is the Clean Fuel Project, which is expected to start operating in the middle of 2018 and aims to upgrade and expand the existing refineries at Mina Abdulla and Mina Al-Ahmadi; and the Al-Zour Refinery, a grassroots refinery, with the goal of supplying low sulfur fuel to the local power plants.

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KDIPA: Changing the business landscape in Kuwait

Established only three years ago, the Kuwait Direct Investment Authority is mandated with some challenging tasks as raising awareness on the country's business climate and promoting Kuwait as a lucrative investment destination.

Sheikh Dr. Meshaal Jaber Al Ahmad A. Al Sabah, Director General for Kuwait Direct Investment Promotion Authority (KDIPA)

Reflecting the country commitment to become a regional centre for trade and finance, KDIPA was created according to the Law No. 116 of 2013 regarding the Promotion

of Direct Investment in the State of Kuwait. The institution is now the best channel to receive applications for investment licensing and granting incentives; servicing investors; in addition to streamlining business environment and enhancing the country competitiveness. Leading the authority is H.E. Sheikh Dr. Meshaal Jaber Al Ahmad Al Sabah, pointed by many as a young leader in the emirate and recognized for his efforts on supporting economic diversification and the key role of the private sector in the national economy. His main mission is to improve the business environment in Kuwait, which prides itself with its distinguished international relations and extensive network of partners worldwide in commercial, investment and developmental aspects, as he explains in this interview.

What are best channels and incentives that Kuwait offers to foreign investors and companies willing to do business in the region?

The interested foreign investor can enter the Kuwaiti market through many channels such as KDIPA benefiting from Law No. 116 of 2013 incentives and guarantees, or through the Public Private Partnerships (PPP) Law No. 116 of 2014, or through the privatization program which is witnessing advances in liberalizing new sectors, amongst others.

Moreover, foreign investors are entitled to equity ownership of up to 100%, or can open a branch, or a representative office. Other incentives include performance based tax credit, customs duties exemptions and guarantees against expropriation, allowing free transfer of capital and profits, and sharing benefits under bilateral agreements. Through the current phase of the Kuwait Development Plan, 30 mega projects distributed in various strategic sectors such as education, health, electricity & water, oil & gas, urban development, communications, tourism, among others, offers a wide range of opportunities for international partners.

How does Kuwait differentiate from other emerging countries?

Kuwait has a democratic regime with a parliament and free elections for over half a century, a strong justice system and a vibrant youth population renowned to be entrepreneurial, innovative and open-minded. This makes the country an attractive investment location given its strategic location at the North of the Gulf that allows it to serve as a platform for the neighboring extended markets.

The recent amendment of the Public Private Partnership (PPP) law also reflected a welcome improvement in the Kuwaiti legal regime.

Together with the streamlining of the Direct Foreign Investment Law, the cancellation of the offset program and the latest amendments to the capital market and the company law, Kuwait has seen some encouraging initiatives to achieve more involvement from the private sector through different projects, while diversifying sources of national revenues.

What else could be done to further improve the legal and regulatory framework and increase FDI?

KDIPA adopts a comprehensive approach on managing and nurturing a lasting relation with investors, starting from when the business begins operations and throughout its life. This includes aftercare and facilitation, follow ups, and monitoring licensed projects. KDIPA also heads the Permanent Committee for Streamlining Business Environment in Kuwait (PCSK), established by the Council of Ministers decision and includes nine concerned government entities entailing the Ministry of Commerce & Industry, the Ministry of Justice, and the Kuwait Municipality, to coordinate national efforts, document achievements, and communicate improvements.

In line with improving the business climate in Kuwait, KDIPA launched a series of Public Private Open Dialogue to identify reform priorities. Additionally, KDIPA keeps open communication channels with the investors receiving their issues, addressing their concerns, and resolving identified barriers to doing business in Kuwait, in collaboration and coordination with other relevant government entities.

Kuwait and the United States have a long history together. How is the economic cooperation between the two countries likely to evolve in the future?

The United States is currently Kuwait's largest supplier of goods and services. The two countries share a long-lasting history of both friendship and cooperation that is bonded in values, democratic traditions, and institutions. The Kuwaiti and U.S. governments have signed a trade and investment framework agreement and KDIPA hopes to further enhance existent bilateral relations between the two countries by encouraging additional bilateral private sector cooperation. KDIPA has already facilitated the approval of direct investments of renowned US corporations such as IBM and GE in Kuwait. GE will open the GE Kuwait Technology Center, the first GE facility of its kind to be located outside the United States that focuses on the Power generation sector and will also provide a platform for collaborative research and innovation to address local challenges. The strong ties with US cooperation is discernible and we strive to deepen these relations as we continue to fulfill our mission to actively contribute to enhance Kuwait's economic diversification towards fostering sustainability by benefiting from the know-how and technological advancements of US companies, big conglomerates or SMEs, through direct investments, or participating in procurements and contracts.



CITRA: The ICT sector role on boosting Kuwait's economy

The decision that established the Communication and Information Technology Regulatory Authority, which started operating in January, marked a new stage in the market in the country and its government eagerness to develop the sector.

H.E. Mr. Salim Aozainah, Chairman and CEO of the Communication and Information Technology Regulatory Authority (CITRA)

As Kuwait is going through major economic reforms while facing fiscal challenges, the government is relying on macroeconomic indexes such as the Global Competitive Index Report, Global Risk Report,

Human Capacity Index Report, Global Information Technology Report and the World Economic Forum, to understand the country current economic situation in a worldwide scale and target those areas that can quickly reflect improvement to the economy, shaping the approach of its economic reforms. As H.E. Mr. Salim Aozainah, Chairman and CEO of CITRA, explains in this interview, Kuwait is focusing now on technology advancements on national scale to ensure its competitiveness in the global economy and welcome foreign investors and global partners. "As CITRA in building up regulations phase, it's essential that FDI's are engaged during the development phase of the authority", he says.

What are CITRA's mission and why the ICT sector can play a key role in Kuwait's development plan?

CITRA understands all efficiency indexes from WEF GCI, GRR, and HDI reports as a base to use technology to impact the local economy, minimizing economic risks, and to transform Kuwait economy from "Factor Driven" to "Efficient" economy. Technology today has big impact for this transformation since it's the most advance method to make efficient government, the economy and combat corruption. As Citra has the task of providing the suitable environment for FDI in Kuwait and reach mutual interest in the ICT sector, the technology industry offers a great opportunity for foreign partners, as FDI will play a critical role in order to achieve the long-term sustainable growth in the ICT arena. Global players can provide to Kuwait key resources such as knowledge transfer, innovation, technological solutions, boost the local industry and create job opportunities.

Although Kuwait is very digital society that ranked number two world wide in Broad-band Mobile subscription, high smartphone use and internet penetration (79% of individuals use internet), the country must focus on increasing advancement of technology use in the public and private sector. We must admit that if Kuwait enters in an "Efficient Stage" economy, the fiscal challenges would be far less because technology could cut lots of wastefulness of government spending and ensure efficient execution of policies. We believe we can regain quick status in ICT in the region as the market is being regulated and still high ranked in terms of software development and innovation - despite the lack of capacities. However, once the new knowledge transfer environment is defined by CITRA, working in partnership with universities and research centers, the local ICT industry can take off and contribute greatly in global markets.

What are the main strategies in order to develop the ICT sector in Kuwait?

We are building up a smart government strategy and monitoring its implementation based on international standards coming from major players investing in Kuwait such as Microsoft, Oracle, CISCO, IBM, and others. CITRA will produce new IT company's classification to structure the market to enable fare competition and quality of execution. Therefore all FDI will be involved directly in developing our strategy, including Smart Designs, Support and Quality Assurance as we understand that feeding the regulations according to the latest global technologies is crucial.

CITRA will also reprogram the current government IT staff development and will include Intellectual Property clause in the IT regulations, monitoring any software illegal use in the government. Moreover, we just started to work on the 2 million square meters of the Technological Village that hosts all FDI's with free land and cheap electricity. This village will host all ICT FDI's, R&D Centres, Hotels and our new headquarters. This is a substantial investment and commitment from Kuwait government to provide high tech infrastructure for foreign investors. In addition, Internet Exchange project is in the roadmap to serve the region and make better Information highway between Hong Kong and New York. We will release the National Smart City Master Plan in the end of 2017 and will ensure all future projects are compliment. The strategy is based on FDI perspective. The first step taken now in Kuwait is to replace all household's electricity meters to smart meters cross all Kuwait by the Ministry of Electricity and Water.

The constant investment in Innovation and Research & Development is essential in any business, and it couldn't be different in the ICT arena. How does CITRA understand innovation?

CITRA has a division enable innovations programs in universities and other innovation capacities to increase registers patents and to ensure it will be successful and adopted by the industry, as we understand that this can help Kuwait to enter in an "innovation" stage economy. CITRA is relying on the background of a team with a large experience in the private sector, which is a new kind of approach to help building the regulation system. The government is bringing people from the industry to ensure that CITRA will become successful in its challenging tasks and ensure Kuwait will be able to offer a high tech environment for FDI success and growth. A combination of experiences spans cross Mobile Operators, ISP and High Tech companies provide strong base for becoming strategic with high quality of execution of any policy as every CITRA public policy in Telecomm and IT must benefit Government, Private sector and People.



AHMADIAH: Setting The Standards In Construction Excellence

From the modest beginnings in the mid 1950's Ahmadiyah has evolved itself into one of the largest, and most respected construction companies in the region.

**Mr. Ayad A. Al-Thuwainy,
Vice Chairman of
Ahmadiyah Group**

The Kuwaiti construction sector demonstrated inherent strength and resilience amidst global economic crises, and only experienced a minor slow down, followed by strong growth. Further to this, solid economic performance and the government's commitment to reform have sustained demand for residential, commercial and retail construction projects. In particular, the new law on public-private partnerships (PPPs) will have a transformative impact on the local construction industry.

If one company stands up in the building of the new Kuwait, it is Ahmadiyah: Kuwait's leading name in the construction Industry. Ahmadiyah takes pride in being one of the pioneer contracting firms in Kuwait having achieved remarkable growth over the last six decades and contributed significantly to the development of the country. The Company has attained prominence as a leader in the field of construction through competence, competitiveness and timely delivery with highest quality standards and recognized safety performance.

WE TALKED TO AYAD AL-THUWAINY, VICE CHAIRMAN OF AHMADIAH:

AHMADIAH has lived through several global crises but has been able to survive and thrive. How does Ahmadiyah see this challenging economic scenario the world is currently facing?

Mr Al-Thuwaini: The construction sector has always been very challenging. Whether you are in a crisis or not, there is always a stiff competition. During crises, governments usually cut down budgets which thereby decreases the number of projects. This makes it even harder for contractors to survive if they are not financially and technically strong and prepared. Being a leader in the field is all about being able to rise to the occasion during difficult times. It's the ability to always step up, anticipate and prepare for the difficult times. Our style of leadership, management and culture played and will keep on playing a vital role in the growth of our business.

Ahmadiyah was established in 1954 by two ambitious entrepreneurs with the strong conviction that building projects starts with building relationships. Since then, Ahmadiyah became Kuwait's leading Construction company. What would you say Ahmadiyah's main competitive advantages are?

Mr Al-Thuwaini: Definitely, our human capital is our most important asset. Especially in the construction sector, it is all related to people. We are focused on recruiting and retaining the very best people to allow us to meet and exceed our clients' expectations.

As technology proliferates and environmental realities and socio-political trends shake the foundations of established business models, large-scale innovation is the key ingredient for companies to survive the next wave of mega-change. How does Ahmadiyah define innovation?

Mr Al-Thuwaini: Companies in every industry and every country face disruption in every aspect of their business. From designing, to making and marketing products and services constant change is no longer the exception but the norm. Increasingly, innovation is not just about the product but about the company as a whole.

Construction projects are getting larger in scale, more complex and technically challenging by the day. The future will belong to the agile and lean, and to the platforms and ecosystems they empower.

Looking ahead, what are the strategies to further strengthen Ahmadiyah's balance sheet and take it forward ?

Mr Al-Thuwaini: The recent amendment of the Public Private Partnership (PPP) law reflects a welcome improvement in the Kuwait legal regime: One of the fastest and healthiest ways to achieve long term sustainable growth is to pave the road for private sector further development and the PPPs are an important way to take the huge burden off the government's shoulder." With the streamlining of the Direct Foreign Investment Law and the latest amendments to the capital market and the companies' law, Kuwait will see more involvement from the private sector through different projects, while diversifying sources of national revenues. It is also crucial for the government to open other sectors to the private sector such as health, education, oil & gas and so forth.

As far as Ahmadiyah is concerned, the next 5 years are going to be interesting. Other than the oil projects and the PPP projects, we look forward to the housing projects too. The housing projects will continue for another 10 years at least. I see that there will be a lot of opportunities in this sector.

Transparency, integrity, and accountability are the pillars of corporate governance. Although we are not yet a public company, Ahmadiyah has always been committed to these principles in the way we direct and control our business and in the way we conduct our relationships with our clients, both in the private and public sectors. We understand that it is not enough to perform well; we must conduct our business in a way that promotes investor confidence and attracts new investors. We see opportunities in both government and private investment in the construction field and thus, when reflecting on the success of the last 60 years we are looking very positively on our future within Kuwait



ALARGAN : Aim To Lead

With economic reforms starting to take place in Kuwait, one company is poised to play an essential role in serving the society's needs today and tomorrow.

Mr. Khaled K. Al-Mashaan, Vice Chairman and CEO of Alargan

The publicly-listed ALARGAN International Real Estate has grown over the years to be

known today as one of the leading real estate companies providing middle-income residential properties and developing popular hotels and resorts, widely visited shopping and food destinations, as well as large development communities.

“From an economy essentially founded on large government expenditures invested in salaries, welfare and social subsidies, Kuwait is moving to a more balanced system in which the private sector plays a larger role in supporting local growth and diversifying the economy. There’s no doubt that the private sector has a track record of successes and is well positioned today and better placed to efficiently deliver infrastructure, create jobs, and propel growth on the long-term”, says Vice Chairman and CEO of ALARGAN, Engineer Khaled Al-Meshaan.

Kuwait has introduced over the past years new laws and legislations to encourage partnership between the public and private sectors, in addition to many initiatives that promote a platform of growth for the youth and the new generation of Kuwaiti entrepreneurship. The latter is widely endorsed by the private sector. “Here lies the key to diversification away from the one-source of income that our economy was founded on, oil income. By doing so, we’re encouraging the development of small to medium enterprises, and we’re also ensuring that companies are supporting the economy.”

The country has an ambitious mandate of providing housing to 2.6 million people by 2030, a task that seems to be “rather challenging for the government to fulfill on its own,” says Al-Meshaan. “In the housing welfare system created in Kuwait, there is indeed a long waiting list to receive housing in Kuwait. To be able to satisfy the demand, the private sector needs to contribute and have a larger share in operations to deliver more quality housing in a shorter time. This is where we come in. ALARGAN is one of the few companies that focus on developing housing properties, in particular quality middle-income ones. We foresee a start of relations with the public sector in the near future as the Minister of Housing is targeting to announce a close partnership with the private sector by the end of the year.”

The lack of housing is met with rising prices, an increase that does not necessarily mean that the actual needs of the growing country in terms of demographics is being met. “Today, prices are driven by trends. Companies are now focused on retail property developments, while there is also a need, if not greater need, for residential properties. Eventually, prices of retail developments will drop as we’ve previously seen in the prices of office spaces. Developers who are prepared for such a possibility will be the ones to sustain their business,” added Al-Meshaan.

ALARGAN has heavily invested in conducting proprietary research and readings of the market. Accordingly, the company has set a clear vision that allows it to safeguard its business, shareholders and stakeholders. The company has weathered through a major financial crisis, global slowdown, geopolitical challenges in the region and many economy uncertainties. “We’ve learnt two major lessons, one to build on our strengths, and secondly to ensure we have strong cash flows”, says Al-Meshaan. For the past 25 years, ALARGAN has continuously succeeded in providing quality affordable housing to the largest segment of its markets: the middle-income segment. The company has also a solid financial position thanks to steady and sustainable income generating products, and a healthy funding structure with minimal reliance on short-term borrowing.

However, Al-Meshaan affirms that the success of the company was mainly led by its ability to adapt to changes, and to lead innovation. “We look to the future and see what is needed for then; this is very important for sustainability. We look for signs of decline and possible challenges; we look for signs of change in habits and needs, we study our society and its social needs, and from there we innovate and develop. The economy might be slowing down in the next phase, however our population is not getting older; on the contrary, it is getting younger, and our offering is well positioned to serve that upcoming growth,” confirms Al-Meshaan.

Al-Meshaan adds: “Our primary focus at ALARGAN is to add value for the benefit of our society, as we follow our motto ‘Life ... as you love it’, through which we develop real estate solutions to enhance our customers’ enjoyment of life. Yields will subsequently follow.”

In addition to its future-looking strategy, ALARGAN invests in talents by providing them profit sharing schemes and benefits, a collaborative work environment and sense of belonging. This goes hand-in-hand with the company’s heavy investment in corporate social responsibility, a key investment that it recognizes as a pillar to long-term sustainability. Al-Meshaan adds: “We’re helping Bayt Abdullah - a non-profit hospice for children, and one of the best of its kind in the world - generate steady income to sustain operations. The idea will come to light this year.”

Looking forward, Al-Meshaan sees many opportunities in Kuwait, especially in the housing sector, as the country is adamant on developing the economy and legislations to encourage local and foreign investments. “There is a need to open up to new markets and increase foreign investments through a friendly business environment. This comes hand in hand with the economic reforms that aim to encourage job creations in the private sector and a larger role for companies to support economic growth,” concluded Al-Meshaan.

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Erdogan's Journey

Conservatism and Authoritarianism in Turkey

Halil Karaveli

What happened to Recep Tayyip Erdogan? The Turkish president came to power in 2003 promising economic and political liberalization. But under his rule, Turkey has instead moved in a profoundly illiberal, authoritarian direction—although not toward repressive Islamism, which some feared was Erdogan's true agenda, given his background in Islamist politics. Rather, Erdogan has become something more akin to a traditional Middle Eastern strongman: consolidating personal power, purging rivals, and suppressing dissent.

Over the summer, it briefly appeared as if Erdogan might have overreached, when a group of military officers attempted to topple him—at the direction, Erdogan has insisted, of his erstwhile ally turned bitter foe Fethullah Gulen, an influential Turkish cleric based in the United States. But when the plotters struck, Erdogan was able to quickly rally support inside the armed forces and among the broader public and managed to put down the coup attempt with surprising ease. A subsequent crackdown has been swift and merciless: the government has jailed tens of thousands of alleged Gulenists, conducted a sweeping purge of the army and the state bureaucracy, shut down media outlets, and suspended thousands of academics. Erdogan's response to the coup attempt has demonstrated that the president's grip on power remains stronger than even many of his fiercest critics had assumed.

No one could have foreseen the coup or its aftermath. But even long before those events, it should have come as no surprise that Erdogan had failed to live up to the expectations of many liberals in Turkey and elsewhere who had initially hailed his ascent as a sign of progress.

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Erdogan never really aimed to make Turkey an Islamic state, but he also never wanted to liberalize it. His grand project, rather, has been to preserve a conservative social order while mending the long-standing rifts between the Turkish state and the country's minority ethnic and cultural groups, especially the Kurds. He believed that he could harness Sunni Islam, a creed shared by a majority of Turkey's citizens, as a unifying force. But as demonstrated by the divisiveness and instability of the past few years, this approach has been a thorough failure.

ISLAMIST? LIBERAL? AUTHORITARIAN?

Turkey has never had a liberal leader. Since Kemal Ataturk founded the modern state out of the rubble of the Ottoman Empire in the 1920s, authoritarianism has held sway. No Turkish government has ever respected freedom of expression or minority rights. The cornerstones of the illiberal order in Turkey—held up by military juntas and popularly elected governments alike—have always been statism, nationalism, religious conservatism, and the protection of powerful business interests.

When he came to power, Erdogan seemed poised to break with that tradition. Early in his career, he had made a name for himself as an unorthodox Islamist. He earned his antiseccularist stripes as a young participant in city politics in Istanbul in the late 1980s and 1990s, famously refusing an employer's demand that he shave off his mustache and quitting his job instead. But he also disregarded some traditional Islamist sensitivities, especially those concerning gender. When he ran for mayor of Istanbul's Beyoglu district in 1989, he encouraged women—including those who did not wear headscarves—to become involved in his campaign and to join the Welfare Party, the Islamist group to which he belonged. And he exhorted his campaign workers not to get into discussions about religion with voters. "You must absolutely build relations with people outside your community," he advised them. "Salute even the customers in places where alcohol is served."

But when Erdogan was elected mayor of Istanbul, in 1994, he hewed to a more conventional Islamist line. He said that he was in favor of imposing sharia and oversaw the prohibition of alcohol sales in all municipally owned facilities. By that time, Turkey was experiencing an Islamist moment—one that would soon prove short-lived, however. In national elections in 1995, the Welfare Party won the highest



Survivor: Erdogan during the attempted coup, July 2016

share of the vote, and the party's leader, Necmettin Erbakan, became prime minister in a coalition government the following year. But in 1997, the military and its allies in the government pressured Erbakan to step down. At a rally later that year, Erdogan quoted a poem that read, in part, "The mosques are our barracks, the domes our helmets, the minarets our bayonets, and the faithful our soldiers." For this, he was charged with "inciting the people to religious hatred." He was convicted and spent 120 days in prison.

After his release, he recast himself as a "conservative democrat" and aligned himself with a group of post-Islamist conservative reformers who had broken with Islamism's traditional anti-Western posture and advocated that Turkey orient itself more firmly in a pro-European, pro-American direction. Erdogan now said that he did not "take seriously people who talked about a state founded on sharia." He didn't elaborate much on this apparent change in his thinking; it seemed to be mostly a concession to pragmatism. "We are not going to get anywhere with radicalism," he remarked at a dinner with business leaders in Istanbul in 1999.

In 2001, the reformers, led by Erdogan, founded the Justice and Development Party (AKP), and the party triumphed in national elections the following year. (Erdogan was unable to assume office until 2003, when the government, now led by his party, changed a law that had

prevented him from holding office owing to his conviction.) The AKP's victory was fueled by support from a new middle class made up of conservative, religious small-business owners in Anatolia, the heartland of Turkey, who were enjoying

Erdogan has moved Turkey backward, not forward.

unprecedented prosperity and influence thanks to Turkey's slow but growing integration into global markets. Anatolia had long been a backwater. In 1980, there was not a single company from the major Anatolian cities of Gaziantep and Konya among the top 500 companies in Turkey; by 2012, the two cities together boasted 32 of them. But during their rise to prominence, devout business leaders in Anatolia had shunned the established, secular-minded trade organizations and had instead formed their own associations, which soon become the basis of a support network for the AKP.

As prime minister, Erdogan promised a "new social contract" between the state and society and called for a series of liberal reforms that would enhance the separation of powers, the independence of the judiciary, the freedom of the press, and the rule of law. He wanted to make Turkey more hospitable to foreign investment and turn the country into a place that would be "more cooperative with the world, at peace with it, and . . . easier for the world to enter." He pledged to reduce the state's role in the economy, lift stifling regulations, and "save the country from a plethoric bureaucracy."

Erdogan also promised a break with tradition on another crucial issue: the troubled relationship between the central state and Turkey's large Kurdish minority, which has bred a decades-long violent conflict between the Turkish army and the militant Kurdish separatists of the Kurdistan Workers' Party (PKK). He moved slowly, but in 2013, Erdogan announced a set of reforms intended to address Kurdish demands for civil rights and more autonomy: for example, permitting towns to refer to themselves by Kurdish-language names and allowing private schools to offer classes in Kurdish. He also briefly considered a constitutional change that would have lowered the threshold at which a political party could win representation in parliament. That same year, Erdogan's government embarked on a "solution process" in coordination with Abdullah Ocalan, the imprisoned Kurdish militant leader.

But on economic and political reform and on relations with the Kurds, Erdogan has failed to deliver the kind of change hoped for by liberals in Turkey and elsewhere: in fact, on both fronts, Erdogan has moved

backward, not forward. Talks with the Kurds fell apart, and war is once again raging in Turkey's predominantly Kurdish southeast. And far from shoring up liberal democracy in Turkey, Erdogan has instead sapped the country's institutions of their independence and subverted the rule of law. This process began in earnest as early as 2007, when Erdogan orchestrated a series of prosecutions of his political opponents, some of whom were charged with plotting coups; the trials reeked of judicial impropriety. In 2012, Erdogan complained about the separation of powers, which he described as "an obstacle" to be overcome. "You find yourself confronted by judges in places where you least expect it," he complained. His solution has been to hollow out the judiciary. Turkish courts have always acted in the service of state power, but Erdogan has eliminated even the pretense of prosecutorial or judicial independence.

The Erdogan government also toughened the country's already draconian antiterrorism laws in order to crush all opposition. By 2012, 9,000 people—including university students, journalists, lawyers, and trade-union activists—were serving prison sentences for "terrorist activities," meted out by courts that had fallen under Erdogan's control. Today, more journalists are imprisoned in Turkey than in China or Iran. (Last year, Erdogan personally instructed prosecutors to indict the chief editor of a newspaper that had been critical of him.) And Erdogan has made it clear that he will not tolerate public displays of dissent. In 2013, he authorized police to use force against peaceful protesters in Istanbul's Gezi Park. According to the most reliable estimates, 11 were killed, and hundreds were injured.

MISREADING HISTORY

What accounts for the gap between the Turkey that so many hoped Erdogan would usher in and the Turkey that exists today? One common answer is to blame it all on Erdogan's thirst for personal power. Murat Belge, a liberal Turkish intellectual who supported Erdogan until the crackdown on protests in 2013, captured this line of thought when he wrote earlier this year that "all of the problems that haunt Turkey emanate from the personality and goals of Erdogan." According to this view, Erdogan never really believed in anything other than himself and never had any goal other than self-aggrandizement.

But that explanation misses the structural factors that have allowed him—even encouraged him—to chart an authoritarian course. It also reveals how the liberals who initially embraced Erdogan fundamentally

misread modern Turkish history. They perceived his rise as the next chapter in a grand conflict between the state and the religiously conservative masses that has been raging in the country since the founding of the republic by the staunch secularist Ataturk. There was, of course, such a struggle. But it ended long ago. After Ataturk died in 1938, the state abandoned radical secularism and allowed for the gradual and

Erdogan's original political identity was that of a religiously devout Cold Warrior.

partial restoration of Islam's influence in public life, especially in education. The Turkish state continued to be wary of underground Islamic movements that it could not control, but Islam was not its enemy. On the contrary, Turkey's ruling elites saw religion as an asset for the state, especially during the Cold War,

when leaders in Turkey—a NATO member and U.S. ally—suppressed leftists, using a broad brush to tar many of them as Soviet sympathizers in thrall to godless communism. Kenan Evren, the military officer who took power in a coup in 1980 and under whose rule Turkey's present constitution was drafted, warned that it would “unthinkable” for Turkey to become irreligious. “We must firmly embrace our religion,” he declared in 1981.

Erdogan's formative years overlapped with the apex of these anti-leftist campaigns in the 1960s and 1970s, and as a result, his original political identity was that of a religiously devout Cold Warrior. In high school, he joined the leading youth organization of the Turkish right, the National Turkish Student Association (MTTB), which played a crucial role in mobilizing students from conservative and lower-middle-class backgrounds. “The only force that can destroy communism is Islam,” was one of its slogans; “Fighting against communism is as beneficial as praying,” went another.

The MTTB was the ideological breeding ground for the generation of Islamist cadres that went on to found the AKP. All of the party's leading figures had belonged to the MTTB during their high school or university years, including Abdullah Gul, who served as president from 2007 to 2014, and Bulent Arinc, who was Erdogan's deputy prime minister from 2009 to 2015. As a young man, Ismail Kahraman, the current Speaker of the Turkish parliament, served as the president of the MTTB. These men's worldviews had been forged in a traditionalist Turkish middle class in which political values were shaped not by

a commitment to liberalism but by a combination of hard-line anti-communism and aggrieved religious nationalism.

When Erdogan and the AKP came to power, some of the Western observers who issued optimistic forecasts seemed wholly unaware of this history, and some pro-Erdogan Turkish liberals seemed to have forgotten it. They celebrated the AKP's rise as the victory of capitalism over an authoritarian, bureaucratic, militarized state. Turkish liberal intellectuals rejoiced; finally, a real bourgeois revolution had taken place in Turkey. In their eyes, the conservative, religious middle classes behind the AKP were an "authentic" bourgeoisie because they owed their prosperity to free markets and Turkey's participation in the global economy—unlike the older, secular middle class, which had been nursed by the state behind the walls of a protected, closed-off economy and had therefore been uninterested in economic or political reforms. Turkish liberals believed that Erdogan and the AKP would have no alternative but to pursue such reforms because their supporters' newfound prosperity relied on continued economic growth. But in short order, it became clear that in the Erdogan era, statism would trump capitalism.

LESSONS NOT LEARNED

Historically, a fear of *fitna* (anarchy) has haunted political thinking in Turkey, as it has in many parts of the Muslim world. Turks have long revered, even sanctified, the state as the ultimate defense against internal strife and dissolution in a heterogeneous society. Mustafa Erdogan, a liberal Turkish academic (no relation to the president), has written that "the cultural code of our people dictates that the state's authority must be obeyed even if it is tyrannical and evil." This deep-rooted statism, he argues, is "the foundation on which the AKP rests."

Erdogan's hunger for order is colored by the fate of Adnan Menderes, his political hero. Menderes took office as Turkey's first democratically elected prime minister in 1950. He was popular but also strikingly intolerant of dissent. As his time in office progressed, he resorted to increasingly authoritarian measures: clamping down on protests, imprisoning journalists, and indicting members of the opposition. "Is it possible to tolerate the state order being undermined from morning until night because doing so is supposedly a democratic obligation?" Menderes responded when questioned about such measures by members of the opposition during a parliamentary session in 1960. His repressive tactics created enemies in many quarters, including the

military, and later that year, he was toppled by a coup led by a group of military officers acting outside the chain of command. The following year, he was executed.

Erdogan has frequently described Menderes' death as a "tragedy" for his family and has said that he was deeply moved by news photographs showing Menderes being led to the gallows. "I experienced the extreme emotions of my father and my mother at home," Erdogan recalled in an interview in the Turkish daily *Tercuman* in 2009. In Erdogan's view, Menderes had been fighting against the forces of *fitna*. But the real lesson of his hero's tragic fate was lost on Erdogan: in his quest for order, Menderes had gone too far toward authoritarianism. Menderes had himself fomented *fitna*.

This past summer, Erdogan's failure to understand that history almost led to his meeting the same end as his hero. The insurgent officers who tried to topple Erdogan in July seem to have been inspired by the 1960 coup, justifying their putsch as a reaction to Erdogan's overstepping his authority and threatening Turkish democracy.

MINORITY REPORT

Just as Erdogan's approach to governing reflects his Cold War-era political upbringing, his efforts to address the Kurdish question show the influence of trends in social thought that were shaping Turkey when the president was a young man. Erdogan was born at a time when a new, more overtly Islamic version of Turkish nationalism was gradually replacing Kemalism, the staunch secularist thinking of Ataturk. Proponents of Kemalism maintained that it was an inclusive ideology. But in reality, its conception of national identity relied heavily on Turkish ethnicity, and thus Kemalism demanded cultural surrender on the part of the country's many minority groups. By the 1950s, Kemalism's limits had become clear, and many conservative Turkish intellectuals were exploring the possibility that shared religious bonds might prove stronger than those yielded by an enforced civic secularism.

As a young man, Erdogan was an avid reader of conservative intellectuals such as Necip Fazil Kısakurek, who celebrated Turkey's Muslim heritage. But Erdogan was never a xenophobe: a Greek soccer player from Istanbul was his childhood hero. As prime minister, Erdogan has condemned the ethnic-cleansing campaigns that banished the last remaining Greeks from Turkey in the 1950s and 1960s, blaming them on "a fascist mentality." Erdogan is the first Turkish leader to have publicly displayed

a relaxed attitude about his own ethnic identity. According to some reports, he has openly referred to his mother's Georgian origins and has suggested that his father's ethnic heritage was a bit murky. Erdogan has recalled that he once asked his father, "Are we Laz, or are we Turks?" (The Laz people hail from the Black Sea coastal regions of Georgia and Turkey and speak a language distinct from Turkish.) Erdogan's father replied that he had asked his own father the very same question. The issue was ultimately settled by Erdogan's great-grandfather, a mullah, who declared: "God is not going to ask us to which tribe we belong. Just say, thank God we are Muslims, and let it be."

In the 1980s, the issue of how Turkey should cope with its ethnic diversity caused a sharp division within the Islamist movement: one faction urged for the enforcement of a pan-Turkish identity; another sought to accommodate ethnic difference. Perhaps owing in part to his own background, Erdogan belonged to the second camp. He argued that the Koran demanded respect for all "tribal" identities and that imposing restrictions on minority cul-

Erdogan's attempt to bring the Kurdish conflict to an end was sincere but unrealistic.

tures and languages was theologically dubious. In 1991, he commissioned an internal report for the Welfare Party on the Kurdish question. The report's recommendations were radical compared with the conventional thinking of the time, proposing to officially recognize not only the Kurds but also other minority groups—the Laz, the Circassians, and the Arabs—and to grant them the right to receive education in their own languages. It was no surprise, then, that the AKP came to power with strong support from Turkey's Kurds, many of whom are religious conservatives.

Erdogan's attempt to bring the conflict with the Kurdish militants to a peaceful resolution was sincere. But it was also unrealistic. Erdogan believed that he could achieve peace without making any significant political concessions simply by appealing to the Sunni Muslim identity that Kurds and Turks shared. The Turkish government persuaded the imprisoned Kurdish rebel leader Ocalan to evoke that theme in a 2013 message to his followers, in which he stressed that the two peoples had together "been marching under the banner of Islam for a thousand years." But in the Kurdish areas in the southeast of Turkey, the PKK had entrenched its control, and the militants demanded official devolution of power to the Kurdish provinces. The Kurds were not

interested in religious bonding; they wanted autonomy and rights. Erdogan was prepared to accept cultural diversity, but not self-rule, for the Kurds: self-rule would have amounted to political suicide for him. The “solution process” with the Kurds finally fell apart last year, undermined in part by the emergence of Kurdish forces as leading players in the international coalition fighting the jihadist group the Islamic State (or ISIS) in Iraq and Syria—a development that Erdogan and the Turkish state have found profoundly threatening. In the past year, the Turkish military has reduced Kurdish cities to rubble for the first time since Ataturk’s rule.

NO WAY OUT

Erdogan wants to be the new “father of Turkey.” But waging war against his own citizens is hardly how he wanted to walk in Ataturk’s footsteps. His failure to achieve peace with the Kurds is ultimately a demonstration of the fact that the chief sources of his appeal—Turkish capitalism and Sunni Islam—have proved insufficient to the task of creating a unifying, twenty-first-century Turkish identity capable of fostering a sustainable political order. In the end, Erdogan has been left with little choice but to revert to traditional authoritarian nationalism.

That failure transcends the question of Erdogan’s personal legacy: it signals that Turkish conservatism—whether in its religious or its statist form—has run its course. It has brought neither liberty nor order to Turkey. The prospects for a more liberal Turkey appear dim, but it has rarely been clearer that liberalization is likely the only path to sustainable stability and prosperity.

Erdogan has expunged virtually every trace of liberal advocacy from the mainstream, so any future movement toward reform would likely emerge from below, among the victims of Turkey’s conservative order, especially the country’s ethnic and religious minorities. The Kurds, for example, could catalyze wider liberal change if they managed to transform their appeals to Kurdish ethnic nationalism into a broader plea for civil and political rights for all Turks. Even without such a shift, the escalating costs of the state’s war against the Kurds might at some point lead the Turkish middle class to question Erdogan’s leadership; a more liberal, reformist vision might then appear more attractive. Neither of those scenarios, however, seems particularly likely at the moment. For the foreseeable future, all Turks will be living in a country that has indisputably become Erdogan’s Turkey. 🌐

REVIEWS & RESPONSES



*It would be naive
to assume that the U.S.-
Israeli partnership can
automatically withstand
future challenges.
—Philip Gordon*

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The Crisis in U.S.- Israeli Relations

Are Washington and Jerusalem Drifting Apart?

Philip Gordon

*Doomed to Succeed: The U.S.-Israel
Relationship From Truman to Obama*
BY DENNIS ROSS. Farrar, Straus and
Giroux, 2015, 496 pp.

*Our Separate Ways: The Struggle for the
Future of the U.S.-Israel Alliance*
BY DANA H. ALLIN AND STEVEN N.
SIMON. PublicAffairs, 2016, 304 pp.

*Trouble in the Tribe: The American Jewish
Conflict Over Israel*
BY DOV WAXMAN. Princeton
University Press, 2016, 328 pp.

Is the U.S.-Israeli relationship in serious trouble? Do the public disputes of the past few years—over Iran, the Palestinians, and the state of Israel’s democracy—represent nothing more than the latest round of a long-standing family feud, or do they amount to a more fundamental breach? And is there anything the next U.S. president can do to repair the relationship?

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Three new books, each in its own way, help answer these questions. Dennis Ross’ survey of U.S.-Israeli ties since the Truman administration reminds readers that crises in the relationship, even serious ones, are hardly new. Ross contends that common interests and values still bind the two countries together, and with sound management by both sides, the partnership can continue to flourish.

Dana Allin and Steven Simon are not so sure. They argue that powerful demographic, political, and cultural trends in both Israel and the United States are changing the relationship in fundamental ways. In their view, the tensions between U.S. President Barack Obama and Israeli Prime Minister Benjamin Netanyahu constitute symptoms of more serious, underlying problems—ones that portend real trouble in the future.

Dov Waxman, focusing on shifting attitudes among American Jews, also has his doubts. He argues that the American Jewish community is increasingly divided and that its support for Israel—or at least certain Israeli policies—can no longer be taken for granted.

Together, these excellent studies provide a deep understanding of the historical, strategic, and political roots of one of the closest and most enduring bilateral partnerships in the world. They also make clear, however, that the circumstances that have sustained the relationship in the past are changing. Jerusalem and Washington still share many basic interests, but it would be naive to assume that the partnership can automatically withstand future challenges. Without real effort by both sides, the divisions of the past eight years will likely intensify under the next U.S. administration and

beyond—to the detriment of Israel and the United States alike.

SAME AS IT EVER WAS

Doomed to Succeed offers a comprehensive overview of U.S.-Israeli relations since Israel's founding in 1948. A prominent scholar-practitioner, Ross has played a key role in managing this portfolio for decades, serving in the administrations of Presidents Ronald Reagan, George H. W. Bush, Bill Clinton, and Barack Obama, most recently as Obama's Middle East adviser from 2009 to 2011. (Full disclosure: I have worked closely with Ross both inside government and out; I have also worked with Allin and Simon and, in my capacity as a former official, spoke to them for their book.) Part scholarly history, part anecdote-infused memoir, Ross' book powerfully demonstrates the continuities in the relationship, regardless of who holds power in Jerusalem or Washington. Indeed, there is a certain *Groundhog Day* quality to the countries' shared history, with many of the same assumptions, debates, and mistakes appearing again and again. Ross digs up quotes from Americans and Israelis from the 1960s that, with different names attached, could easily have come from 2016.

In other words, although the spats between the Obama administration and Netanyahu may have felt unprecedented to those living through them, they were not. Yes, the two current leaders clashed bitterly and publicly over the Iran nuclear deal, Israeli settlements in the West Bank, and the peace process more broadly. But compare these disputes to previous ones. In the 1950s, President Dwight Eisenhower forced Israel into a humiliating military retreat from Suez, threatening

a total U.S. aid cutoff and sanctions unless Israel backed down. In the 1970s, President Gerald Ford grew so frustrated by Israel's refusal to conclude a disengagement agreement in the Sinai that he announced a "reassessment" of U.S. policy in the region, "including our relations with Israel." In the 1980s, in response to Israeli Prime Minister Menachem Begin's extension of Israeli law and administration to the Golan Heights, President Ronald Reagan suspended F-16 deliveries and halted a newly concluded defense agreement, leading Begin to complain about being treated like "a vassal state." In 1991, President George H. W. Bush froze \$10 billion in loan guarantees to Israel to pressure Jerusalem over West Bank settlements and peace negotiations. He privately fumed about Prime Minister Yitzhak Shamir's refusal to halt settlement construction after what Bush thought was a promise to do so. In 1996, President Bill Clinton, after his first meeting with Netanyahu, angrily asked Ross, "Who does he think the superpower is?" (Other eyewitnesses have reported that Clinton added an unprintable modifier before the word "superpower.")

As the longtime U.S. official Robert Gates has observed, "Every President I worked for, at some point in his presidency, would get so pissed off at the Israelis that he couldn't speak." The myth that prior to Obama there was a tradition of "no daylight" or "no surprises" in the U.S.-Israeli relationship does not remotely survive a reading of *Doomed to Succeed*.

That is not the only myth that Ross sets out to destroy. He also targets the notion that close cooperation with Israel costs the United States support in the

Arab world. Time and again, Ross shows, senior U.S. officials have argued for distancing the United States from Israel in order to avoid provoking the Arabs. Yet time and again, he argues, their dire predictions of the consequences with the Arabs if Washington failed to do so were proved wrong. Arab states have long had bigger things to worry about—namely, their security and survival—and it is these national interests, not U.S. relations with Israel, that determine their dealings with Washington.

Ross makes a similar argument about the alleged centrality of the Palestinian issue to U.S. interests in the Middle East. Whereas many U.S. officials have long argued that progress on the peace process is key to resolving the rest of the region's challenges, Ross shows that they have often overstated the linkage. Ross find little evidence for what James Mattis, a former commander of U.S. Central Command, in 2013 called the "military-security price" that the United States pays for its perceived bias toward Israel. An Israeli-Palestinian peace agreement would of course provide huge benefits to most Israelis and Palestinians, but it would have little impact on the Islamic State (also known as ISIS), Iranian expansionism, or the civil wars in Iraq, Libya, Syria, and Yemen.

Finally, Ross pokes holes in the notion, widespread among Israel's critics, that domestic lobbies drive U.S. policy toward Israel. Yes, he admits, groups such as the American Israel Public Affairs Committee (AIPAC) wield influence, especially in Congress. But he points out that whenever U.S. interests have called for policies that have diverged from the preferences of the Israeli government—selling arms to Arabs, blocking loan guarantees to

the Israeli government, or passing the Iran nuclear deal—U.S. presidents have always managed to get their way. History also demonstrates that the same principle holds for Israel, which does not compromise on what it sees as its core interests for the sake of its relations with the United States.

Ross marshals considerable evidence to support these arguments, and his demonstration of a resilience in the U.S.-Israeli relationship that has lasted for nearly 70 years is compelling. By focusing on the continuities in that relationship, however, Ross risks downplaying the growing threats it faces. This is especially true when it comes to the Palestinian issue, the most consistent source of stress on the partnership. After all, U.S. policy on the question has never been driven exclusively by a desire to placate the Arabs or by the notion that a peace deal would magically cure all of the region's woes. Rather, every single U.S. administration since Israel entered the West Bank in 1967 has acted out of a belief that continued occupation and settlement expansion threaten both peace and Israel's own future as a democratic, Jewish state. As the other two books make clear, the conditions that have enabled the partnership to prosper despite such differences may no longer obtain.

DEMOGRAPHY AND DESTINY

Like Ross' book, Allin and Simon's study blends scholarship and memoir. Simon draws from his time in the Reagan, George H. W. Bush, Clinton, and Obama administrations, and Allin offers the perspective of a pro-Zionist American liberal who has participated in debates over Israel since his college

days in the late 1970s. The two also provide a well-informed history of U.S.-Israeli ties, with a particular emphasis on the development of U.S. attitudes toward Israel over time. But their real focus is on the changes they see taking place, changes that leave them concerned about the relationship's future. That concern stems from several trends that "will be impossible to stop and difficult to manage." On the Israeli side, these include a population that is growing increasingly right wing, religious, security-focused, and antidemocratic—developments that could push Israel away from the United States culturally and strategically. Israel's ultra-Orthodox, or *haredi*, population is growing faster than any other segment of its society, and it is expected to rise from 11 percent today to nearly 20 percent by 2030. The Israeli settler population is also booming, less due to Israelis moving into new construction in the West Bank (although that is happening) than due to growth within the settlements themselves. Between 1991 and 2012, the number of people living in settlements increased by 240 percent—four times as fast as the overall Israeli population grew. There are now well over half a million Israelis living in the West Bank and East Jerusalem, leading many, including Allin and Simon, to wonder whether a two-state solution remains possible. Like other liberal Americans, they fear that an Israel that continues to expand settlements and hold on to the Palestinian-majority West Bank will necessarily be an illiberal Israel, undermining the cultural affinity that has long bound the American and Israeli democracies together.

Allin and Simon also identify other political changes in Israel that are distancing it from the United States. In Israel's

2015 election, right-wing parties won every district apart from Tel Aviv and Haifa, allowing Netanyahu to form the most conservative coalition in the country's history. (It moved even further to the right after the book was written, with the inclusion in May 2016 of Yisrael Beiteinu, the party of former Foreign Minister Avigdor Lieberman—a man who himself lives in a West Bank settlement and who has compared the Iran nuclear deal to the Munich Agreement.) Allin and Simon present a wealth of data showing how Israeli voters, especially young ones, identify less and less with Israel as a democratic state and more and more with it as a Jewish state.

Trends in the United States, Allin and Simon write, are equally troubling. The embrace of Israel among American liberals that explained Allin's early admiration of Israel and Simon's travel there as a civilian war volunteer in 1973 is fading as their cohort ages. In the United States, they write, "four generations of intermarriage have weakened both Jewish identity and the visceral attachment that many Jews have felt since the establishment of the State of Israel." Younger Americans, and especially the liberal Democrats among them, no longer back Israeli policy as solidly as they once did—a phenomenon underscored by the remarkable sight of Senator Bernie Sanders, himself an American Jew, making the defense of Palestinian rights a core pillar of his presidential campaign.

For a time, this gradual "liberal disillusionment" was counterbalanced by the vision of Israel as a strategic asset, especially on the American right. But Allin and Simon argue that even that pillar of the relationship is weakening. Although Israel still serves as a valuable

military and intelligence partner in the Middle East, “it is difficult to conjure the scenarios in which Israel would facilitate the projection of American power or the pursuit of American purposes in the region.” If nothing is done to save the relationship, they conclude, Israel and the United States will end up as “a dysfunctional couple in a loveless marriage, moving inexorably in separate ways.”

LOSING FAITH

Waxman has a narrower focus, but his argument strongly reinforces that of Allin and Simon. A political scientist at Northwestern University, he explores the place of Israel in the American Jewish community, and his thesis is simple: the age of unquestioning support for Israel is over.

Waxman traces the evolution of American Jewish thinking about Israel through the same set of historical developments recounted by Ross and Allin and Simon. He sees the period from 1967 to 1977 as “the golden era in American Jewish support for Israel,” a time when the community viewed Israel, in the words of the historian Steven Rosenthal, as an “object of secular veneration” and stood ready to provide it with strong political support. Since then, however, and in particular over the past decade, political and cultural changes in both Israel and the United States have divided American Jews. Once a source of unity in the community, support for Israel has become a driver of discord.

The argument should not be overstated, of course. AIPAC remains by far the biggest and most influential political voice for American Jews, and it remains strongly committed to unstinting U.S.

support for Israel, including for the policies of the country’s current government. Waxman describes how AIPAC evolved from a small lobbying group with a handful of staff into an independent national organization with over 100,000 dues-paying members, hundreds of employees, a large pool of wealthy donors, and revenues that grew from \$14.5 million in 2000 to about \$70 million in 2013—hardly a sign of American Jews’ declining commitment to Israel. But he also describes the emergence of other, alternative voices for American Jews, such as Americans for Peace Now and J Street, the latter of which describes itself as “the political home for pro-Israel, pro-peace Americans.” Since its founding in 2008, J Street has grown from a tiny start-up into a real player in Washington, with a staff of 65, an operating budget of \$8 million, and a fundraising apparatus that gives it increasing influence in congressional elections. AIPAC has lost its monopoly as the political outlet for American Jews who consider themselves pro-Israel—and the community is increasingly divided over what “pro-Israel” even means.

Waxman’s bottom line is that Israel will have to change its policies if it wishes to retain the support of American Jews. He concludes his book with a dire warning:

Growing numbers of American Jews, even a majority now, are dissatisfied with Israel’s treatment of the Palestinians and deeply worried about Israel’s ability to remain a Jewish and democratic state if it continues to effectively rule over Palestinians in the West Bank and East Jerusalem. . . . They face the frightening prospect of Israel becoming increasingly illiberal,

and increasingly isolated in the international community. As this happens, many liberal American Jews, especially younger ones, will turn away from Israel in despair, or even disgust.

COUPLES THERAPY

Can the relationship be saved? Ross offers several useful suggestions for how it can. Acknowledging the changing demographics and politics in the United States, he urges Israelis and their supporters to reach out directly to American minority communities, and also to avoid politicizing the relationship, as Netanyahu did by planning his Iran speech to Congress only with Republicans. He also calls on them to “elevate Israeli democratic values” and put an end to right-wing efforts in the Knesset to stifle human rights groups and discriminate against Arab citizens. “The last thing Israel needs now is to have its basic democratic character called into question,” he rightly argues. Finally, Ross calls on Israel to “make its settlement policy consistent with its two-state policy by declaring that until it can reach agreement with the Palestinians on the border . . . it will no longer build in what it thinks should be part of the Palestinian state.” Such modest (if still politically difficult) measures may well prove too weak to counter the negative trends all these authors recognize, but policymakers should listen when such a prominent and long-standing supporter of Israel as Ross warns that they are needed.

Allin and Simon, by contrast, go big. They call for the United States to put forward a peace plan as part of a grand bargain that would include “a defense treaty that would bring Israel under

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

- Harry S. Truman

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formal American protection and that would extend the U.S. nuclear umbrella explicitly and formally.” The ambition is admirable, but it is hard to see Israel making painful concessions on territory and security in exchange for a defense guarantee that it has not asked for and likely would not trust. Moreover, such a treaty would prove impossible to implement. Although NATO-like defense guarantees deter traditional invasions well, it is not clear how one would apply to Israel’s primary security threats: Hezbollah rocket attacks, Hamas killings and kidnappings, and Palestinian knife attacks. Ironically, the implausibility of the proposal serves to justify the pessimistic analysis that precedes it. If the prospect of diminishing U.S. support or the risk of eternal occupation of the West Bank is not enough to get Israel to change course, then perhaps nothing will.

Waxman prefers analysis to advice, but he also has a message for Israelis: “Israeli policymakers, foremost among them Prime Minister Netanyahu, should recommit Israel to the goal of establishing a Palestinian state as quickly as possible. Otherwise, American Jewish support for Israel, at least among the non-Orthodox, is bound to erode.”

Many Israelis—and no doubt the current Israeli government—will likely reject all these suggestions and others. After all, if the steps were easy or popular, then Israel would have taken them long ago. But it would be dangerously complacent to ignore the demographic, political, and cultural changes discussed in all these books at a time of enormous geopolitical upheaval in the region. If the governments and people of Israel and the United States no longer see eye to eye on the Palestinian issue or how to

contain Iran, and if the next generation of decision-makers no longer feels as culturally close or politically aligned as earlier generations did, then the bonds between the two countries will weaken. Perhaps the structural changes taking place in the relationship cannot be prevented, but they can be managed, and the upcoming presidential transition in the United States presents an opportunity for a fresh start. Leaders on both sides will have to decide how much they care about the relationship, and whether they are willing to do anything—however politically painful—to preserve it.

Israelis like to remind their American friends that in the Middle East, history is measured in millennia, centuries, and decades, not merely in years and months. By this standard, the U.S.-Israeli alliance described in these three books represents a mere blip. Taking it for granted, while ignoring some ominous trends, could allow it to wither away. 🌐

Europe's Ugly Future

Muddling Through Austerity

Andrew Moravcsik

And the Weak Suffer What They Must?

BY YANIS VAROUFAKIS. Nation Books, 2016, 368 pp.

Welcome to the Poisoned Chalice: The Destruction of Greece and the Future of Europe

BY JAMES K. GALBRAITH. Yale University Press, 2016, 232 pp.

The Euro: How a Common Currency Threatens the Future of Europe

BY JOSEPH STIGLITZ. Norton, 2016, 448 pp.

Some foreign policy decisions hang like albatrosses around the necks of the states that made them. For the United States, the war in Iraq offers the prime example of a costly and seemingly irreversible blunder. For Europe, it is the adoption of the euro. Fifteen years ago, when the EU established its single currency, European leaders promised higher growth due to greater efficiency and sounder macroeconomic policies, greater equality between rich and poor countries within a freer capital market,

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enhanced domestic political legitimacy due to better policies, and a triumphant capstone for EU federalism. Yet for nearly a decade, Europe has experienced just the opposite.

Even in good times, economic growth under the euro was unexceptional, but with the global financial crisis, the situation grew dire. Since 2008, inflation-adjusted GDP in the eurozone has stagnated, compared with an expansion of more than eight percent in European countries that remain outside. Greece's economy is more than 25 percent smaller than it was in 2008. Italy's is almost ten percent smaller, and its financial system may be the next to melt down. The loss of European output totals about six trillion euros—a massive figure, reflected in the shattered lives of unemployed youth, bankrupt business owners, and vulnerable citizens unable to maintain their standards of living. Although losses from short recessions are often offset by higher-than-average growth thereafter, that process does not typically occur after prolonged depressions such as the current one. In this situation, a lost decade may well become a lost generation.

Nor has the euro reduced inequality among European countries. Since 2007, the German economy has grown by almost seven percent, whereas the economies of Belgium, France, and the Netherlands have remained stagnant, and those of Finland, Greece, Ireland, Italy, and Portugal have all contracted more than they did during the Great Depression. Inequality has also increased within countries—to a stunning degree in the worst-performing ones, such as Greece, but even in Germany, too.

The prolonged depression has helped fuel the rise of right-wing nationalists and Euroskeptics. In Austria, Finland, France, Germany, Greece, the Netherlands, and elsewhere, radical right-wing parties now enjoy more success at the polls than at any time since the 1930s. In Italy and Spain, left-wing antiestablishment parties, such as the Five Star Movement and Podemos, have prospered. Trust in EU institutions, traditionally higher than the popularity of national political institutions (even in the congenitally Euroskeptical United Kingdom), has fallen through the floor. Anti-European radicalism is spreading. A catastrophic collapse of the whole monetary system may yet lie ahead.

Most observers now attribute these troubles to the euro. Yet more than eight years after the financial crisis began, the EU has done little to fundamentally reform its single-currency arrangement. Three new books, all by Keynesian economists, are among the first to argue that more radical change is necessary and that the euro system must be replaced. Yanis Varoufakis, who served as Greece's finance minister during the first half of 2015, and his erstwhile economic adviser, James Galbraith, base their critiques of the system on their firsthand experience guiding the country most ravaged by it. Joseph Stiglitz, a Nobel Prize-winning economist and former chair of the U.S. Council of Economic Advisers, lays out the euro's failures and flaws and advances original proposals to repair it. All three would prefer that the system be reformed. Yet all three reluctantly conclude that since that option is off the table, the best remaining choice may be to scrap the system altogether.

DECLINE AND FALL

How did Europe fall into this trap of low growth, high inequality, and political discontent? Galbraith offers the most succinct explanation of why the system has benefited Germany at the expense of weaker economies:

Without a currency that could appreciate against those of her trading partners, German productivity increased and its technical excellence produced a declining real cost of exports, while in its European trading partners, deprived of currencies that could depreciate, stable purchasing power and easy credit produced a corresponding increase in demand for German goods. Meanwhile, Germany held down its internal wage levels while other countries allowed wages and unit labor costs to rise. The flow of goods from Germany . . . was matched by a flow of credit, either directly to state purchasers of arms and infrastructure, as in Greece, or indirectly via private financing of residential and commercial construction booms, as in Spain and Ireland. In all cases the unbalanced flow of goods matched the accumulation of debts; the Greek instance was merely the most extreme. The Greek story is properly a European story in which, as in all European stories, Germany takes the leading role.

In short, Germany depresses the value of its currency to promote exports, just as China is often accused of doing—yet in this case, the euro makes Berlin's policy seem more legitimate and deflects the blame. Varoufakis, Galbraith, and Stiglitz differ on the details, but they all blame the euro system and, especially, Germany.

Such a failure of international monetary design is hardly unique to

today's Europe. Stiglitz shows that international systems of pegged currencies, of which Europe's single currency represents only an extreme example, "have long been associated with recessions and depressions." In the 1920s, many countries returned to the gold standard, which culminated in the Great Depression. In the early 1970s, the Bretton Woods system of pegged currencies once again slowed economic growth in a deficit country—in this case, the United States. To restart growth, President Richard Nixon decided to destroy the system unilaterally. And in 1991, Argentina hoped to curb inflation by pegging its peso to the U.S. dollar, which triggered a severe economic crisis from which the country has still not entirely recovered.

The reason currency pegs often depress economic growth lies in the essential nature of monetary arrangements. Currency pegs force a common policy on countries, and almost all economists agree that this works properly only when the macroeconomic performance of the participating countries converges. If countries have similar levels of wage and price inflation, public and private deficits, exposure to external shocks, and competitiveness, it is relatively easy to find a common policy response to a shared threat that suits all and shares the pain and relief more or less equally. In the real world, however, countries have diverse market positions and domestic institutions, which means that macroeconomic convergence is hard to come by.

That's a problem, because a currency peg prevents the governments of countries that run trade deficits and incur debt from pursuing healthy economic

policies to correct the problem. When a country faces a recession, a negative external shock, or eroding competitiveness, its government would normally loosen domestic monetary policy (thereby lowering interest rates and stimulating investment), let its currency depreciate (thereby boosting exports, reducing imports, and transferring income to the sector of the economy that produces competitive goods), and increase government spending (thereby stimulating consumption and investment). But if a country belongs to a single-currency zone, the first two options are by definition unavailable. And in the eurozone, the third option is difficult thanks to the EU's stringent fiscal requirements.

Deficit countries are thus left with only one way to restore their competitiveness: "internal devaluation," the politically correct term for austerity. The country must reduce wages, government spending, consumer demand, corporate investment, imports, and, ultimately, growth itself. Stiglitz concedes that austerity may eventually work, but he argues that even if it does, the cost is too high. Better to allow countries to declare bankruptcy and start over, just as individuals and firms can do in a domestic economy. Varoufakis and Galbraith dismiss austerity as flatly self-defeating, because low growth simply ends up increasing the debt-to-GDP ratio. In such cases, including Greece in recent years, permanent austerity becomes the only way to maintain international equilibrium.

In the acknowledgments to his book, Varoufakis promises a forthcoming tell-all about his negotiations with the EU and the International Monetary Fund, but he and Galbraith say enough to make it

clear that the self-interested way in which France and Germany handled Greek debt only served to exacerbate the crisis. At the time, the IMF was led by Dominique Strauss-Kahn, and the European Central Bank by Jean-Claude Trichet—both nationals of France, the country whose banks were most exposed in Greece. German banks also faced large potential losses. As Galbraith tells it, the French and German governments, loath to accept responsibility for the misjudgments of their own private investors or the design flaws of the monetary union, and seeking to avoid the unpleasant task of asking their parliaments to bail out domestic banks directly, formed a “creditors’ cartel” that foisted the costs on taxpayers across the EU, as well as on the IMF.

As Varoufakis and Galbraith detail from the inside, the punitive combination of debt, depression, and inequality has rendered Greece and other debtor countries all but ungovernable. Centrist governments have lost political legitimacy, as has the EU. Citizens grasp at increasingly radical new parties and lack the faith in Europe required to enact needed reforms.

Germany has emerged almost unscathed—at least so far. Berlin has preserved the existing euro system, which advantages it as an international creditor, an exporter of high-quality goods, and a country that suppresses wage increases. It has enjoyed lower interest rates and higher growth than the rest of Europe, which has depressed the real cost of its exports, resulting in a trade surplus larger in absolute terms than China’s.

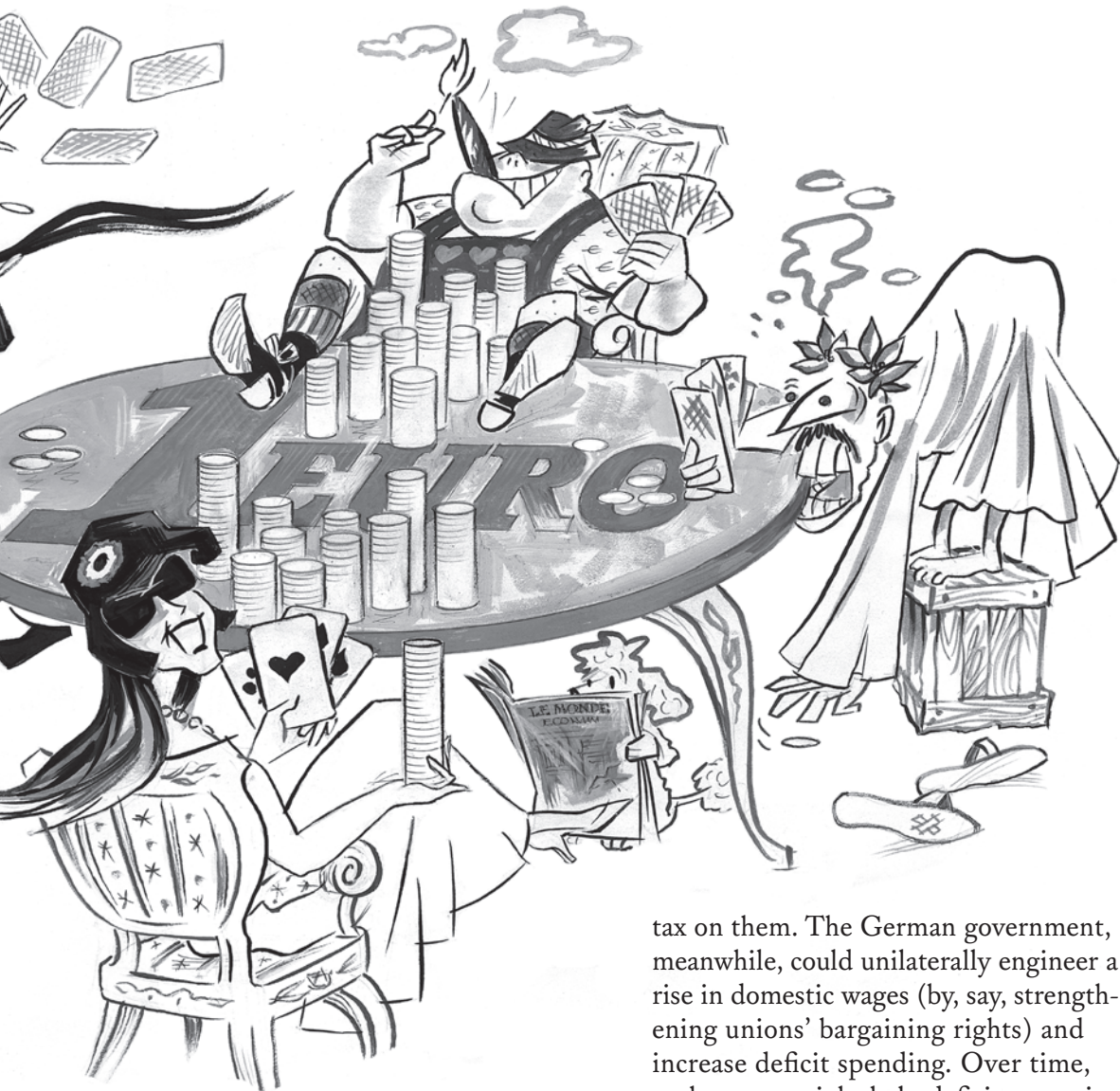
Yet the costs of a flawed monetary system may eventually boomerang and depress growth even in Germany.

Austerity is slowly reducing Germany’s ability to sell its goods to other European countries, which buy more than half its exports. German citizens, stuck bailing out foreign governments and, indirectly, their own banks, are also starting to lose faith in the EU. The possibility that the entire system could collapse spreads fear and worry. Yet such concerns take a long time to develop—a longer time frame than most German politicians seem to be thinking in. In the interim, decisions continue to be driven by capital markets, European rules, and dictates from Paris and Berlin.

REFORMING THE SYSTEM

So what should Europe do? Stiglitz offers the most thorough evaluation of the possible options. There are three. The first entails reforming the fundamental structure of the euro system so that it generates growth and distributes the benefits fairly. Stiglitz details how the EU and the European Central Bank might rewrite tax laws, loosen monetary policy, and change corporate governance rules in order to boost wage growth, consumer spending, and investment. Such policies could push the euro exchange rate downward, enhancing the entire region’s competitiveness in relation to non-European countries.





Yet since the basic problem is the divergence of national economies, sound common policies are insufficient. National policies must be made to converge. The crisis has already placed pressure on deficit countries to adjust through internal devaluation, but to eliminate macroeconomic imbalances within the EU, any such program would also have to force the German economy into line. To do so, the EU could discourage trade surpluses by imposing a

tax on them. The German government, meanwhile, could unilaterally engineer a rise in domestic wages (by, say, strengthening unions' bargaining rights) and increase deficit spending. Over time, such moves might help deficit countries stimulate growth and restore the competitiveness of their exports, both vis-à-vis Germany (by increasing German demand and raising the relative price of German goods) and vis-à-vis the rest of the world (by further lowering the real exchange rate of the euro).

Another set of structural policies would encourage large fiscal transfers and migration in order to offset the inequities that the euro has induced. In essence, this would replicate the movements of capital and people that make

single currencies viable within individual countries. In the United States, for example, federal spending on unemployment insurance, welfare, infrastructure, and industry bailouts, along with progressive taxes, adds up to sizable fiscal transfers from richer and more economically vibrant regions to poorer ones. The EU might establish a similar system of fiscal transfers from creditor countries such as Germany to deficit countries such as Greece and Italy. Varoufakis, for example, favors massive European investment and antipoverty programs.

An even more important factor that makes the dollar work in the United States is internal migration. When sectors in some regions decline—such as farming in the Midwest or manufacturing in the rust belt—people move to places with more jobs. In Europe, Stiglitz proposes, Germany and other surplus countries could do more to accept and encourage continuous migration flows from deficit countries. Germany might even benefit from such policies, since its growth has also slowed recently, in large part due to its dependence on exports to other European countries suffering under austerity.

In theory, deep structural reforms represent the optimal choice—so much so that the phrase “monetary union requires fiscal union” has become a cliché among European federalists. Yet such reforms have little chance of being adopted. Germans are unlikely to renounce the export-led growth that has stemmed from their 60-year tradition of high savings, low inflation, and modest labor contracts. They are even less likely to accept massive fiscal transfers to other countries. The net contribution of Germany to the EU totals just over 0.6 percent of GDP. To match the transfer levels from rich to poor states

within the United States—hardly a generous welfare state by European standards—that net contribution would have to be at least 40 times as high. Moreover, German technocrats protest, with some justification, that fiscal transfers simply encourage irresponsible behavior by debtors—so-called moral hazard. Even if the German government were inclined to support such policies, its own electorate and business elites would surely block them.

Just as unlikely is a major uptick in migration from Europe’s south to its north. To be sure, a few percent of the Greek labor force has already fled, mostly to countries outside the euro-zone. Yet for migration to have a major macroeconomic effect, many more millions of Greeks, Italians, Portuguese, and Spanish would have to move to Germany. Cities the size of Phoenix would have to pop up in northern Europe—an unthinkable prospect in the current political climate. Despite the EU principle of free movement, many informal barriers to mobility still protect special interests. Political opposition to immigration is already strong in Austria, Denmark, Germany, and the Netherlands, and these countries would not tolerate many millions of additional foreigners. Even if the north were more welcoming, most southern Europeans have little desire to leave home.

MUDDLING THROUGH

If major structural reform is unrealistic, then the only way left to save the euro is to turn to a second policy option: muddling through. In this scenario, member states would strengthen the EU’s ability to manage the crisis. Governments have already taken initial steps in this direction.

In 2012, the EU created the European Stability Mechanism, an institution responsible for bailing out member states. The European Central Bank has engaged in monetary easing. And by putting in place greater central oversight and regulation, the EU has finally taken the early steps toward a real banking union.

Yet as Stiglitz rightly insists, such changes are insufficient to make the EU's single-currency system work properly. The burden of the current system on deficit countries must also be eliminated—a change that requires far more serious reform. Eventually, Europe would have to restructure its debt, perhaps by swapping existing debt with GDP-indexed bonds, which reward investors if a given country's economy grows, or by issuing so-called eurobonds, which would make all European governments responsible for the debts national governments incur. At the same time, the EU could more stringently regulate and guarantee the solvency of national banks, thereby decoupling them from national governments.

Yet Germany and other creditor governments are naturally hesitant to accept financial responsibility for debtor countries. With some justification, they view guarantees for banks and the mutualization of debt as ways of sneaking major structural reform and European fiscal union in through the back door, resulting in greater costs for Germany. Such reforms would also require the EU to massively expand its oversight over national financial systems, so as to avoid the possibility that irresponsible behavior and moral hazard would create costs for others. No country likes this idea, because in every member state—Germany no less than Greece or Italy—the government is loath to accept any external controls that

might call into question quiet political deals it has made with specific banks.

THE END OF THE EURO

If neither of the two options to save the single currency and restart growth is viable, this leaves only a third option: abolishing the euro. Almost all European politicians, and majorities in every member state, reject this course. Most contend that it not only would prove unimaginably expensive in the short term but also would spark another economic crisis and deal a fatal blow to European integration.

Yet various governments have already come closer to abandoning the euro than many people realize. Galbraith recalls the Greek government preparing to withdraw from the eurozone (“Grexit”) both in 2011 and in 2015. Italian Prime Minister Silvio Berlusconi seriously contemplated withdrawal in 2011, as did the Spanish government at various times. Although Stiglitz would prefer that the euro be reformed, he admits that “there is more than a small probability that it will not be done” and therefore argues for breaking up the system.

A unique virtue of Stiglitz's book is that he takes this option seriously, advancing original proposals for a “friendly separation.” Such options range from Grexit to his preferred alternative of breaking the eurozone into several subgroups, each with its own currency. Stiglitz makes the controversial argument that eliminating the euro as currently constituted, if implemented properly, would be feasible without speculators gaming the system or triggering catastrophic bank runs—and that the move may be the only viable way to save Europe. Varoufakis and Galbraith would

likely sympathize with his proposal and clearly regret that Greece lacked the political courage to forsake the system earlier, when it could have done so more easily.

Yet even the radical step of breaking up the eurozone, Stiglitz makes clear, would probably help deficit countries only if Germany agreed to increase domestic spending, rein in speculation, and reduce deficits. Recall that European governments originally embraced a single currency in part to limit the self-interested use of German monetary power. Abolishing the euro might slightly improve the options for deficit countries, but absent deeper structural reforms, it would not eliminate the underlying problem.

The truth is, politicians want to be reelected, and no European leader will risk his or her future by pursuing a policy that is costly in the short term but possibly beneficial in the long term. The result of muddling through by politicians with short time horizons can thus only be more of the same: austerity and slow growth, punctuated by intermittent economic and political crises.

FROM HERE TO AUSTERITY

These three books advance compelling critiques of the current euro system and creative suggestions for alternative policies. And yet ironically, they make for depressing reading, because in the end, they suggest that there is no easy way out of Europe's predicament, given the current political constraints. In the long run, muddling through may be the worst outcome, and yet it is the most likely.

In response to such a bleak prognosis, many European federalists, particularly on the left, contend that Europe's real problem is its "democratic deficit." If only EU institutions or national governments

were more representative, they argue, then they would enjoy sufficient legitimacy to solve these problems. The EU needs more transparency in Brussels, more robust direct elections to the European Parliament, a grand continent-wide debate, and political union, the argument runs, so that the resulting European superstate would be empowered to impose massive fiscal transfers and macroeconomic constraints on surplus countries. Alternatively, if more radical alternatives could be fully debated in national elections, then member states might muster the power to pull out of the eurozone or renegotiate their terms in it.

These three books show how far from reality such schemes for democratizing Europe really are. Despite their creativity in suggesting alternatives, these authors concede that in the end, everything comes down to choices made by self-interested sovereign states. Governments have little incentive to make charitable and risky concessions, even in a united Europe with economic prosperity on the line. Politicians simply lack the strength and courage to make a genuine break with the status quo, either toward federalism or toward monetary sovereignty. As Varoufakis writes, "All talk of gradual moves toward political union and toward 'more Europe' are not first steps toward a European democratic federation but, rather, and ominously, a leap into an iron cage that prolongs the crisis and wrecks any prospect of a genuine federal European democracy."

Thus, one is forced to conclude that short of a catastrophic economic crisis, Europe can do little more than continue to muddle through in a self-induced state of austerity, thereby undermining its future prospects and global standing. 🌐

The Great White Nope

Poor, Working Class, and Left Behind in America

Jefferson Cowie

White Trash: The 400-Year Untold History of Class in America

BY NANCY ISENBERG. Viking, 2016, 480 pp.

Most Americans are optimistic about their futures—but poor and working-class whites are not. According to a recent analysis published by the Brookings Institution, poor Hispanics are almost a third more likely than their white counterparts to imagine a better future. And poor African Americans—who face far higher rates of incarceration and unemployment and who fall victim far more frequently to both violent crime and police brutality—are nearly three times as optimistic as poor whites. Carol Graham, the economist who oversaw the analysis, concluded that poor whites suffer less from direct material deprivation than from the intangible but profound problems of “unhappiness, stress, and lack of hope.” That might explain why the slogan of the Republican presidential candidate, Donald Trump—“Make America Great Again!”—sounds so good to so many of them.

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A stunning U-turn in the fortunes of poor and working-class whites began in the 1970s, as deindustrialization, automation, globalization, and the growth of the high-technology and service sectors transformed the U.S. economy. In the decades since, many blue-collar jobs have vanished, wages have stagnated for less educated Americans, wealth has accumulated at the top of the economic food chain, and social mobility has become vastly harder to achieve. Technological and financial innovations have fostered economic and social vitality in urban centers on the coasts. But those changes have brought far fewer benefits to the formerly industrial South and Midwest. As economic decline has hollowed out civic life and the national political conversation has focused on other issues, many people in “flyover country” have sought solace in opioids and methamphetamine; some have lashed out by embracing white nationalist rage. As whites come closer to becoming a plurality in the United States (or a “white minority,” in more paranoid terms), many have become receptive to nativist or bigoted appeals and thinly veiled promises to protect their endangered racial privilege: think of Trump’s promise to build a wall on the U.S.-Mexican border and his invocation of an unspecified bygone era when the United States was “great,” which many white Trump supporters seem to understand as a reference to a time when they felt themselves to be more firmly at the center of civic and economic life.

Trump also loves to tell his audiences that they are victims of a “rigged” political system that empowers elites at their expense. On that count, the evidence supports him. Consider, for example,

the findings of a widely cited 2014 study by the political scientists Martin Gilens and Benjamin Page, who researched public opinion on approximately 1,800 policy proposals (as captured by surveys taken between 1981 and 2002) and found that only those ideas endorsed by the wealthiest ten percent of Americans became law. This domination of politics by economic elites has produced the de facto disenfranchisement of everyone else—a burden experienced by the entire remaining 90 percent, of course, but perhaps felt most acutely by those who have fallen the furthest.

For poor and working-class white Americans, the profound shifts of the past few decades have proved literally lethal: beginning around 1999, life expectancy—which had been increasing dramatically for all Americans during the twentieth century—began to decrease for less educated middle-aged whites. Angus Deaton, the Nobel Prize-winning economist who discovered this trend along with his wife and collaborator, the economist Anne Case, speculated that this demographic group is “susceptible to despair” because they have “lost the narrative of their lives.”

Nancy Isenberg’s *White Trash* aims to uncover the historical roots of this social calamity and explain its political effects. It’s an ambitious book that doesn’t quite succeed but that is nonetheless frequently revelatory. Isenberg braids together political philosophy, popular culture, literature, and cultural studies to examine the importance of class in the United States and to demonstrate how lower-class white Americans have been kicked around by elites and mistreated in myriad ways since the founding of the republic. Her main objective is to bury the myth

“that Americans, through some rare good fortune, escaped the burden of class that prevailed in the mother country of England.” In Isenberg’s rendering, for poor whites, the American dream has always been a bit of a nightmare.

WHITE PLIGHT

The title of Isenberg’s book is just one example of the many ugly epithets that have been applied over the centuries to poor and working-class whites. The book offers a more complete list: “Waste people. Offscourings. Lubbers. Bogtrotters. Rascals. Rubbish. Squatters. Crackers. Clay-eaters. Tackies. Mudsills. Scalawags. Briar hoppers. Hillbillies. Low-downers. White niggers. Degenerates. White trash. Rednecks. Trailer trash. Swamp people.”

Most middle-class, wealthy, and nonwhite Americans are familiar with the stereotypes these terms evoke; many even traffic in such derogatory language, if only under their breath. And even Americans who harbor no prejudice against poor whites tend to misunderstand them, seeing the emergence of a white underclass as a relatively recent phenomenon brought about by deindustrialization, immigration, and globalization. Isenberg sets out to correct that misimpression by helping readers unlearn what they think they know. “Historical mythmaking,” Isenberg proclaims, “is made possible only by forgetting.” Her narrative is a myth-busting tour of American history that recasts it into a brutal tale of domination, subordination, and class conflict.

In Isenberg’s telling, the Puritan leader John Winthrop—whose image of the Massachusetts Bay Colony as a charitable, compassionate “city upon a hill” has become a leitmotif of American



Hard times: a man in front of his motor home outside Los Angeles, October 2015

exceptionalism—was no democrat; rather, he was an elitist who felt no pity for the poor, whom he termed the “scum of the land.” Winthrop’s colony, Isenberg writes, was not an incubator of egalitarianism but a repressive, insular community obsessed with the maintenance of a class hierarchy. She also casts a critical eye on the ideas of a number of figures who shaped the American Revolution, including John Locke and Thomas Paine, who were both dismissive when it came to the plight of the poor. The central figure of early American mythology is the landowning yeoman, most prominently hailed by Thomas Jefferson. But during its first few decades of existence, the United States offered little to the poor and landless, scratching out lives on the margins.

The first national political figure to break this mold and rally the political power of poor whites was Andrew Jackson. Jackson, whom patrician elites

considered crude and uncivilized, embraced the impoverished migrants who in the beginning of the nineteenth century had started to settle the “frontier”—the area between the Appalachian Mountains and the Mississippi River. These landless “squatters” had long been viewed with disdain by city-dwelling elites and wealthy landowners; during (and especially just after) the Jackson presidency, they “morphed into the colloquial common man of democratic lore,” Isenberg writes. Jackson drew poor whites into the Democratic Party by promising to root out corruption and challenge entrenched elites. However, the first version of American populism to achieve electoral success on a national level was also infused with racism, establishing a pattern that persists today. Jackson, a slave owner, strongly opposed abolition and backed the policy of “Indian removal”—positions that assured many of his poor white supporters that he would protect them

not only from elites but also from those lower than them on the social ladder.

Indeed, during the nineteenth century, poor whites were hardly the only group that struggled: blacks and Native Americans suffered even more. Regrettably, when it comes to the connection between discrimination against poor whites and the oppression of other groups, Isenberg's book is less than insightful. It hardly explores how slavery, segregation, and nativism (a subject she does not consider at all) shaped the U.S. class system, or how politicians (populist and otherwise) used appeals to racial solidarity to block the potential development of class-based alliances that would cross racial lines. Isenberg instead delves into a novel but not particularly illuminating argument that poor whites have come to constitute something akin to a distinct racial category, which some elites believed needed to be "bred" so as to supply a steady source of cheap labor.

Because "white trash" has so often referred to the landless poor, the book becomes less satisfying as it moves closer to the present, chronicling a nation whose people are drifting further from their sense of attachment to the land. Isenberg mostly skips the white working class' experience of the post-war boom; her exploration of that era is dominated by a set of ruminations on Elvis Presley and the television show *The Beverly Hillbillies*. Likewise, her cursory treatment of the civil rights movement focuses on a small number of white reactions to the famous school desegregation campaign in Little Rock, Arkansas, in 1957. Reviewing the second half of the twentieth century, Isenberg touches only fleetingly on how, during

the 1970s, the embrace of a "redneck" identity became an acceptable, even celebrated, aspect of working-class culture and politics. And although the travails of Bill Clinton get plenty of attention (Isenberg writes that his presidency resulted in a "white trash outing on the grand national stage"), the book has virtually nothing to say about the Obama era, which has witnessed the rise of two distinct but related political movements that draw the support of poor and working-class whites: first the Tea Party and now the Trump candidacy.

A broader problem with *White Trash* is that although Isenberg chronicles how poor and working-class whites have been seen by others, she doesn't offer much insight into how they have seen themselves or the rest of society. In the most famous examination of poor whites, *Let Us Now Praise Famous Men*, the writer James Agee strove to do justice to his subject by revealing "the cruel radiance of what is." Isenberg is astute enough to recognize the challenge Agee set forth, but it's difficult to preserve much depth over her book's broad historical sweep. There are too few anecdotes, quotes, or accounts of how members of these groups have viewed their own lives or conceived of politics.

Also absent are accounts of all the ways that lower-class whites have fought back against efforts to keep them in their place. *White Trash* has nothing to say about the agrarian populism of the nineteenth century, which saw small farmers confront powerful banks and railroads over exploitative loans and rates. Similarly, there is nothing in the book about the great textile strike of

1934, when “lint heads” walked out of mills across the Piedmont region, demanding better pay and working conditions and the right to form a union. Isenberg’s approach winds up flattening all historical eras to accommodate her overarching themes of impoverishment and dispossession, so that even the postwar era—in which inequality abated, expectations rose, and poor and working-class whites shared in the prosperity—seems no different from any other time.

FROM OBAMA TO TRUMP

Democrats and Republicans are fond of blaming each other for the plight of poor and working-class whites. The reality is that both parties have failed to look out for these groups, as Barack Obama pointed out while running for president in 2008:

You go into some of these small towns in Pennsylvania, and like a lot of small towns in the Midwest, the jobs have been gone now for 25 years and nothing’s replaced them. And they fell through the Clinton administration, and the Bush administration, and each successive administration has said that somehow these communities are gonna regenerate, and they have not.

The next part of Obama’s statement got him into political trouble: “So it’s not surprising, then, that they get bitter—they cling to guns, or religion, or antipathy toward people who aren’t like them, or anti-immigrant sentiment, or anti-trade sentiment, as a way to explain their frustrations.” This smacked of condescension, and it foreshadowed how difficult Obama would find it to

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reach out to poor and working-class whites as president, even when his policies explicitly sought to benefit them. And his intentions aside, those groups have not fared much better during his presidency. Meanwhile, the growth in the nonwhite portion of the electorate has allowed the Democratic Party to win in reliably “blue” states without making inroads with less educated white voters. This year’s Democratic National Convention presented a beautiful multicultural tableau. But at a number of points during the event, some viewers might have felt that the subtext was: “We’ve completely given up on white guys.”

By contrast, the Republican Party—or at least the subset of it that has propelled Trump’s candidacy—often seems to be appealing to hardly anyone other than white men. In an analysis that compared county-level demographic data with results in the 2016 GOP primary elections, Neil Irwin and Josh Katz of *The New York Times* found that the level of support for Trump in any given county correlated strongly with the percentage of its residents who were white and did not finish high school, the proportion of inhabitants who reported “American” ancestry on census forms, the percentage who lived in mobile homes, the percentage who identified as evangelical Christian, and the percentage who had supported the segregationist George Wallace’s 1968 presidential campaign. But support for Trump also correlated strongly with high levels of dependence on “old economy” jobs and with low levels of participation in the labor force. That is why Trump’s campaign has also featured elements of economic populism, centered on trade

protectionism and a commitment to federal entitlement programs such as Social Security—an agenda that Trump promises will afford working-class whites the security and prosperity their parents and grandparents enjoyed during the postwar era.

Even if Trump loses, his campaign seems likely to have a profound impact on the Republican Party. “Five, 10 years from now—different party,” Trump mused during an interview with *Bloomberg Businessweek* in May. “You’re going to have a worker’s party. A party of people that haven’t had a real wage increase in 18 years, that are angry.” Trump has said some outlandish things during his campaign, but he may very well be right about that. Liberals, along with many conservatives, see Trumpism as a disease afflicting the American body politic. In fact, it is a symptom of a deeper pathology whose roots, as Isenberg’s book shows, extend far back in U.S. history. The Trump campaign is filling a long-standing void in U.S. politics: the space where the interests of poor and working-class whites used to be. Trump himself might pass from the political scene. But until one or both parties find a way to address the problems faced by poor and working-class whites, Trumpism is here to stay. 🌐

The Drone Revolution

Less Than Meets the Eye

Lawrence D. Freedman

The Drone Debate: A Primer on the U.S. Use of Unmanned Aircraft Outside Conventional Battlefields
BY AVERY PLAW, MATTHEW S. FRICKER, AND CARLOS R. COLON.
Rowman & Littlefield, 2015, 348 pp.

Drones: What Everyone Needs to Know
BY SARAH KREPS. Oxford University Press, 2016, 224 pp.

Objective Troy: A Terrorist, a President, and the Rise of the Drone
BY SCOTT SHANE. Tim Duggan Books, 2015, 416 pp.

The Assassination Complex: Inside the Government's Secret Drone Warfare Program
BY JEREMY SCAHILL AND THE STAFF OF *THE INTERCEPT*. Simon & Schuster, 2016, 256 pp.

Drone: Remote Control Warfare
BY HUGH GUSTERSON. MIT Press, 2016, 216 pp.

Predator: The Secret Origins of the Drone Revolution
BY RICHARD WHITTLE. Henry Holt, 2014, 368 pp.

LAWRENCE D. FREEDMAN is Professor Emeritus of War Studies at King's College London.

Sudden Justice: America's Secret Drone Wars
BY CHRIS WOODS. Oxford University Press, 2015, 416 pp.

Drone Wars: Transforming Conflict, Law, and Policy
EDITED BY PETER L. BERGEN AND DANIEL ROTHENBERG. Cambridge University Press, 2014, 496 pp.

Drones and the Future of Armed Conflict: Ethical, Legal, and Strategic Implications
EDITED BY DAVID CORTRIGHT, RACHEL FAIRHURST, AND KRISTEN WALL. Chicago University Press, 2015, 288 pp.

It is a measure of how much the United States' security has improved since the more dangerous moments of the Cold War that the most troublesome issues in the military field today concern not weapons of mass destruction but targeted killing. The power that comes with access to the nuclear codes, of course, remains foremost when considering a presidential candidate's fitness for office. Yet no American leader has authorized the use of nuclear weapons since 1945. The last two U.S. presidents have regularly authorized the elimination of alleged Islamist terrorists.

The U.S. government has assassinated jihadists through a variety of means, including Special Forces and attack helicopters. But drones have become its new weapon of choice. This has prompted a large body of literature exploring the ethical, legal, and strategic dilemmas that these weapons pose. Some of these books, such as *The Drone Debate*, by the political scientists Avery Plaw, Matthew Fricker, and Carlos Colon, and *Drones*, by Sarah Kreps, also an

academic, provide admirable overviews of the debate. *Objective Troy*, meanwhile, by the *New York Times* reporter Scott Shane, presents a gripping account of the hunt for Anwar al-Awlaki, the charismatic New Mexico-born preacher and senior al Qaeda operative who, after a drone killed him in Yemen in 2011, became the first U.S. citizen to be assassinated since the American Civil War. *The Assassination Complex*, by the investigative journalist Jeremy Scahill and the staff of *The Intercept* (and which includes a foreword by the former National Security Agency contractor Edward Snowden), amounts to a searing indictment of the U.S. drone program. Other commentators are more gently critical, such as the anthropologist Hugh Gusterson, in *Drone*, his thoughtful examination of the dilemmas this new weapon poses.

Although these books differ in style and focus, they cover a similar set of issues and are drawn to the same set of sources. Underlying them all is the claim that drones represent a new era of warfare, or at least of counterterrorism. It is true that with drones, governments can eliminate political leaders and activists with relative ease. And perhaps one day, fully autonomous military systems, once programmed, may be able to decide whom to watch and then eliminate. Yet for now, at least, drones are just another weapon in the military's arsenal. Winning a war requires controlling territory, and that will always necessitate supporting ground forces. Drones are an important innovation, but they are not revolutionary.

"ADDICTIVE AS CATNIP"

Unmanned aerial vehicles have existed since the early days of airpower. The first was developed but not used during

World War I, for target practice. But it was the Israeli engineer Abraham Karem, who had been working on drones to confuse Arab air defenses in the 1970s, who realized that with new technologies, drones could provide real-time intelligence. In his enthralling history of the U.S. drone program, *Predator*, Richard Whittle tells Karem's story. After immigrating to the United States, Karem failed to convince the Pentagon of his idea, and in 1990, he went bankrupt. But General Atomics, a California-based defense contractor that had been developing drones of its own, saw the potential of his designs. Together, they built the Predator.

Initially, the military intended to use the Predator for reconnaissance alone, but after 9/11, it overcame its reluctance to arm the drone, outfitted the fleet with Hellfire air-to-ground missiles, and deployed them to Afghanistan. At the same time, the Bush administration drafted legal guidelines that gave the CIA wide powers to kill al Qaeda terrorists anywhere in the world. In November 2002, a drone killed Qaed Salim Sinan al-Harethi, a suspected al Qaeda leader, and five of his associates in Yemen. For the first time, the United States signaled that it was prepared to take out its enemies beyond a recognized combat zone. In 2007, it introduced the Reaper, which the U.S. Air Force has described as a "true hunter-killer." Drones have played only a supporting role in Afghanistan and Iraq, but they have assumed the leading role in U.S. operations against terrorist groups in areas where the United States is not otherwise directly involved, notably Pakistan, Somalia, and Yemen.

Drones bring together several technologies that have transformed modern



Eye in the sky: a U.S. Air Force drone in Schönefeld, Germany, May 2016

warfare: highly efficient engines, advanced sensors, global positioning systems, instantaneous communications, and, in the case of the larger ones, missiles. They make it possible for the operator to identify, monitor, and then strike a target thousands of miles away. To the U.S. government, drones offer two main advantages over conventional weapons: they put no American lives in danger, and, because drones can hover over their targets for much longer than manned aircraft, operators can direct attacks with greater confidence that they will hit the right targets, with civilians out of the way.

Yet civilian casualties have proved unavoidable. Haphazard intelligence has often been to blame, as when local tipsters have provided the United States with false information in order to take out innocent rivals. So-called signature strikes, in which the United States targets people whose behavior

suggests that they may be up to no good, even without definite proof, raise some of the most troubling ethical concerns and therefore play a major role in all these books. A number of things can go wrong: any convoy of vehicles can appear to be militants on the move, or else operators can take inadequate care to ensure that civilians are not in the vicinity. In a notorious case in December 2013 in Yemen, the United States, apparently hoping to take out 12 men involved in a plot to attack U.S. embassies, ended up striking a wedding party. And the decision-making behind the strikes has not always been dispassionate. After a Jordanian double agent killed seven CIA agents in a suicide bombing in Khost, Afghanistan, in December 2009, the rate of drone strikes picked up.

It's hard to know exactly how many civilians have been killed by drones, since insurgents inevitably insist that the victims were innocent noncombatants.

Plaw, Fricker, and Colon provide the most thorough analysis of the available numbers, highlighting the discrepancies between official figures and those reported by independent organizations. The most recent figures from the Obama administration, released in July, report 473 strikes outside the recognized war zones of Afghanistan, Iraq, and Syria between January 2009 and December 2015, killing between 2,372 and 2,581 combatants and between 64 and 116 civilians. By contrast, the London-based Bureau of Investigative Journalism estimates that as of August, U.S. drone strikes had killed between 518 and 1,138 civilians in Pakistan, Somalia, and Yemen.

Critics of the drone program focus primarily on “blowback,” the anger that civilian casualties provoke in targeted countries. Some counterinsurgency specialists, such as the Australian analyst David Kilcullen, argue that drone strikes have been counterproductive: they lead to the loss of local support and inspire more people to join insurgent groups, outweighing the gains from killing particular militants. But it is hard to know whether drone strikes have provoked more anger than other forms of Western power. A number of these books cite evidence from Waziristan, in northwestern Pakistan, to suggest that local civilians have preferred drones to other, less precise forms of attack on militants.

Critics also allege that the excessive secrecy of the U.S. drone program has undermined accountability; until 2012, Washington refused to acknowledge that it even existed, and many of the strikes are still carried out by the CIA—an agency not known for transparency. Scahill, for his part, draws on leaked documents to condemn the drone program for “an

overreliance on signals intelligence, an apparently incalculable civilian toll, and, due to a preference for assassination rather than capture, an inability to extract potentially valuable intelligence from terror suspects.”

Lastly, critics express unease over the distance at which drone operators function. Their victims know nothing about their impending doom and can’t challenge their covert death sentences, let alone fight back. The operators, meanwhile, face no dangers themselves and can even live relatively normal lives in their free time, picking up the kids from school after killing someone on the other side of the planet.

This asymmetry of risk, critics argue, creates a moral hazard. Leaders may be tempted to use drones even when they offer little strategic benefit, especially when the alternatives—notably a ground intervention—appear to be riskier. In *Sudden Justice*, the investigative journalist Chris Woods quotes Kilcullen as saying that drones’ ability to provide tactical victories without requiring boots on the ground has made them “addictive as catnip” to the Obama administration. The U.S. military, according to one of Scahill’s sources, is “addicted to this machine, to this way of doing business.”

But fears of moral hazard are not unique to drones. In 2000, the Canadian academic Michael Ignatieff argued that the 1998–99 Kosovo war had been a “virtual” conflict, at least for citizens in the NATO countries. The allies had command of the skies, and hit whatever targets they chose, without taking casualties. This rendered the fighting too much like a “spectacle,” he wrote, which aroused “emotions in the intense but shallow way that sports do.”

If anything, drone pilots find it harder to escape the harsh reality of war than do those launching missiles against a set of preprogrammed coordinates. A drone pilot must stalk his prey closely and then, after the strike, see what is left of the victim and whoever else stepped into the frame at the last minute. Although the stress may be less than that experienced in actual combat (something of a rarity for all service personnel these days), the drone pilots are not just playing glorified computer games.

Nor is there evidence that the United States has become addicted to drones. These books were a response to a period of increasing drone use, but the use of drones has now subsided. In 2013, the Obama administration announced new guidelines for targeting and cut back on the number of drone strikes in Pakistan, which had already been falling since 2010. As the number of strikes in Pakistan and Yemen has fallen, so, too, have civilian casualties. According to the think tank New America, two civilians died in drone strikes in Pakistan from 2014 to 2016, and none has died in Yemen in the last two years.

In the end, the debate over drones, and the many books they have inspired, may be a delayed response to a particular stage in the war on terrorism, a stage that offers fewer lessons about the future of warfare than many of these authors claim.

THE AGE OF DRONES?

Drones are most useful when combined with other military capabilities, and they will always be of most value against opponents who lack effective air defenses, as is the case with many of the United States' current targets. Drones are prone to crash, and the most advanced among them will, for the foreseeable future, remain

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expensive and difficult to operate without large teams of skilled people. Their slow speed, low altitude, and vulnerability to electronic countermeasures may also limit their role in less asymmetric conflicts.

As technology improves, ever-smaller drones will be able to provide increasingly specific intelligence and carry out more precise attacks. Drones will become more plentiful and will be available to the West's enemies. Terrorists may see their potential for long-distance attacks, although to deliver large bombs, they will probably continue to rely on people, cars, or trucks. Other belligerents may be less interested in deploying drones to attack ground targets, because they do not set such great store by precision targeting. In Syria, for example, President Bashar al-Assad's forces bomb civilians, and Russia has shown little restraint in its operations in Ukraine and the Middle East.

Wars normally hinge on who can control territory, something that cannot be done from the air alone, whether with drones, helicopters, or jets. In the years between the two world wars, military planners described long-range aircraft as "strategic" (in contrast to shorter-range "tactical" aircraft), to convey the conviction that they could prove militarily decisive. This idea was discredited during World War II. Air operations weakened both sides' ability to conduct ground operations, but they couldn't win the war on their own.

The distinction between strategic and tactical weapons continued with the introduction of nuclear weapons, and today, the U.S. Government Accountability Office describes the longer-range, armed models of drones as "strategic." But once again, the "strategic" designation is misleading: drones cannot have a

decisive impact on their own, even in a counterterrorism campaign. In the collection *Drone Wars*, which is especially valuable for its number of firsthand accounts, one contributor, David Rohde, a journalist held in Waziristan by the Taliban from 2008 to 2009, confirms that drones terrified the militants and disrupted their operations. But they could not change the balance of power on the ground, and so Rohde insists that they cannot represent a long-term solution. And in her contribution to *Drones and the Future of Armed Conflict*, edited by David Cortright, Rachel Fairhurst, and Kristen Wall, the political scientist Audrey Kurth Cronin stresses how much more needs to be done to defeat terrorist groups than drone strikes can ever accomplish. They can hurt an enemy, in other words, but they cannot win a war.

Targeted killings have shaped the reputation of drones, and these strikes may continue in a variety of settings. But ultimately, the greatest military value of drones will lie in a more mundane feature: surveillance. They can loiter over a vital area, send back a stream of pictures, and follow individuals and vehicles of interest. Soon, miniaturization may allow a camera-equipped drone no bigger than an insect to fly within feet of an enemy.

The United States' use of drones over the past decade and a half offers strategic lessons and raises thorny ethical and legal problems. These books explore those issues well. They open up a wider debate about the merits of targeted killing. But they tend to exaggerate the importance of drones by considering them in isolation from the many other types of military activity over this period and by dwelling on their most extreme, rather than their more common, use. 🌐

The Borrowers

Putting the New Deal in a Global Context

Ira Katznelson

The New Deal: A Global History

BY KIRAN KLAUS PATEL. Princeton University Press, 2016, 435 pp.

World history is at least as old as Herodotus and Thucydides, but self-conscious “global history” is a recent development in the academy. More than a hundred books with those words in the title have been published this century, up from a handful in the prior two decades and zero before that. At their best, such studies are able to see past the limits of national histories, exploring the interconnections and flows of people, goods, ideas, and events across time and space. As the German historian Jürgen Osterhammel has put it, they can illuminate “the relationship between general developments and regional variants,” putting familiar stories in a new perspective.

Kiran Klaus Patel’s impressive new book is a good example of this trend: it considers the social welfare policies adopted in the United States during Franklin Roosevelt’s administration not as *sui generis* but as one expression of a broader global pattern.

IRA KATZNELSON is Ruggles Professor of Political Science and History at Columbia University and the author of *Fear Itself: The New Deal and the Origins of Our Time*.

How, Patel asks, did global ideas and networks affect American decisions regarding the reconstruction of democracy and capitalism? And how did these American choices then feed back into developments elsewhere? Looking at things this way reveals a great deal about a well-studied period in the past—and might help illuminate the nature of globalization not just then but now.

IT’S A SMALL WORLD AFTER ALL

Patel traces with unprecedented detail the intense international exchange and “transnational learning and linking” that shaped the Roosevelt administration’s responses to the global crisis of capitalism and democracy in the 1930s. He explored similar themes in his earlier book *Soldiers of Labor*, revealing startling similarities between the Reich Labor Service in Nazi Germany and the Civilian Conservation Corps (CCC) in the United States. (The Nazi version was mandatory, harsher, and actively ethnonationalist, yet both emphasized discipline and symbolism, and neither did much to end mass unemployment.) His new book also focuses on policy initiatives the New Deal shared with other governments’ programs, while widening the scope of inquiry, tackling everything from how Washington adapted fascist corporatism and Soviet planning to how it handled land issues, public works, trade, the gold standard, labor policy, immigration, banking, housing, social insurance, and more.

Many global histories study eras of increasing globalization, such as the decades prior to World War I. In this case, by contrast, globalization was in broad retreat by the winter of 1933, when both Adolf Hitler and Franklin

Roosevelt came into office. Protectionism had sharply reduced trade, capital flows had slowed, and restrictions on the free exchange of information were rife. Still, policy appropriation was on the upswing. The core of Patel's book tracks how the New Deal adopted what governments elsewhere were doing to confront the Great Depression. Most of these foreign regimes were authoritarian and embraced protectionism and other antiglobalist stances. In borrowing these regimes' ideas, the Roosevelt administration retooled them so as to secure democracy and eventually reintegrate the United States into the global economy.

U.S. officials, it turns out, were able to observe examples of industrial planning and regulation from countries as varied as Belgium, Czechoslovakia, Estonia, Iran, Turkey, and Uruguay. The Resettlement Administration—a federal agency that relocated struggling urban and rural families to new communities—followed rural development currents in Romania and Turkey. Electrification had become a central feature of Soviet planning before it was embraced by the United States. Models for the Wagner Act's chartering of industrial unions existed in Chile, Colombia, France, and Norway. And as the United States debated geopolitics in the mid-1930s, it could borrow neutrality policies from Austria, Denmark, the Netherlands, Norway, and Portugal.

Soon after taking office, for example, the Roosevelt administration advanced major banking reforms, which are usually discussed in the context of the specific financial problems U.S. officials confronted at the time. Patel, in contrast,

shows how these policy instruments were “part of a global trend to reform banking systems that included state guarantees for depositors in France [and] preemptive measures in Denmark, particularly in the 1930s banking legislation.” The “shift of financial authority away from Wall Street to Washington” was matched by a move “in Berlin from the financial center Unter den Linden to the political heart on Wilhelmstrasse, and in Brazil from Rio de Janeiro to São Paulo.”

“The various political systems . . . observed each other,” Patel notes, and such mutual awareness sometimes led to convergence. Think of how regimes as different as fascist Italy, Bolshevik Russia, and the New Deal United States “resorted to the same architectural vernacular,” as Patel puts it, making buildings from the era instantly recognizable in all those countries even today. Sometimes the borrowing was direct and deliberate. The economist Rexford Tugwell, a crucial member of Roosevelt's “brain trust,” traveled across Europe in 1934 to gain insight into various countries' agricultural policies. And the administration officials Louis Brownlow, Charles Merriam, and Luther Gulick were dispatched to Rome in 1935 to observe how Benito Mussolini had reorganized the Italian government and recommend lessons for a similar reshaping of public administration in the United States. Other studies were undertaken at a distance; as late as 1938, Patel writes, Roosevelt “personally ordered a report on the Nazi Arbeitsdienst [Labor Service],” and “soon afterward, the CCC even adopted certain technical and apolitical aspects of the Nazi agency.”



Fixing a hole: Civilian Conservation Corps workers lining a canal in New Mexico, 1940

ONE OF THESE IS NOT LIKE THE OTHERS

As they tumble from page after page, these absorbing anecdotes generate larger questions. How does the chronology of the New Deal fit within the chronology of the broader global movement around it? How did policy borrowing relate to other aspects of globalization? And what does it say that vastly different regimes often adopted similar policies? Patel's book demonstrates that the New Deal "shared more with processes in other parts of the world than is normally recognized." Just where one goes from there is less clear.

Consider the relationships among global processes, state development, and regime type. During the Roosevelt years, the U.S. government grew just as it opened itself up to policy ideas from various sources and locations. Patel shows how a sovereign, liberal democratic state was transformed,

developing the capacity to regulate the economy and society and to project military and economic power abroad. This increasingly capable state, in turn, gained popular support and legitimacy by seeming to address the era's most important problems successfully, even as it remained a democracy. By differentiating itself from the authoritarianism running rampant elsewhere, in other words, the United States was able to simultaneously respond to a crisis, reinvigorate its liberal regime, and open itself up to the world. Only a few other states (such as Sweden) could claim to have pulled off the same trifecta.

Patel does not do enough with this important aspect of the story, which is relevant to the contemporary era. He notes that democracies were collapsing across much of the world while communist and fascist regimes were offering fundamentally different models of political organization and that this gave the

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democratically approved aspect of the New Deal special significance. He stops short, however, of developing this insight or offering a broader intellectual framework to explain it. His book compellingly describes policy adoption without dwelling sufficiently on the politics behind it, which leaves the narrative not only somewhat bloodless but also less fruitful than it could have been.

Patel's language is often elusive. He talks of "parallels," "resemblances," and "convergence." Policies are "connected," "less unique than thought," "anything but original." Discussing bureaucratic expansion, he notes that "most other countries resorted to a similarly erratic and variable course of action"; explaining housing policy, he points out that "ironically, Nazi Germany used similar instruments to support homeowners." Similar policies, he says, emerged against "the backdrop of similar economic and social challenges, and their common point of reference: World War I." But he rarely explores the precise chronology of policy borrowings, nor does he explicitly address the causal mechanisms that led initiatives undertaken in one country to travel to others. As a result, his story, while strong on concurrence, is analytically underspecified, making it hard to figure out just why events played out as they did or draw out practical lessons.

THE PAST AS PROLOGUE?

Writing in 1917 about "new forms of competition, rivalry, and conflict," the sociologist Robert Park declared that "the railway, the steamship, and the telegraph are rapidly mobilizing the peoples of the earth. The nations are coming out of their isolation, and

distances which separated the different races are rapidly giving way before the extension of communication." Five years earlier, the historian John Franklin Jameson observed how "the nation is ceasing to be the leading form of the world's structure; organizations transcending national boundaries are becoming more and more numerous and effective," and he argued that "we are advancing into a new world which will be marked by cosmopolitan thought and sentiment." Even earlier, in 1891, the historian Frederick Jackson Turner, opined that "ideas, commodities even, refuse the bounds of a nation. All are inextricably connected. . . . This is true especially of our modern world with its complex commerce and means of intellectual connection."

Patel's book reminds readers that these portraits and projections were too simple and too confident of irreversible trajectories. Globalization, he shows, is a complicated process that plays out in multiple dimensions simultaneously and is affected by agents as well as structures. Although flows of capital, goods, and people had declined by the early 1930s, Roosevelt embraced and advanced the flow of ideas and policies, and eventually helped secure the emergence of a globalized world that would go on to become more interconnected than ever before.

Many depictions of today's globalization resemble those of Park, Jameson, and Turner. Carrying different labels—"post-Fordist," "postmodern," "late capitalist," "the networked society," "transnationalist," "the information age"—they suggest that history runs in one direction and there is no turning back. That need not be the case,

however, as the collapse of earlier forms of globalization shows. Some aspects of interconnection are now hard-wired, such as the technological advances that allow people to communicate instantaneously. Other aspects can be blocked or shut down, and one does not have to look hard to see powerful opposition movements growing that may yet send flows of trade and migration into reverse yet again.

The question is therefore not whether there will be globalization but how much and what kind, carried out through what means and according to what rules. Patel teaches that even in times of economic trouble and political backlash, thoughtful leaders willing to look for new ideas, regardless of their provenance, can find fresh ways to drag capitalism and democracy out of their doldrums, perhaps putting the world back on track to collaborate more effectively. 🌐

Should America Retrench?

The Battle Over Offshore Balancing

The Risks of Retreat

Hal Brands and Peter Feaver

A quarter century after the Cold War ended, critics have renewed their calls for the United States to abandon its existing grand strategy, which they contend has both cost too much in blood and treasure and delivered too little in terms of peace, prosperity, and security. John Mearsheimer and Stephen Walt make this case in their article “The Case for Offshore Balancing” (July/August 2016), which charts an alternative course. Under their preferred strategy, the United States would significantly roll back the system of alliances, the forward deployments, and the onshore presence that have characterized its security posture for decades. Instead, it would husband its strength by relying on other countries to maintain the balance of power in regions crucial to U.S. interests—namely, Europe, Northeast Asia, and the Persian Gulf—and step in militarily only when absolutely necessary, to prevent the emergence of a regional hegemon. It would also forswear long-standing endeavors such as democracy promotion and nearly all military interventions (except perhaps narrowly tailored

counterterrorist strikes) not aimed at preserving key regional balances.

The case for offshore balancing has superficial appeal. Its advocates claim that under the prevailing U.S. grand strategy, Washington has intervened too often in faraway conflicts of dubious importance to U.S. interests, with adverse consequences for U.S. security and international stability. According to this camp, most of what the United States has accomplished in the post–Cold War era—or, at least, most of what was worth accomplishing—could have been achieved at far lower cost, simply by letting other states fend for themselves. Offshore balancers thus promise a rare win-win: better outcomes at lower cost.

It sounds too good to be true, and indeed, it is. Once the historically dubious claims and flawed strategic assumptions are corrected, the case for offshore balancing collapses. The concept may remain popular in certain academic circles, but it is no wonder senior policymakers have consistently rejected it in practice.

REWRITING HISTORY

Offshore balancers argue that their strategy represents the United States’ traditional approach to global affairs, and one that has consistently proved effective in advancing U.S. interests. In reality, however, U.S. policymakers have pursued offshore balancing only when they have been overly focused on avoiding short-term costs, such as those associated with overseas military deployments, and have thus been willing to accept a high level of strategic risk. The results have been ambiguous at best and disastrous at worst, which is why the strategy has so often been discarded in favor of a more engaged approach.

In the 1920s and 1930s, for instance, the United States pursued a version of offshore balancing, by relying on regional governments to uphold power balances in Europe and East Asia. Those efforts failed, forcing the United States to enter World War II and launch major campaigns in both theaters. After sacrificing more than 400,000 American lives and spending the equivalent of \$4.1 trillion today in the process, the United States rightly discarded offshore balancing as too costly and risky a way of defending its interests in those regions. Instead, U.S. policymakers committed the country to an onshore military presence that continues seven decades later, as well as to an ultimately successful effort to shape the internal politics and security dynamics of those areas.

The United States' next foray into offshore balancing, in Cold War Korea, ended no more successfully. In 1950, North Korean troops—responding in part to the U.S. withdrawal from South Korea the previous year—overran nearly the entire peninsula. U.S. forces then intervened, and, after some 36,000 U.S. soldiers were killed and the equivalent of \$320 billion today was spent, the United States once again shifted to an onshore strategy, which has helped prevent a recurrence of the Korean War to this day.

The United States' longest reliance on offshore balancing has come in the Middle East—from 1945 until 1990 and again from 2011 to 2014. The United States did make brief onshore interventions (notably, in Lebanon in 1958 and again in 1982–84 and in Libya in 2011), but it primarily used economic aid, diplomatic support, covert intervention, and arms transfers to get major powers

such as Egypt, Iran, Iraq, Israel, and Saudi Arabia to defend a favorable balance of power. Even after the Iranian Revolution knocked out a key U.S. partner, the United States stuck with offshore balancing, supporting Saddam Hussein as the price of maintaining an acceptable balance of power in the Gulf, while also developing the over-the-horizon military capabilities needed to intervene in an emergency. It ended up having to do just that in 1990 when Iraq invaded Kuwait and threatened to overrun crucial Saudi oil fields, thereby threatening the regional balance and bringing yet another experiment in offshore balancing to a bloody conclusion.

The subsequent discovery of an unexpectedly advanced weapons-of-mass-destruction program in Iraq, along with concerns over the weak Gulf states' ability to balance against Baghdad on their own, convinced U.S. leaders to shift to an onshore strategy, which President George W. Bush doubled down on after the 9/11 attacks by invading Iraq. President Barack Obama's decision to withdraw from the country at the end of 2011 marked a shift back to offshore balancing in the Middle East, with the exception of Afghanistan, on the periphery of the region. But the rapid advance of the Islamic State (also known as ISIS) in 2014 convinced Obama to commit nearly 5,000 U.S. ground troops to fight ISIS in Iraq and Syria, along with thousands more operating from air bases and ships in the region.

In short, when leaders have tried offshore balancing, the strategy has tended to fail in costly ways, convincing them to shift to a more forward-leaning approach.

Thus, Mearsheimer and Walt's sunny claim that "for nearly a century, . . . offshore balancing prevented the emergence of dangerous regional hegemons and preserved a global balance of power that enhanced American security" masks a much darker reality: offshore balancing has succeeded only if one considers World War II, the Korean War, the Persian Gulf War, and the rise of ISIS an acceptable price for remaining offshore. If this is success, one shudders to imagine what failure might look like.

FUZZY MATH

Offshore balancing's costs are not limited to the wars that must be fought when regional balances collapse. There are also the costs of maintaining those balances even when the strategy appears to be working. Offshore balancing requires the United States to become more dependent on morally bankrupt regimes, subordinating all else to the narrow realpolitik requirement of short-term stability. In the Middle East alone, offshore balancing tied the United States to its partnership with the ill-fated shah of Iran during the 1970s and caused it to turn a blind eye to Saddam's domestic terror, international aggression, and widespread use of chemical weapons during the 1980s. In both cases, the consequences for human rights, as well as for longer-term regional stability, were problematic, to say the least.

To make matters worse, offshore balancing encourages nuclear proliferation. Throughout the postwar era, maintaining an onshore presence has given the United States leverage to restrain allies' nuclear ambitions while also mitigating the insecurity that might otherwise have driven such countries as Germany, Japan, and South Korea to pursue the bomb.

Withdrawing offshore threatens to have the opposite effect. It is no surprise that South Korea expressed nuclear aspirations when the United States gestured at withdrawing its troops from the peninsula during the 1970s, or that Taiwan did likewise when U.S. rapprochement with China appeared to jeopardize the United States' commitment to the island's security. Offshore balancers may wave away the dangers of proliferation; given the destructive power of nuclear weapons, policymakers can hardly be so cavalier.

Mearsheimer and Walt further obscure the costs of offshore balancing by being fuzzy about when and where the strategy has been tried. They treat the decades-long commitment of hundreds of thousands of troops to Europe, as well as tens of thousands to Japan, the Philippines, South Korea, and other Asian allies, as part of an offshore-balancing strategy, rather than acknowledging it to be the reverse. This flexibility allows Mearsheimer and Walt to simultaneously credit the adoption of offshore balancing for the Cold War peace in Western Europe and Northeast Asia and blame its abandonment for the war in Vietnam. In reality, the opposite reading—at least insofar as Western Europe and Northeast Asia are concerned—would be more historically accurate.

Mearsheimer and Walt use a similar accounting gimmick to inflate the benefits of offshore balancing. They claim that it would dramatically reduce defense expenditures. But because host nations usually subsidize the costs of U.S. forward deployments, the savings of going offshore are often negligible. Moreover, the costs of rapidly moving forces back onshore during a crisis must also be considered, and those costs—as

in World War II and the Korean War—can be prohibitive. The United States would thus save significant amounts of money only if it eliminated the very forces needed to fight its way back onshore, an approach that would look more like full-fledged isolationism than the minimalist strategy Mearsheimer and Walt propose.

Furthermore, the notion that offshore balancing would suddenly defuse the terrorist threat is wishful and even dangerous thinking. As the rise of ISIS has demonstrated, terrorist groups can mobilize even after the United States has withdrawn from a region. In fact, such groups may find it easier to operate in the subsequent security vacuum. To be sure, onshore deployments serve as a convenient rallying cry for terrorist propaganda, forming part of Osama bin Laden's *casus belli* against the United States in the 1990s, for example. But as al Qaeda's own propagandists have made clear, other irritants—above all, U.S. backing of authoritarian Arab regimes—also figure prominently in the jihadist indictment of U.S. policy. By forcing Washington to redouble its support for such regimes as pillars of regional stability, offshore balancing might actually fan the flames of jihadist resentment.

HARDER THAN IT LOOKS

Not only is the case for offshore balancing based on bad history and miscalculated costs and benefits; it also rests on several flawed (and mostly unstated) assumptions. First, Mearsheimer and Walt assume that once Washington disengages from a region, it will still be easy to sense and react to adverse shifts in the balance of power. Ideally, in their view, the United

States would remain offshore until some intervention was required, but before a D-Day-style invasion became necessary. Yet although the right moment for intervening can sometimes be seen in hindsight, identifying it in real time, amid enormous uncertainty, is far harder. Even alert and determined leaders have found it impossible to time onshore interventions perfectly, as President Franklin Roosevelt discovered in Europe and East Asia, President Harry Truman discovered in Korea, and President George H. W. Bush discovered in the Persian Gulf. In each case, the president realized the need for onshore intervention, or gathered the necessary political consensus, only after a regional balance had been fundamentally disrupted or overturned. Offshore balancing simply offers too little margin for error.

Second, Mearsheimer and Walt make heroic assumptions about the United States' ability to reach faraway places without its current network of global deployments. They would have the United States end those commitments but then rush back if a regional hegemon appeared. Today, the United States can indeed rapidly project combat power in the Middle East, the Pacific, and Europe, but only because of the global network of bases and logistics chains developed to maintain the grand strategy that offshore balancing would jettison. Had the United States not had forces and bases in Europe in 1990, for example, it would have been nearly impossible to project decisive military power into the Persian Gulf so soon after Saddam's occupation of Kuwait. Take away an onshore grand strategy, and you take away the capacity for timely force projection on which offshore balancing relies.

Third, offshore balancing assumes that the United States can get other countries to do more of its dirty work simply by doing less itself. Mearsheimer and Walt claim that the United States' globe-spanning military presence incentivizes its regional partners to free-ride and that the United States should instead pass the buck and "make its allies do as much of the heavy lifting as possible." But there is little reason to believe that the United States' absence would motivate others to act in accordance with U.S. interests. On the contrary, it is far more likely that Washington can influence other states when they are confident about its commitment to their security. The painful experience in post-Saddam Iraq illustrates the case. Although the Iraqi government never fully lived up to U.S. expectations, it came closest to fulfilling them during the 2007–9 surge, when the U.S. commitment was at its greatest. By contrast, the Iraqis underperformed most from 2012 to 2014, when the United States withdrew its troops.

Fourth, Mearsheimer and Walt assume that the American people do not care about anything other than *realpolitik*, so policymakers should back the strongest horse that will serve U.S. security interests, regardless of the impact on democratic norms or human rights. In reality, Americans expect their allies to abide by minimum humanitarian standards, and when they fail to do so, policymakers come under pressure to use U.S. influence to improve the situation. To be sure, the American public is not willing to pay any price and bear any burden to shape the internal politics of other states. But nor is it willing to turn a blind eye

to these concerns forever, as offshore balancing requires.

And it would not be wise to do so. As the political scientist Tony Smith has demonstrated, U.S. democracy-promotion programs—including economic aid, diplomatic pressure, covert action, and even the occasional military intervention—have helped foster a world that is more liberal and more congenial to U.S. values and interests. By tossing aside any concern with democracy and human rights, offshore balancing would surrender a crucial aspect of the United States' long-standing effort to shape a favorable international order.

Finally, offshore balancing assumes that the free flow of commerce, decline of great-power conflict, and global economic growth that have defined the post-1945 world would sustain themselves without the underwriting of global security that U.S. power and overseas engagement have provided. Mearsheimer and Walt thus minimize the positive role that U.S. grand strategy has played in promoting a favorable world order and fail to see how a retreat would threaten that very achievement. Why, offshore balancers seem to say, should we bother with so much diet and exercise when we feel so healthy?

The basic claim of the case for offshore balancing is that it maximizes American security and influence while it minimizes risks and costs. Yet the opposite is closer to the truth. If U.S. policymakers embraced offshore balancing, they would be discarding a grand strategy that has led to many of the greatest successes of U.S. foreign policy because of a few undeniable setbacks and replacing it with an approach that has produced some of the United States' costliest wars.

Perhaps someday, American power will have eroded to the point where the United States has no choice but to accept those risks and retrench as fundamentally as Mearsheimer and Walt suggest. But until then, U.S. officials should resist the siren song of offshore balancing.

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Mearsheimer and Walt Reply

In "The Case for Offshore Balancing," we argue that if a potential hegemon emerges in Europe, Northeast Asia, or the Persian Gulf, Washington should commit resources to preserve a favorable balance of power and, if necessary, fight to defend it. If no potential hegemon is present, however, the United States should remain offshore and let regional powers uphold the balance.

Hal Brands and Peter Feaver reject this recommendation and contend that the United States should continue its failed pursuit of its existing grand strategy, liberal hegemony. But they repeatedly misrepresent our argument and offer a dubious account of the relevant history—unwittingly underscoring the superiority of offshore balancing.

Brands and Feaver begin by claiming that we want the United States to remain offshore in Europe, Asia, and the Gulf, intervening in those regions only after war has broken out and a hegemon is about to win. This assertion allows them to accuse us of wanting to roll back

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current U.S. alliances in all three areas and to suggest that had U.S. policymakers adopted our approach in the late 1940s, there would have been no NATO, no strategy of containment, and no Cold War victory.

This predictable attempt to make us sound like isolationists is wrong. In our article, we make it clear that the United States should deploy forces onshore before war breaks out if the regional powers cannot check a rising hegemon, and we describe the United States' Cold War alliances as a clear-cut example of this policy. Moreover, we recommend the continued deployment of U.S. forces in Asia to counter any future Chinese attempt to dominate that region. Contrary to what Brands and Feaver say, Washington's alliances and force postures during the Cold War and in Asia today are wholly consistent with offshore balancing.

In effect, Brands and Feaver portray U.S. policy in much of the first half of the twentieth century as textbook offshore balancing but claim that Cold War containment represented the "reverse" of that policy. Not so: the United States followed the core logic of offshore balancing from 1900 to 1990 and embraced liberal hegemony only after the Soviet Union collapsed.

Under offshore balancing, the United States exploits its favorable location and calibrates its overseas commitments according to what is happening in key regions. Under liberal hegemony, by contrast, those factors hardly matter. The United States is supposed to deploy forces around the globe under any and all circumstances, whether it faces a single peer competitor, a complex multipolar world of contending great powers, or no

serious enemies at all. No matter what the world looks like, the recommendation is always the same: the United States should try to run it. But as the past 25 years have shown again and again, this approach leads to costly quagmires and repeated foreign policy failures.

Indeed, it is telling that Brands and Feaver never say what U.S. interests are or attempt to specify priorities among them. Instead, they justify the deployment of U.S. forces almost everywhere by assuming that doing so guarantees peace. Again, Brands and Feaver are mistaken. They suggest that the United States could have prevented World War II had it committed troops to Europe before the conflict started. But Europe was a simmering cauldron of great-power rivalry in the interwar period, and in all likelihood, even an enormous U.S. military presence there would not have calmed the continent. It's hard to believe that U.S. troops would have proved sufficient to deter Hitler or put an end to the suspicions between Berlin and Moscow. Moreover, committing a large army to Europe would have ensured that the United States was involved in the bloodbath of World War II from the beginning. From an American perspective, it was better to enter that conflict as late as possible and let others bear the brunt of the fighting.

Events since 1945 provide abundant evidence that a large U.S. military presence does not always ensure peace. Such a presence in East Asia failed to keep the United States out of two bloody wars there during the Cold War (Korea and Vietnam), and despite the tens of thousands of troops in the region today, few would deny that there is a serious possibility of military clashes between China and the United States over the East China and

South China Seas, Taiwan, or the Korean Peninsula. Nor did a major U.S. military presence in Europe prevent the Balkan wars in the 1990s or the current war in Ukraine, which could escalate into a broader conflict involving the United States. And in the Middle East, repeated U.S. military engagement since the end of the Cold War has not kept the region from becoming engulfed in wars—and in fact caused many of those wars.

This is no accident, because pursuing liberal hegemony, as Brands and Feaver advocate, not only fails to guarantee peace around the world; it also leads to foolish wars. The belief that the United States should be committed all over the world produced the Vietnam War, a clear departure from offshore balancing. That same thinking lay behind the disastrous 2003 invasion of Iraq—which Feaver supported and we opposed—as well as the failed U.S. interventions in Afghanistan and Libya. The United States has also interfered in Somalia, Sudan, Syria, and Yemen, among other places, with little to show for it. Brands and Feaver trivialize these costly failures as “a few undeniable setbacks,” but they were in fact an inevitable consequence of the misguided attempt to garrison the world and spread democracy by force.

Brands and Feaver also reject offshore balancing by saying that “although the right moment for intervening can sometimes be seen in hindsight, identifying it in real time, amid enormous uncertainty, is far harder.” But deciding whether and when to intervene is much easier under our strategy, since offshore balancers, unlike liberal hegemonists such as Brands and Feaver, provide clear criteria to inform that decision. But if the United States has vital interests

everywhere and U.S. intervention guarantees peace, as they maintain, then it should have intervened to prevent every Arab-Israeli war, all three Indo-Pakistani wars, the Iran-Iraq War, the First and Second Congo Wars, and so on. By their logic, Washington should keep expanding its overseas military presence until the entire world is at peace.

Lastly, Brands and Feaver write that offshore balancing makes the United States “more dependent on morally bankrupt regimes,” insisting further that “Americans expect their allies to abide by minimum humanitarian standards.” History shows otherwise. The United States allied with Joseph Stalin in World War II and tacitly with Mao Zedong in the 1970s—both of whom murdered millions of their own citizens. Washington has also propped up numerous Latin American dictators, today backs a military regime in Egypt and a harsh theocracy in Saudi Arabia, and continues to turn a blind eye to, if not support, Israel’s brutal treatment of the Palestinians.

International politics is a dangerous business, and moral tradeoffs are sometimes necessary. By committing U.S. power more selectively, however, offshore balancing requires such compromises only when the United States faces imminent threats to its vital interests. By encouraging the U.S. military to get involved everywhere, Brands and Feaver’s approach often forces Washington to rely on dubious allies in far-flung regions. Once committed to defending them, of course, it has little leverage over their behavior.

Given liberal hegemony’s many flaws, it is no wonder U.S. foreign policy has failed so often in recent years. One does wonder, however, why Brands and Feaver continue to defend it. 🌐

Recent Books

Political and Legal

G. John Ikenberry

Reordering the World: Essays on Liberalism and Empire

BY DUNCAN BELL. Princeton University Press, 2016, 456 pp.

The liberal tradition has long had a deeply fraught relationship with imperialism. In the late nineteenth century, British liberals embraced free trade, individual liberty, and the rule of law, while also defending the United Kingdom's empire. In recent decades, liberal internationalist ideas have found their way into arguments in favor of humanitarian intervention, preemptive war, and campaigns to spread democracy—all of which critics often deride as imperialism in new guises. Bell's masterful study represents one of the best efforts yet to untangle the many ideological and political knots that bind liberalism and imperialism. In a series of rich intellectual portraits of leading Victorian-era thinkers (including John Stuart Mill, Herbert Spencer, and L. T. Hobhouse), Bell shows that most British liberals at that time saw empire as a necessary—or even vital—part of the liberal project that “civilized” states were pushing forward. Only much later, after two world wars and long struggles against fascism and communism, did the liberal vision become a more universal secular creed whose ideological and political principles could be reliably seized on by opponents of empire.

A World of Struggle: How Power, Law, and Expertise Shape Global Political Economy

BY DAVID KENNEDY. Princeton University Press, 2016, 312 pp.

Accounts of global politics are usually organized around time periods of settled order, during which powerful states laid down rules and established institutions. In this illuminating study, Kennedy tells a different story, in which contemporary international relations play out as a continuous struggle between technocratic elites around the world, in which nothing is ever settled and everything is negotiable. Technocrats have not supplanted powerful states and capitalist interests at the top of the global power hierarchy, but their rise has changed how the major players maneuver for advantage. Kennedy focuses on the “knowledge work” of experts in areas such as development, human rights, and national security. He is particularly interested in international law, which seeks to enshrine universal rights and protections but, as Kennedy points out, also plays a role in legitimating power and entrenching influence. In Kennedy's portrait of the world, geopolitics, nationalism, and grand ideological projects disappear into a thousand points of contention. And with lawyers and experts firmly tied to existing power structures, it is unclear what means exist for genuine reform.

Peacemaking From Above, Peace From Below: Ending Conflict Between Regional Rivals

BY NORRIN M. RIPSMAN. Cornell University Press, 2016, 224 pp.

In searching for the sources of peace between regional adversaries, some

scholars emphasize the importance of top-down diplomatic overtures and others focus on the bottom-up efforts of citizens to reach across borders to change social attitudes. In this groundbreaking book, Ripsman argues that successful peacemaking requires both approaches. Initial breakthroughs rely on governments' negotiating formal peace settlements, often over the objections of their publics. But for the agreements to endure, rival states need to earn the buy-in of their societies, and this requires the long, slow work of groups working to strengthen economic and cultural ties between the two countries. Ripsman draws these conclusions from detailed studies of the peacemaking between France and Germany after World War II and Israel's peace processes with Egypt in the 1970s and Jordan in the 1990s. In each case, a formal agreement was necessary to settle territorial disputes and prevent violence, and leaders were motivated by statist and geostrategic interests. But the move from what the scholar Alexander George called a "precarious peace" to a "stable peace" happened only when individuals and groups on both sides made efforts to change hostile attitudes and build trust.

Power Shift: On the New Global Order
BY RICHARD FALK. Zed Books, 2016,
304 pp.

For almost half a century, in classics such as *This Endangered Planet* and *A Study of Future Worlds*, Falk has brought powerful moral and legal insights to debates about order and justice in world politics. In this collection of essays, he argues that the international system is

in the midst of a protracted, perilous, but ultimately progressive movement from what he calls "the old geopolitics" to "a new geopolitics." As Falk sees it, the old order—defined by a Western-dominated system of states and by global capitalism and realist ideology—is incapable of solving the cascading problems of armed violence, environmental catastrophe, despotism, corruption, and human suffering. For Falk, even the liberal internationalist vision of enlightened state leaders working through the UN and other global bodies is insufficient to the task. Falk provides no blueprint for an alternative order, but he believes that rising non-Western states and transnational civic actors will pursue new forms of collective action, mobilizing peoples and societies to work toward more just and sustainable forms of political community, and that global spending on military power will be redirected to progressive social purposes.

In the Hegemon's Shadow: Leading States and the Rise of Regional Powers

BY EVAN BRADEN MONTGOMERY.
Cornell University Press, 2016, 216 pp.

In this thoughtful study, Montgomery seeks to understand the logic that leads hegemons to variously support, accommodate, and oppose upstart states on their periphery. All global powers want access to and influence in every region, and the rise of hostile states that seek to close off and dominate their neighborhoods jeopardizes that goal. Montgomery argues that a hegemon will support a rising regional state if that country's growing power counterbalances another state in the region that is hostile to the

hegemon or if the rising state might become a regional leader that supports the global hegemon. By the same token, if the rising power is hostile or threatens to disturb the regional balance, hegemonic opposition will follow. For evidence, Montgomery turns to detailed historical cases of British efforts to manage the rise of three regional powers during the nineteenth century: Egypt, the American Confederacy, and Japan. Montgomery also looks at the U.S. response to the rise of India amid power struggles in South Asia in the 1960s and to the threat that Iraq posed to the regional order in the Persian Gulf during the administrations of Ronald Reagan and George H. W. Bush.

Economic, Social, and Environmental

Richard N. Cooper

The Man Who Knew: The Life and Times of Alan Greenspan
BY SEBASTIAN MALLABY. Penguin Press, 2016, 800 pp.

In his nearly two decades as chair of the Federal Reserve Board, Alan Greenspan—"the maestro," as he was known in his heyday in the 1990s—became the most influential economic policymaker in the world and arguably the world's most important economist. Mallaby's masterful biography—which doubles as an excellent economic history of the past three decades—tells a story of Greenspan's technocratic ascent, from his modest boyhood in New York City,

to a young adulthood colored by his philosophical attraction to the antigovernment libertarianism of the novelist Ayn Rand, to his career as a high-flying economic consultant, and finally to his rise to the pinnacle of power at the Fed. But the maestro's reputation suffered a severe blow in the wake of the financial crisis of 2008, which many blamed on policies that Greenspan had developed and applied. Greenspan later admitted that he was blinded by his faith in the idea that the world of private finance was led by rational individuals fully aware of the risks they were taking—a system that he wrongly believed could essentially regulate itself. Throughout his career, Greenspan proved politically astute, reluctant to take on any battle that he could not win, which perhaps explains some of his hesitation to confront the dangerous asset bubble that was obviously building during the early years of this century.

Trans-Pacific Partnership: An Assessment
EDITED BY CATHLEEN CIMINO-ISAACS AND JEFFREY J. SCHOTT. Peterson Institute for International Economics, 2016, 136 pp.

It took six years to negotiate the Trans-Pacific Partnership (TPP), a trade agreement among 12 countries, including the United States, three of its largest trading partners (Canada, Japan, and Mexico), and a number of developing countries in Asia and Latin America—but, pointedly, not China. The question of the deal's likely effects has now become a major political issue in the United States: the TPP is the focal point in an epochal fight over the future of U.S. policy toward

foreign trade and investment. Strong opposition to the agreement—neither major presidential candidate supports it—reflects the rise of populist-tinged antiglobalization and protectionism. Like all recent trade agreements, the TPP is excruciatingly complex and detailed, mostly as the result of special-interest influence. With this volume, a team of experts from the Peterson Institute for International Economics has produced an indispensable guide to the issue, one intended for nonspecialists. They look past the politics and describe and evaluate the deal's most important attributes and implications: what it would do and, equally important, what it would not do. The team is not happy with everything the negotiations produced but believes that, on balance, the TPP will be overwhelmingly beneficial to the United States.

Taxing the Rich: A History of Fiscal Fairness in the United States and Europe
BY KENNETH SCHEVE AND DAVID STASAVAGE. Russell Sage Foundation, 2016, 288 pp.

“Soak the rich!” has been a popular plea among citizens, politicians, and philosophers for centuries. But the main rationales for doing so have varied. This fine model of social science research explores the history of income and inheritance taxes in 20 North American and European countries and critically evaluates several hypotheses for why there have been such great differences within and between countries. Although advocates for taxing the wealthy at high rates often invoke “fairness,” ideas about what is fair differ greatly.

Through careful statistical analysis, Scheve and Stasavage reject the most common explanations for why governments choose to impose high rates on the rich—for example, to address rising inequality. They conclude, instead, that the most common justification is “comparable sacrifice,” a rationale that has proved especially successful immediately after periods of heavy military conscription, which often disproportionately affects the poor and leads to calls for “wealth conscription.” Corporations, however, seem mostly immune to this dynamic, which helps explain why globalization has led to greater overall declines in corporate tax rates than in the rates applied to high-income individuals.

Capital Without Borders: Wealth Managers and the One Percent
BY BROOKE HARRINGTON. Harvard University Press, 2016, 400 pp.

In carrying out this highly informative study, Harrington—an intrepid sociologist—became a certified wealth manager and, over seven years, interviewed 65 people who manage wealth in 18 different jurisdictions. She details how they set up far-flung networks of trusts, shell corporations, and foundations to protect the wealth of high-net-worth individuals—and to conceal it from tax authorities, creditors, and potentially acquisitive family members. Wealth managers not only exploit gaps in legal systems but also seek to influence legislation, especially in offshore tax havens, to the benefit of their clients. In doing so, they preserve and even increase wealth inequality and help undermine the legitimacy of governments

that tolerate their wealthy citizens' evasion or avoidance of the financial responsibilities that everyone else must meet—a form of shirking made easier by modern communications technology. Harrington advises governments seeking to address inequality to focus not only on the rich but also on the professionals who help them game the system.

Consumers, Corporations, and Public Health: A Case-Based Approach to Sustainable Business

EDITED BY JOHN A. QUELCH.
Oxford University Press, 2016, 392 pp.

This useful cross-disciplinary volume assembles 17 recent case studies of interactions between businesses and public health in various parts of the world. It covers a wide range of issues, some expected (the provision of clean water, the preservation and delivery of vaccines) and others less familiar (the prevention of infectious outbreaks on cruise ships). Many of the studies involve attempts to encourage or discourage particular behaviors, such as efforts to persuade individuals with chronic diseases to take their prescriptions and the incentives that the Affordable Care Act created to get more Americans to purchase health insurance. A central theme is that consumers now have more information available to them than ever before—some of it unreliable—regarding health, occupational safety, medical providers, and treatments. This growing knowledge will increasingly shape business performance in the health arena in rich and poor countries alike.

Military, Scientific, and Technological

Lawrence D. Freedman

Elvis's Army: Cold War GIs and the Atomic Battlefield

BY BRIAN McALLISTER LINN.
Harvard University Press, 2016, 464 pp.

Linn's book offers far more than its title suggests. Elvis Presley, who spent some time in the U.S. Army, makes only fleeting appearances: the real focus of this rich, readable book is the institutional transformation of the army from the end of World War II to the eve of Vietnam. This was a time of great upheaval, as the military had to constantly adjust in the face of rapid postwar demobilization, the shock of the Korean War, debates about nuclear conflict (and whether an army would be needed at all), the changes under way in American society, and the ebb and flow of the Cold War. Linn is relentlessly honest, detailing not only positive elements of the story, such as the important role the army played in desegregation, but also negative ones, such as the army's bureaucratic rigidity, the dubious radical right-wing and racist views held by some of its senior commanders, and its futile and damaging effort to figure out how it could use nuclear weapons in a tactical manner. At all times, Linn keeps the focus on ordinary GIs and their coping strategies, reflected in Elvis' advice to new soldiers: "Play it straight and do your best."

Practice to Deceive: Learning Curves of Military Deception Planners

BY BARTON WHALEY. Naval Institute Press, 2016, 256 pp.

This unusual book collects 88 short case studies put together by the late Whaley, who wrote extensively on strategic deception, to inform military officers in that particular art. In these writings, Whaley was less interested in whether the actions in question were successful than in their conception and implementation. Whaley offers advice on how to institutionalize the practice of deception and leavens his guidance with a sense of humor rarely witnessed in discussions of such matters. Whaley recounts various ruses, such as pretending that a big move is imminent (or, alternatively, that one has been delayed), and discusses the use of double agents. Many of his examples are taken from World War II, when militaries (especially the British one) had a better appreciation than they do today of the benefits of misleading opponents about one's real intentions and strengths. This enjoyable guide to the more mischievous side of military history will have enduring value for instructional purposes—and also as a tribute to one of the great students of the subject.

Code Warriors: NSA's Codebreakers and the Secret Intelligence War Against the Soviet Union

BY STEPHEN BUDIANSKY. Knopf, 2016, 416 pp.

During World War II, even though the United States and the Soviet Union were allied against Germany, there wasn't enough trust in the relationship to prevent mutual

spying. Budiansky tells the story of U.S. efforts to crack the Soviets' codes, which proved difficult to do after 1948, even with the benefit of the most powerful computers available. His story begins in the 1940s and ends in 1989, but a lack of declassified material from the more recent decades forces him to focus on the years prior to the mid-1960s. Budiansky ably guides readers through the technical details of code breaking and the bureaucratic wrangling that so often bedevils intelligence work. He illuminates a number of U.S. successes and credits the National Security Agency with helping demonstrate that the bark of Soviet leaders was worse than their likely bite. But he is also critical of the NSA's missteps, including its tendency to capture far more material than it could ever hope to analyze and its readiness to spy on Americans at the behest of U.S. President Richard Nixon.

Pearl Harbor: From Infamy to Greatness

BY CRAIG NELSON. Scribner, 2016, 608 pp.

The great strength of this well-paced book is its vivid descriptions of the Japanese attack on Pearl Harbor: the palpable shock that the bombing produced in civilians, the confusion of U.S. commanders, and the horror of navy sailors being thrown by the explosions on burning ships into the water. Nelson also captures well the chaotic decision-making in Tokyo in the run-up to the attack, when a militaristic faction gained the upper hand and overrode the misgivings of more cautious officials, who realized that however well the attack went, it was bound to end in

disaster for Japan. And so it did. Owing to the Americans' failure to take basic precautions, the Japanese navy enjoyed far more surprise and caused more damage than it should have been able to—but the bombings could never have delivered a knockout blow. The attack demonstrated the difficulty of anticipating when an enemy might act irrationally. Still, the complacency of the American side remains remarkable.

Pax Romana: War, Peace, and Conquest in the Roman World

BY ADRIAN GOLDSWORTHY. Yale University Press, 2016, 528 pp.

In the introduction to this engaging and consistently informative assessment of the methods the ancient Romans used to expand and control their empire, Goldsworthy insists that he is not trying to draw lessons that might be useful to contemporary powers. He is quite defensive on the Romans' behalf, noting that the idea of empire went out of fashion only rather recently, and argues that the Romans deserve credit for managing to rule disparate lands for centuries, and most of the time without too much trouble. At the same time, he does not deny that the emperors' motives were hardly altruistic or that their methods were often cruel and brutal. And at no point did the Romans ever doubt their right to dominate: the question was how others would accommodate themselves to Roman rule. But the Romans understood the value of alliances, and they treated the tribes that were prudent enough to surrender to the empire with relative grace; indeed, many of the conquered peoples adopted the conqueror's ways.

The United States

Walter Russell Mead

The Fractured Republic: Renewing America's Social Contract in the Age of Individualism

BY YUVAL LEVIN. Basic Books, 2016, 272 pp.

Levin is a man without a party; along with other “reformicons” (reform conservatives), Levin has been left out in the cold by Donald Trump's capture of the GOP. But even if Levin won't be asked to write policy memos for the next president, *The Fractured Republic* makes important contributions to the national debate that will resonate on both sides of the aisle. He starts from the position that since the 1950s, American society has steadily lifted restrictions on individualism. The left welcomes the diversity of lifestyles and the enhanced capacity for self-expression among minorities that this shift has brought, but deplores the economic individualism and inequality it has also encouraged. The right takes the opposite view: economic individualism, good; breakdown of public conformity to Judeo-Christian norms on sex and family, bad. Yet as Levin notes, both sides yearn for the sense of solidarity and national unity associated with the postwar era. Levin suggests that, rather than indulging in misplaced nostalgia, both the left and the right should think about how to build a new and more inclusive national identity that reflects and welcomes the diversity of American life in the twenty-first century.

The Star and the Stripes: A History of the Foreign Policies of American Jews

BY MICHAEL N. BARNETT. Princeton University Press, 2016, 368 pp.

Barnett's useful, original book puts contemporary American Jewish attitudes toward foreign policy in historical context. Going back to the nineteenth century, *The Star and the Stripes* notes a continuing oscillation in the American Jewish community, between prioritizing the problems of Jews around the world and pushing for the alleviation of suffering and persecution more generally. Barnett identifies a time of "peak communalism" after the 1967 Six-Day War, which led to an upsurge in Jewish pride and identification with Israel. The communal era continued through the 1970s, encouraged by the plight of Soviet Jews desperate to emigrate. But since 1980, Barnett finds, growing qualms about Israeli policies have led many American Jews to step away from the communal agenda. This, he notes, has led some American Jewish philanthropists to support Palestinian rights groups: by 2005, "American Jewish organizations ranked among the top donors to Palestinian organizations, providing anywhere from 20 to 30 percent of their total grants." One wishes Barnett had cast his net a little wider: as Henry Kissinger and many others would remind him, humanitarianism is not synonymous with foreign policy for American Jews any more than for anyone else.

White Rage: The Unspoken Truth of Our Racial Divide

BY CAROL ANDERSON. Bloomsbury, 2016, 256 pp.

In this year of populist backlash, media

coverage has often focused on the anger that ordinary white Americans feel over economic and demographic changes they see as threatening. Anderson reminds readers that white rage has a long history in the United States and that it has frequently come in response to black progress. Her book tells the story of Reconstruction and Jim Crow in harrowing terms, using specific incidents of white violence against blacks to personalize the horror. She looks to the northern states as well, showing how white mobs viciously attacked middle-class black families who tried to buy homes in white neighborhoods. Anderson writes as a passionate advocate rather than as a dispassionate historian, and at times, she undermines her own credibility, as when she links the genesis of the crack epidemic to Reagan administration efforts to fund the Nicaraguan contras. Nevertheless, for readers who want to understand the sense of grievance and pain that many African Americans feel today, *White Rage* offers a clearly written and well-thought-out overview of an aspect of U.S. history with which the country is still struggling to come to terms.

Hillbilly Elegy: A Memoir of a Family and Culture in Crisis

BY J. D. VANCE. Harper, 2016, 272 pp.

Vance's account of his childhood and adolescence in a self-described "hillbilly" family in a languishing Ohio mill town opens a window onto a world that Americans need to see and understand more clearly. When European immigration to the United States essentially ended after 1924, both African Americans from the South and whites from Appalachia

were recruited by manufacturers to fill expanding factories. The decline of industrial employment in the last few decades has left both blacks and whites bereft of jobs and subject to the forces of social decay, made worse in both communities by habits of violence and the presence of drugs. Vance's tale of how he made it to Yale Law School (via the Marine Corps and Ohio State University) is a moving human story in itself; it will also help nonblack Americans look at the problems of urban poverty through fresh eyes, undistorted by the prism of race. This isn't a story with an obvious political agenda; Vance does not conclude with a ten-point plan for a new War on Poverty. Readers, however, are likely to come away with the feeling that although it may be harder to address the needs of American communities left behind by the economic transition than people once thought, it is more important than ever to try.

The End of White Christian America
BY ROBERT P. JONES. Simon & Schuster, 2016, 320 pp.

The combination of a decline in the percentage of Americans who consider themselves white and a decline in the percentage of those white Americans who call themselves Christian leads Jones to announce the death of "white Christian America" and the end of the long period during which it defined the national discourse. This topic matters, but the book disappoints. Readers looking for insights into how this shift will change U.S. politics and culture won't find much to chew on here. Jones, a product of the liberal wing of American

Protestantism, seems more interested in scoring polemic points against evangelical rivals than in analyzing what he argues is an epochal transformation. It's a missed opportunity: something is clearly happening in the world of American religion, but *The End of White Christian America* offers only a few tantalizing insights into what it might mean.

Western Europe

Andrew Moravcsik

Karl Polanyi: A Life on the Left
BY GARETH DALE. Columbia University Press, 2016, 400 pp.

The Hungarian sociologist Karl Polanyi, who eventually settled in Canada, was one of the most prescient and persuasive political economists of the mid-twentieth century. In pioneering historical analyses, he argued that a "great transformation" took place in the early nineteenth century that systematically destroyed the premodern systems of welfare and social justice and established unfettered free markets—and thus reduced individual laborers to expendable commodities. His basic premise, drawn from Marxist theory, was that unregulated markets are based on political coercion. They also generate inequality, which those who support market liberalization foster misleading ideologies to justify. After World War II, Polanyi, like most social democrats, supported political reforms that would institute the redistribution of wealth and impose restrictions on private

property rights, thereby reversing the great transformation. If such premises and prescriptions seem old-fashioned, it is because we have moved recently toward a more globally integrated, privatized, financialized, and in some respects unequal and socially segregated world—changes accompanied by a partial return to nineteenth-century values. That reversal would surely have shocked and baffled Polanyi, but it also serves to render this clear explication of his provocative ideas all the more timely and relevant.

The Nazi Hunters

BY ANDREW NAGORSKI. Simon & Schuster, 2016, 416 pp.

The last former Nazis are dying out, and so, too, are those whose life's work was to hunt them down. Nagorski tells their stories evenhandedly, uncovering a fascinating cast of characters from all over the world and placing their efforts in a broader perspective. He describes how Nazi hunters first aimed to exact revenge without trials, how early court cases were exploited to present dubious hearsay that convicted former Nazis in the court of public opinion, and how Germany and other countries eventually lost interest in prosecuting former Nazis. Later, however, authorities established proper judicial proceedings, in Nuremberg and elsewhere, that made it impossible to credibly deny the crimes of the Holocaust. Out of this experience, moreover, came greater public awareness of genocide as a global problem and new norms of international justice to combat it—including the clear principle that “following orders” is not a valid

excuse for committing crimes of this type, which has since been applied in places as far afield as Cambodia, Chile, and Rwanda. In the end, Nagorski concludes, some good can come out of even the greatest evil.

The Nordic Theory of Everything: In Search of a Better Life

BY ANU PARTANEN. Harper, 2016, 432 pp.

“If you want the American dream,” the former British Labour Party leader Ed Miliband once quipped, “go to Finland.” The Nordic countries have higher per capita incomes and more social mobility than the United States. They rank among the world's leaders in education, equal distribution of wealth, and quality of life. Average Nordic tax rates are lower than in the United States, although corporations and very wealthy individuals pay more. Partanen, a Finnish journalist who is married to an American and lives in the United States, is troubled by the pervasive unease she observes in the everyday lives of Americans she knows, an anxiety rooted in diminished educational opportunities, the isolation of the elderly, uneven and often ruinously expensive health care, and declining social mobility. The solutions to these problems that many Americans favor—the deregulation or privatization of education, pensions, medical care, and housing—only make matters worse. Better, in Partanen's view, would be for the United States to adopt some of Finland's policies. Far from being a socialist nanny state, Finland promotes liberty and family values: it frees individuals and families

to enjoy closer, fairer, and less stressful lives. In this election year, Partanen's sensible book should be required reading for those who wonder why so many Americans feel resentful and alienated.

Towards an Imperfect Union: A Conservative Case for the EU

BY DALIBOR ROHAC. Rowman & Littlefield, 2016, 202 pp.

It is puzzling that so many American and British conservatives are vocal critics of the EU. The union's Brussels-based institutions employ fewer bureaucrats than a typical small city government, tax and spend only about two percent as much as their member states, and are primarily dedicated to goals such as free trade, deregulation, quashing state subsidies, facilitating the free movement of capital and labor, and coordinating international policing, counterterrorism, and defense efforts. So why don't Anglo-American conservatives praise the EU? Rohac does. He argues persuasively that the EU is a force for peace and prosperity that, on balance, promotes the precepts of the libertarian philosopher Friedrich Hayek. He argues that rather than seek to weaken Brussels, conservatives should work to strengthen and reform EU institutions. Rohac does not paper over the union's flaws, especially the growth-inhibiting euro. But he concludes that the answer to Europe's problems is more union, not less. Although Rohac doesn't always argue his case rigorously and sometimes recycles questionable criticisms of Brussels, his book is an original corrective to unthinking (and often mendacious) Euroskepticism on the right.

Architects of the Euro: Intellectuals in the Making of European Monetary Union

EDITED BY KENNETH DYSON AND IVO MAES. Oxford University Press, 2016, 328 pp.

The Euro and the Battle of Ideas

BY MARKUS K. BRUNNERMEIER, HAROLD JAMES, AND JEAN-PIERRE LANDAU. Princeton University Press, 2016, 448 pp.

With Europe plagued by low growth and political turmoil, it is natural to ask a simple question: What were the technocrats who created and have managed its single currency thinking? In a model of historiography, Dyson and Maes assemble biographical vignettes of ten economists and economic policymakers, including Robert Triffin and Jacques Delors, who helped establish the euro. Although these people differed in their specific visions of monetary union, they agreed on a few basic principles—most of which the EU has failed to live up to. They believed that the union should encourage symmetrical adjustment, rather than disproportionately burdening countries that run budget deficits, as the current system does. They agreed that the eurozone should include only a small number of core states with convergent economies, rather than the larger, divergent set of countries that eventually joined. And they agreed that a functioning monetary union would require extensive banking, fiscal, and political cooperation, in contrast to the minimalist system that emerged.

Brunnermeier, James, and Landau take the story up to the present by analyzing technocratic debates about

how to manage the euro crisis. They explicitly reject the notion that the misaligned interests of creditor and debtor countries have led to political conflict within the eurozone. They point instead to Franco-German disagreements over a variety of economic ideas, which they analyze with exceptional lucidity and rigor. They ultimately conclude that if only economists, politicians, and central bankers spoke to one another more and could agree on (or transcend) a set of fundamental ideological dichotomies—rules versus discretion, liability versus solidarity, and Keynesian versus non-Keynesian views of austerity—the euro could be reformed.

Both books demonstrate the value of sophisticated syntheses of policy analysis and intellectual history. But they also undermine their own argument that ideas matter and have had a determinative impact on euro policy. Indeed, although they resist doing so, both books acknowledge that the critical political actors have always been the elected officials and governments of the union's member states rather than the technocrats who manage the euro system. Even when technocratic advisers from different countries have agreed, political considerations and narrow self-interest have pushed their political masters in different directions. Both books also make clear that Germany has generally prevailed over the other EU members and gotten its way in debates about euro policy. It strains credibility to maintain that Germany's belief in competitive exchange rates, export promotion, and open capital markets—not to mention the ability of Germany to realize its

goals against the determined opposition of other governments—is simply the result of cultural preferences or technocratic doctrines. Rather, it reflects deep-seated economic interests, electoral imperatives, and institutional legacies.

Western Hemisphere

Richard Feinberg

The Organization of American States as the Advocate and Guardian of Democracy
BY RUBÉN M. PERINA. University Press of America, 2015, 268 pp.

Argentine-born Perina brings 30 years of experience working at senior levels of the Organization of American States to this insider's account of the institution's many strengths, multiple triumphs, and evident weaknesses. In retrospect, the 1990s were the golden age of inter-American diplomacy, as the OAS partnered with the leading powers of the Western Hemisphere to safeguard democracy whenever it was threatened, in places such as Guatemala, Haiti, and Paraguay. But in the decade that followed, the rise of populist caudillos challenged the legitimacy of liberal democracy and its protectors, paralyzing the OAS. Latent tensions within the organization's mission and constitution came to the fore: between democracy promotion and the principle of nonintervention, between the powers of the OAS' secretary-general and those of its Permanent Council of Ambassadors, and between the ethos of full consensus and the goal of institutional effectiveness.

Perina concludes with a detailed list of recommendations for returning the OAS to its former glory while correcting its errors. With the retreat of authoritarian rule in important countries such as Argentina, the time may be right for Perina's well-informed proposals for how to reinvigorate inter-American diplomacy.

Reflections on Memory and Democracy
EDITED BY MERILEE S. GRINDLE
AND ERIN E. GOODMAN. Harvard
University Press, 2016, 274 pp.

We remember historical tragedies in the hope of drawing lessons and not repeating past errors. This collection of essays asks whether, by recalling the evil deeds of authoritarians and by delivering justice to victims of state violence, societies can strengthen their democratic systems. The elegantly crafted contributions cover means of historical memory as diverse as investigative journalism, Mayan oral histories, and Argentine fiction. At times, the authors assert causal relationships between historical truth commissions, judicial punishments, and victim compensation, on the one hand, and the legitimacy and sustainability of democratic institutions, on the other. Alas, these case studies are too few in number and too specific to particular times and places to allow for robust generalizations, as Grindle recognizes in her introduction. Still, they are worthwhile on their own terms, especially Marjorie Agosín's poetic tribute to the Chilean women whose weavings created powerful visual tributes to their disappeared relatives; Sergio Bitar's courageous

reflections on Chilean politics, which forcefully distinguish between pragmatic coexistence and genuine reconciliation; and a profound essay on moral reciprocity by Salomón Lerner Febres, the former chair of Peru's Truth and Reconciliation Commission.

Creating Charismatic Bonds in Argentina: Letters to Juan and Eva Perón
BY DONNA J. GUY. University of New
Mexico Press, 2016, 184 pp.

Juan and Eva Perón forged powerful emotional bonds with the Argentine people when Juan served as president from 1946 until 1955. Having worked in radio, Eva understood the power of melodrama in popular communications; her triumphal appearances on the balcony of the presidential palace remain deeply imbedded in the Argentine psyche. Making use of newly discovered letters written by common Argentines to the Peróns, Guy argues that the couple's charismatic connection to the public was formed as much by the people as by Juan and Eva themselves. These bonds, she argues, were not merely fleeting and personal but deep and collective; they helped shape the country's nationalist identity and Argentines' sense of citizenship. Moreover, Guy finds that the political foundation of Peronism was not only the organized working class but also the very poor internal migrants—especially women and children—who at the time of Perón's rise were moving in waves from rural areas to Buenos Aires. Guy's archival explorations have yielded a useful addition to the unflattering or even disdainful portrayals that dominate

the English-language literature on the famous couple and their brand of authoritarian populism.

Cultural Code: Video Games and Latin America

BY PHILLIP PENIX-TADSEN. MIT Press, 2016, 344 pp.

If you think that video games—wildly popular across all socioeconomic strata in Latin America—are meaningless child’s play, think again: they are a big business and exert significant cultural influence. But video games are hardly pernicious agents of global homogenization. In fact, games designed in Latin America often transmit local cultural and political content, even as they appeal to a global marketplace. Penix-Tadsen argues that critics of video games too often focus on their basic narratives, missing many location-specific references. Decoding the games, grasping their sarcasm and parody, requires a sense of humor. Moreover, video games also represent a form of “virtual tourism,” taking players into the slums of Rio de Janeiro, the Aztec temples of central Mexico, or the streets of Latino neighborhoods in Los Angeles. In Latin America’s robust and growing video design industry, Penix-Tadsen optimistically sees a boom reminiscent of the one produced by the region’s magical realist literature in the 1960s. Sensing opportunity, policymakers have begun promoting local software designers, sponsoring start-up events and industry incubators, providing business financing, and protecting intellectual property rights.

Aspirational Power: Brazil on the Long Road to Global Influence

BY DAVID R. MARES AND HAROLD A. TRINKUNAS. Brookings Institution Press, 2016, 240 pp.

Over the past 20 years, prescriptions for Brazil’s foreign policy have tended to swing wildly between two extremes. When the economy is strong, as it was in the first decade of this century, intellectuals urge Brazil to seek a global role worthy of the world’s fifth-largest country in terms of population, pushing grand but perhaps ill-considered quests, such as Brazil’s 2010 effort to mediate the international dispute over Iran’s nuclear program. When the economy is weak, as it is now, observers wag their fingers and suggest that Brazil put its global ambitions on hold until its own house is in order. But there is a middle path, which Mares and Trinkunas illuminate with admirable clarity. They argue that despite its recent troubles, Brazil remains “likely to one day emerge as a great power.” But, they add, its rise would be hastened by more fully embracing its role as a big, if often messy, democracy. Aligning with authoritarian China and Russia through the BRICS group, and failing to condemn their abuses, has diminished Brazil’s otherwise promising soft power in recent years, the authors contend. A more principled approach, siding instead with India, South Africa, and even nontraditional partners such as South Korea, would win Brazil more friends, power, and influence in the world—regardless of swings in the economy.

BRIAN WINTER

Eastern Europe and Former Soviet Republics

Robert Legvold

In Wartime: Stories From Ukraine

BY TIM JUDAH. Tim Duggan Books, 2016, 288 pp.

It is no small trick to convey what life is like for ordinary Ukrainians, particularly in the towns and villages where the detritus of the past remains piled high and left largely undisturbed because of the corruption that still prevails. It is more difficult still to capture the cruel mix of desolation, monotony, resignation, and pain experienced by those who remain in areas laid waste by the civil war that has raged in eastern Ukraine since 2014. Judah succeeds by traveling to these often out-of-the-way communities, poking around neighborhoods and museums, starting conversations with the people he meets, and interviewing local notables, knaves, quiet heroines, and people who are simply coping. From Lviv, in the heavily Polish-influenced west, to Bessarabia, a backwater to the south, to the epicenter of the war, in the Donbas, he reveals the links between the current conflict and the history lying beneath the emotions and memories that divide Ukrainians, brought to a sharp and ragged edge by the war.

The Invention of Russia: From Gorbachev's Freedom to Putin's War

BY ARKADY OSTROVSKY. Viking, 2016, 384 pp.

Ostrovsky builds his book around two powerful contentions. First, he claims that from Soviet days to today's Russia, mass media have been key to the system, and controlling them is the beginning and end of power. Second, he argues that Vladimir Putin's Russia lacks a strategic vision and is driven only by the conviction "that strength [lies] in money, that there [is] no such thing as values, and that the only difference between Russian and Western officials [is] that Western ones [can] hide their cynicism better." Regardless of whether a reader accepts these propositions, he or she will admire Ostrovsky's eye-opening revelations about the role that media figures have played in shaping and controlling the images that have defined the Gorbachev, Yeltsin, and Putin eras. Ostrovsky makes a convincing case that the perversity of contemporary Russia is not an aberration but rather the logical result of the self-deception and misplaced hopes and ideals of the Gorbachev period, the flawed reforms and surging corruption of Boris Yeltsin's time in power, and the crude statism and nativism that have added to even greater corruption in the Putin era.

The New Russia

BY MIKHAIL GORBACHEV. Polity, 2016, 400 pp.

Gorbachev here offers a detailed account of his thoughts, actions, and concerns from the day he resigned as president of

the Soviet Union, in 1991, until today. The emotions on display are a mix of anger (giving way to undisguised hatred in the case of his successor, Boris Yeltsin), defiance, and sadness. Throughout, Gorbachev defends what he accomplished with perestroika at home and “new thinking” in foreign policy. He had hopes for Vladimir Putin, and at the outset of the Putin era, he excused a degree of authoritarianism as necessary and praised the new president’s agenda. Even when the Putin regime began to veer from the democratic path that Gorbachev had passionately defended, he blamed “the government” or “state authorities” rather than Putin himself—until roughly 2011, when his despair became comprehensive. On the Ukrainian crisis, Gorbachev punts, simply exhorting all parties to come together and find a solution. Despite his loosely formulated, sometimes backward-looking ideas, it is hard not to come away from this memoir thinking that Russia would be better off today if it were following Gorbachev’s instincts.

Familiar Strangers: The Georgian Diaspora and the Evolution of Soviet Empire

BY ERIK R. SCOTT. Oxford University Press, 2016, 352 pp.

Scott argues that the experience of Georgians who have made their way in Russia reveals the Soviet empire’s uniquely multiethnic quality. Rather than think of the Soviet Union as a checkerboard of territorial units with Russia at its core, one could better understand it as “an empire of mobile diasporas that . . . helped construct a truly multiethnic society,” Scott writes. He

explores what it meant to be Georgian outside the borders of Georgia, distinct in one’s nationality but also viewing oneself as an integral citizen in the Soviet project. He draws comparisons not only with other nationalities in the Soviet mix but also with the experiences of other empires and the United States. But his focus is on the evolving role of the Georgian diaspora: its early contributions to revolutionary politics; its growing cultural prominence, particularly in cuisine, in the 1930s; its place in post-Stalin arts and entertainment; its role in sustaining the “informal economy”; and, ultimately, its struggle to adapt when its home base was sliced away from Russia after the collapse of the Soviet Union.

Rasputin: Faith, Power, and the Twilight of the Romanovs

BY DOUGLAS SMITH. Farrar, Straus and Giroux, 2016, 832 pp.

What could justify another biography of the Russian mystic and adviser to the Romanovs, so famous that theatrical works and musicals feature him and bars, restaurants, and nightclubs are named after him? Smith acknowledges that this ground has been plowed many times, but he argues that the mystery of Rasputin remains. Smith does not pretend to have produced a definitive portrait; nevertheless, he renders in great detail the ten years that Rasputin spent on the national stage, from 1906 until his murder in 1916. Sorting through the Rasputin mythology, Smith discards the apocryphal and weighs the plausible, balancing the extraordinary mix of mysticism and debauchery that made the peasant monk notorious. Digging through countless

and often conflicting firsthand accounts and impressions, Smith gives Rasputin's mystique a depth and a fine edge missing from prior histories. In the end, readers themselves must decide whether Rasputin was a holy man with hypnotic powers or merely a charlatan. But Smith goes a long way toward making him more intelligible by exploring the fascination polite society had with the occult and the demonic during imperial Russia's final, fateful decade.

Russia's Path Toward Enlightenment: Faith, Politics, and Reason, 1500–1801
BY G. M. HAMBURG. Yale University Press, 2016, 912 pp.

Among the venerable intellectual histories of Russia that have been written over the last two centuries, this massive, sweeping book represents the premier contribution of the current era. Hamburg is exceedingly ambitious, attempting to synthesize two periods that are normally divided: the two centuries before the era of Peter the Great (which lasted from 1682 to 1725) and the century or so that followed. The first period was defined by ideas about authority, righteous rule, and social virtues that originated in the Russian Orthodox Church. By Peter's time, Russian thinkers—many of them in or near government—were still defending autocracy, but some had also begun promoting norms and institutions that would create a more modern state, with a semblance of the rule of law and a relationship between church and state based on religious tolerance. This trend culminated during the so-called Russian Enlightenment, which took place during the reign of Catherine the Great, in the

second half of the eighteenth century. What makes Hamburg's treatment so original is the way he reveals the continuity in the complex mergers between church and state that took place across the centuries and his demonstration of how European thought echoed in Russia, even before Peter and Catherine, but without undoing the core link between religious faith and politics.

Middle East

John Waterbury

ISIS: A History
BY FAWAZ A. GERGES. Princeton University Press, 2016, 384 pp.

Gerges has been on the trail of the Islamic State (also known as ISIS) since it emerged, under a different name, in the aftermath of the U.S. invasion of Iraq in 2003. The group distinguishes itself from other Salafijihadist organizations not primarily through doctrinal differences but rather through its embrace of extreme violence and theatrical beheadings, its hatred of Shiites, and its commitment to hold territory and govern populations as a revived caliphate. It is notable that Ayman al-Zawahiri, who now heads al Qaeda, has denounced ISIS' poor timing and excessive violence but not its ultimate objectives. Still, ISIS fights rival jihadists as viciously as it does non-Muslims. In this useful book, Gerges argues that ISIS cannot survive much longer as a military force and, more important, that the group is intellectually impoverished. Moreover,

its constituent parts do not share the same interests. But ISIS is the product of an “organic crisis” in Arab politics, Gerges contends, and even if the group collapses, something like it will arise again unless Sunni Muslims reject the ideas and narratives that have allowed the group to flourish.

The New Sectarianism: The Arab Uprisings and the Rebirth of the Shi'a-Sunni Divide

BY GENEIVE ABDO. Oxford University Press, 2016, 264 pp.

Abdo argues that the Arab uprisings of 2011 did not herald the beginning of a journey toward liberal democracy; instead, they rekindled deep historical and doctrinal cleavages between Shiite and Sunni Muslims. Few would argue otherwise. More controversial is her assertion that in the eyes of most Muslims in the Middle East, the Shiite-Sunni split has become even more threatening than Israel. The sectarian antagonism cannot be explained away as merely the result of political manipulation or the exploitation of superficial identities: “Sometimes,” Abdo posits, “it is all about religion.” In Bahrain, the Sunni monarchy’s discrimination against the Shiite majority is institutionalized and deliberate. The rise of Sunni jihadists in Lebanon has been the inevitable response to the persistence of a state within a state maintained by the Shiite militant group Hezbollah. But there are also intrasectarian rifts: in the 1980s, Iran’s Shiite supreme leader, Ayatollah Ruhollah Khomeini, posed a bigger threat to Shiite clerics in Iraq than did Iraq’s Sunni dictator, Saddam Hussein.

Abdo’s treatment of these topics is balanced, if not particularly original. What is original is her analysis of prominent self-appointed Salafi “sheiks” and their output on Twitter, where some of them have millions of followers.

Syria

BY SAMER N. ABOUD. Polity, 2015, 248 pp.

The subtitle of this survey of the crisis in Syria could be *It’s Complicated*. Abboud relies mainly on secondary sources, and he offers no unconventional insights, but he covers all the bases, and the whole of the book is greater than the sum of its parts. The stronger sections detail the Local Coordination Committees, which helped organize the 2011 uprising against the Assad regime and have managed to survive during the subsequent civil war, and the so-far fruitless missions of the UN envoys Kofi Annan, Lakhdar Brahimi, and Staffan de Mistura. Abboud offers little new information on the machinations of outside actors in the Syrian conflict, such as Hezbollah, Iran, Qatar, Russia, Saudi Arabia, and the United States, none of which has achieved anything that could be seen as beneficial to the Syrian people. He eschews the idea of a peace plan built on strengthening central state institutions and instead calls for one that would rely on the decentralization of social services and investment, the repatriation of refugees, a push for job creation, and a transitional government that would include the Alawite-dominated Baath Party, the Kurds, and the Sunni jihadist al-Nusra Front—but not ISIS. Those with better ideas, please step forward.

Muted Modernists: The Struggle Over Divine Politics in Saudi Arabia

BY MADAWI AL-RASHEED. Oxford University Press, 2016, 256 pp.

Rasheed writes about a small group of Saudi intellectuals: “liberal” syncretists who blend Western ideas about civil society, checks and balances, and popular choice with the Islamic values of community (*ummah*), consultation (*shura*), and accountability (*hisba*). They assert that there should be a negotiated contract between the *ummah* and its rulers, one that is subject to change and revision. Rasheed is sympathetic to this line of thought but points out that Saudi state repression and the negative reactions that such “modernist” positions would induce in many Saudis may limit their appeal. Some of the figures she profiles emerged out of the “awakening” (*sahwa*) movement that followed Iraq’s 1990 invasion of Kuwait and the subsequent stationing of U.S. military personnel in Saudi Arabia. The shock of that event propelled some Saudi thinkers toward radical jihadism and others toward Islamic liberalism; for both groups, holding the regime accountable was at the heart of their concerns. Rasheed’s protagonists are not quite liberals: some have problems with the idea of gender equality; others with the idea of Shiites as the equals of Sunnis. But if there is to be reform within Sunni Islam, it will proceed with hesitations and ambiguities.

America’s Continuing Misadventures in the Middle East

BY CHAS W. FREEMAN, JR. Just World Books, 2016, 256 pp.

Freeman brings to bear his considerable

experience as a senior-level U.S. diplomat in this collection of addresses he has delivered in recent years, which appear designed to entertain as much as to enlighten. His main message is that the United States has made fundamental and perhaps irreversible blunders in its Middle East policy, of which its “abject failure” to secure peace for Israel and statehood for the Palestinians is the most egregious. Freeman pins the blame for that on the subservience of U.S. policymakers to self-destructive, obdurate counterparts in Israel. More generally, Freeman laments what he considers to be Washington’s abandonment of diplomacy in favor of war-making and sanctions regimes that he regards as counterproductive. And then there is the damage at home in the United States: conflicts in the Middle East and elsewhere, Freeman argues, have led to the erosion of constitutional norms of privacy and put the country on the path to becoming a garrison state.

Asia and Pacific

Andrew J. Nathan

Powerplay: The Origins of the American Alliance System in Asia

BY VICTOR D. CHA. Princeton University Press, 2016, 352 pp.

In exploring the sources of the unique “hub and spoke” alliance system in Asia—in which each of the main defense treaties involves the United States and one partner—Cha has embedded a lively narrative of post-World War II diplomatic history

inside a thought-provoking analytic framework. Secretary of State John Foster Dulles and other U.S. policy-makers wanted to deter communist expansion but also to restrain messianically anticommunist allies such as Taiwan's Chiang Kai-shek and South Korea's Syngman Rhee from launching attacks that might trigger World War III. To do so required treaty arrangements that gave the United States veto power over the Taiwanese and South Korean militaries. Washington likewise wanted what Cha calls a "neo-imperial" level of control over Tokyo's economic and security policies so that the United States could shape Japan as its strategic cornerstone in Asia. Multilateral arrangements have proliferated in the region recently. But Cha argues that bilateral patterns continue to dominate U.S. diplomacy there because they give the United States maximum influence with minimum risk of entanglement. China is following a similar strategy, preferring whenever possible to extend economic and diplomatic influence over its neighbors one by one rather than multilaterally, although without forming military alliances.

Turn of the Tortoise: The Challenge and Promise of India's Future

BY T. N. NINAN. Oxford University Press, 2017, 328 pp.

The veteran business journalist Ninan has produced a deeply informed and readable survey of India's problems and prospects. He labels the country a tortoise for the decades of economic policy mistakes that have left it "the last major poor country on earth." The chief

obstacle to growth has been inefficient governance and its legacy of market-stifling regulations and corruption. In the absence of an economic crisis, there has been no impetus for systemic reform. But a huge middle class is emerging and doing more for itself, independent of the government. The country has entrepreneurs, engineers, cheap labor, and a huge market; it can cope with its infrastructure problems; China and Pakistan pose security challenges but not existential threats; a set of active nongovernmental organizations has developed; and constitutional democracy is contentious but secure. For all its complexity, the vision in Ninan's crystal ball is clear: expect annual per capita income to pass the \$6,000 mark before long and for India to bid to host the Olympics as a statement that it has finally arrived as a fully developed society.

The Great East Asian War and the Birth of the Korean Nation

BY JAHYUN KIM HABOUSH.
EDITED BY WILLIAM J. HABOUSH
AND JISOO KIM. Columbia University Press, 2016, 240 pp.

South Korea's New Nationalism: The End of "One Korea"?

BY EMMA CAMPBELL. Lynne Rienner, 2016, 228 pp.

Three decades ago, new thinking about constructed identities was spurred by the historian and political scientist Benedict Anderson's book *Imagined Communities*. Anderson's insights continue to inspire a stream of research that has grown ever more relevant in a period of rising nationalism around the world. In her final

book—completed by her husband and former students after her death—the late Haboush shows that Korean identity, despite its seeming permanence, is just as historically contingent as any other. She places its origins further back than other constructivists have, tracing them to the Imjin War (1592–98), when Koreans rose up to resist an invasion from Japan. Until then, the inhabitants of the Korean Peninsula had thought of themselves as junior members of a universalistic Confucian cultural sphere. But during the war, Haboush argues, local elites invented a new rhetoric of ethnic identity in order to levy a volunteer resistance army. In order to defeat surveillance by the invaders, they started to use vernacular Korean as a medium of public communication, shifting away from the use of classical Chinese, which they had relied on until then. Haboush's innovative research shows how Korea emerged as one of the first imagined communities, and one of the most enduring.

Still, according to Campbell, South Korean identity is now changing again owing to the impact of globalization and the separation from North Korea. Her lively account shows how South Korea's engagement with the outside world has led young Koreans to think of themselves in terms of their cosmopolitan educations, their high-end consumption habits, and their pride in their country's economic success. They have begun to look down on, rather than identify with, their "backward" cousins from North Korea and the ethnic Korean region of China. Although Campbell does not discuss it, North Korea has undergone the opposite process: its isolation has intensified a sense of racial purity. To be sure, reunification remains the announced policy of

both Korean governments. But Campbell believes that the South Korean public is increasingly willing to accept the division of the peninsula as permanent.

Xinjiang and the Modern Chinese State
BY JUSTIN M. JACOBS. University of Washington Press, 2016, 320 pp.

Under a coating of theory about empires and ethnic groups, this book tells the blood-soaked story of three Chinese governors who ruled the turbulent territory of Xinjiang in the first half of the twentieth century. Left to their own devices by a weak central state, and facing the challenges of local nationalism and Soviet intervention, the governors kept a precarious grip as they shifted from the traditional strategy of alignment with local ethnic leaders to a new strategy, borrowed from the Soviets, of expropriating local elites on the pretext of modernizing a backward people. As other scholars have pointed out, China was the only great modern empire to enter the postcolonial era with most of its territory intact. But the price of this achievement has been harsh rule over resistant minorities. China today, Jacobs argues, is not a nation-state but a "national empire," still struggling to integrate subject peoples into a modern state.

Information for Autocrats: Representation in Chinese Local Congresses
BY MELANIE MANION. Cambridge University Press, 2016, 201 pp.

Why do some authoritarian systems invest time and effort in maintaining

fake representative institutions, such as China's people's congresses? These decorative "flower pots," as many Chinese call them, rarely if ever exercise their legal powers to interrogate budgets or fire officials. Their delegates are elected every five years at five levels of the political system, from the township up to the national level. Manion suggests that the real purpose of the congresses is to enable delegates to lobby for local projects such as roads, bridges, schools, and clinics. In doing so, the delegates provide information that government officials need in order to secure favorable performance reviews and earn promotions. Manion's interviews and surveys provide new details on how these important but poorly understood institutions function at the local level to support, rather than challenge, authoritarian rule.

Trading With the Enemy: The Making of U.S. Export Control Policy Toward the People's Republic of China

BY HUGO MEIJER. Oxford University Press, 2016, 416 pp.

During the Cold War, the United States made the sensible decision to restrict the export of advanced military technologies to its chief strategic rival, the Soviet Union. In contrast, U.S. high-tech firms now need access to large and growing markets in China in order to fund the research and development that keeps them at the cutting edge of information, communications, and space technologies. Meijer charts an admirably clear path through the technological and bureaucratic complexities of his subject to show how U.S. export control

policy evolved over 30 years in the direction of "higher walls around fewer items." Under this policy, the United States has sold China a widening range of dual-use technologies, hoping to provide American firms with the financial resources to "run faster" in the innovation competition with China. The policy remains risky and has long caused controversy in the executive branch and in the U.S. Congress. But Meijer's analysis suggests that technological and market developments have left American policymakers with few alternatives.

Africa

Nicolas van de Walle

Morning in South Africa

BY JOHN CAMPBELL. Rowman & Littlefield, 2016, 244 pp.

In the process of making the contrarian argument that South Africa's prospects are promising despite the country's current difficulties, Campbell has also written an excellent introduction to the South African political economy. After a concise history of the recent past, Campbell ably surveys such policy areas as economic development, health care, and education. He repeatedly concedes that South Africa's performance since the end of apartheid has been mediocre at best, but he also sees reasons for measured optimism. Inequality is rising, but some poverty alleviation has taken place. The quality of educational opportunities for black South Africans remains low, but there has been a notable increase in

their overall access to education. Corruption is increasing and the ruling African National Congress shows signs of an authoritarian drift, but the judiciary remains professional and largely apolitical. Campbell's optimism stems from his belief that the country's democratic institutions are strong and resilient and that its people have already completed much of the hard work of building a "nonracial" democracy. Whether or not one finds that persuasive, the book's reasonable tone and fact-based review of the record represent a useful antidote to more common alarmist accounts. Also welcome is Campbell's call for more active and ambitious U.S. engagement with South Africa.

Ebola: How a People's Science Helped End an Epidemic

BY PAUL RICHARDS. Zed Books, 2016, 300 pp.

In 2013, when the Ebola epidemic broke out in Guinea, Liberia, and Sierra Leone, many issued grim predictions about its likely impact, as it was widely believed that these desperately poor countries lacked the health-care infrastructure necessary to contain the highly infectious virus. Thankfully, the worst fears were not realized, as a large international effort helped to eventually halt the spread of the disease, although not before more than 11,000 people had died. In this provocative book, Richards argues that the international response may actually have extended the epidemic's duration, as it offered no medical solution (no cure or vaccine is yet available) and slowed the ability of the affected populations to develop the cultural and behavioral

adaptations that were ultimately the key to defeating the virus—for example, changes to practices around care for the ill and burial of the dead. Too often, the well-intentioned international response was shaped by a top-down logic that sought to impose novel practices on people rather than work with them to adapt their existing customs to the new reality.

Women and Power in Postconflict Africa
BY AILI MARI TRIPP. Cambridge University Press, 2015, 300 pp.

The country with the world's largest proportion of female legislators is Rwanda, where, following national elections in 2013, 64 percent of the seats in Parliament were held by women. In this regard, Rwanda—which barely more than two decades ago was mired in a genocidal civil war—is exceptional but not quite an exception in sub-Saharan Africa. As Tripp's book convincingly demonstrates, countries in the region that have suffered civil wars have empowered women to a significantly greater extent than countries that have not. Based on data-rich case studies of Angola, Liberia, and Uganda, Tripp argues that since the 1990s, protracted periods of civil conflict have led to changes in the nature of gender relations. Peace agreements have contained measures, including constitutional reforms, that have mandated greater gender equality. Tripp argues that the main factors behind such steps are domestic in nature but also acknowledges the influence of the international institutions and foreign donors that have more systematically supported

gender equality in the last quarter century. This is an optimistic but not misty-eyed book, and Tripp concedes that much work remains to be done in securing rights and opportunities for African women.

Muslims Talking Politics: Framing Islam, Democracy, and Law in Northern Nigeria
BY BRANDON KENDHAMMER.
University of Chicago Press, 2016,
312 pp.

Since the mid-1990s, several states in Nigeria's predominantly Muslim north have sought to institutionalize Islamic law (sharia). Kendhammer combines deft ethnographic research with a deep knowledge of Nigerian history and culture to examine this trend, its implications for democracy and liberalism, and the reasons why many Muslim Nigerians have welcomed it. He finds that although some northern politicians have cynically exploited Muslim fears of being attacked and marginalized in an increasingly secular society in order to promote sharia, many ordinary Muslim Nigerians required little convincing: they sincerely believe that implementing Islamic law will improve the performance of woefully deficient state administrations and legal systems, encourage economic development, and lead to a more responsive democracy. In practice, Kendhammer finds that sharia has served to strengthen the state's regulatory apparatus over religion, and that it has also harmed the interests of non-Muslim minorities. Meanwhile, sharia's effects on good governance and growth have been inconsistent and partial.

The Ghana Reader: History, Culture, Politics

EDITED BY KWASI KONADU AND
CLIFFORD C. CAMPBELL. Duke
University Press, 2016, 496 pp.

This collection of essays, scholarly articles, newspaper reports, poems, and song lyrics provides a wonderful introduction to Ghana and its people, stretching all the way back to prehistoric times. Opening the book to virtually any page yields a judiciously selected text that reveals something about Ghana: Konadu's reflections on the origins of Akan ethnic identity; a poem by Abena Busia about a famous private school in Accra that sits in what was once a dense forest with spiritual significance for locals; a lovely essay by Esi Sutherland-Addy about the funeral of a traditional king in eastern Ghana. The book ends with the poet Kwesi Brew's laud of Ghana's resilience:

Love of family kith and kin and
brother-keeping
has cast us in this mould:
that while we take the blow and seem
unhurt,
speechless, we also watch and wait. 🌍

Letters to the Editor

BEEN THERE, DONE THAT

To the Editor:

Fred Kaplan (“Rethinking Nuclear Policy,” September/October 2016) rightly argues that “the United States stands on the precipice of another nuclear debate,” as its leaders confront major decisions about how to modernize its nuclear forces. But his closing argument is misleading. Kaplan claims that “no civilian officials have scrutinized the U.S. nuclear war plan . . . since the review of a quarter century ago”; he concludes that “it’s long past time” for the government to review its approach to nuclear weapons, “scouring the war plan clean, as if there were no nuclear weapons at all, then building it up from scratch, based on a rational assessment of how many are needed, to do what.”

Yet this was precisely the approach President Barack Obama’s administration took in 2011, when we, together with a small group of senior civilian officials from outside the Department of Defense, worked with U.S. Strategic Command to review the country’s nuclear weapons targeting requirements. This process, which took lessons from reviews led by senior civilians in previous administrations, assessed the security environment and proposed corresponding national objectives. It provided Obama with a range of options, some involving significant departures from current policy.

From these options, the president selected an evolutionary approach, including negotiated reductions in deployed weapons (up to one third below the levels outlined in the 2010 New START treaty) and a lesser emphasis on preparations for a surprise attack, but, at the same time, a continuation of the Cold War nuclear triad. No doubt some, presumably including Kaplan, would have preferred a more radical departure from past U.S. strategy. But we believe that Obama’s choice was sensible; in any event, it did not suffer from a lack of civilian attention.

JAMES N. MILLER, JR.

Senior Fellow, Belfer Center, Harvard Kennedy School, and former U.S. Undersecretary of Defense for Policy

BRADLEY H. ROBERTS, JR.

Director, Center for Global Security Research, Lawrence Livermore National Laboratory, and former U.S. Deputy Assistant Secretary of Defense for Nuclear and Missile Defense Policy

OFF-TARGET

To the Editor:

Not one of the articles in your package “Tomorrow’s Military” (September/October 2016) addresses the impact of climate change on the U.S. armed forces or the world in which they will operate. Yet in a 2015 report to Congress, the U.S. Department of Defense noted that “climate change is an urgent and growing threat to our national security, contributing to increased natural disasters, refugee flows, and conflicts over basic resources such as food and water. These impacts are already occurring, and the scope, scale, and intensity of these impacts are projected to increase over time.”

Climate change threatens to flood coastal bases, incapacitate troops and equipment, and destabilize U.S. allies. Responding to these challenges could become a full-time activity for parts of the military, undermining their capacity to carry out traditional missions. The Department of Defense already obliges the U.S. military to consider its resilience to the effects of climate change in all its operations. Surely, those who write on the military's future can do so as well.

MICHAEL KLARE

Five College Professor of Peace and World Security Studies, Amherst College

To the Editor:

The package of essays on U.S. defense policy and national security strategies in the latest issue of *Foreign Affairs* is welcome and timely, but some of the essays suffer from omissions or faulty assumptions.

As Andrew Bacevich ("Ending Endless War") argues, the vitality and durability of the U.S. alliance system developed over the past 70 years are rapidly eroding. And yet he seems to assume that a world in which the United States abandoned its commitments to its allies in Europe and Asia would not jeopardize U.S. security. His argument ignores the implications for the proliferation of nuclear weapons and the reemergence of the types of regional rivalries that characterized the period before the current alliance system.

Michael O'Hanlon and David Petraeus ("America's Awesome Military"), meanwhile, underestimate the need for more robust and expansive investments in force structure to ensure continued U.S. influence in Asia. What is required is a demonstrated ability to enter the contested maritime domain with forces capable of successfully challenging Chinese anti-access/area-denial capabilities while credibly providing cover to U.S. allies. This means acquiring longer-range deep-strike aircraft and missiles operating from well-defended aircraft carriers, antisubmarine warfare capabilities sufficient to manage the underwater domain, and anti-aircraft capabilities and missile defenses adequate to protect carriers and bases in Asia.

The challenges ahead may require the United States to rebalance the traditional budget shares among the services, as difficult as the defense establishment created by the 1986 Goldwater-Nichols Act will make doing so.

PHILIP A. DUR

Rear Admiral, U.S. Navy (retired)

FOR THE RECORD

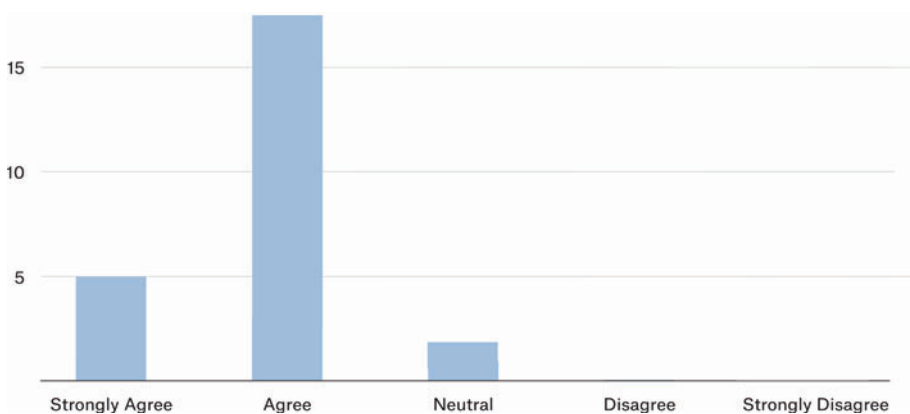
"Mosque and State" (September/October 2016) misidentified the location of an interview conducted by Shadi Hamid and misstated Hamid's title at the Brookings Doha Center. The interview took place in Turkey, not Tunisia, and Hamid served as the center's director of research, not its director. 🌐

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Is Populism the Future?

Foreign Affairs Brain Trust

We asked dozens of experts whether they agreed or disagreed that the populist surge in advanced industrial democracies will continue to grow stronger over the next decade. The results from those who responded are below:



Agree

“Populists feed on democratic dysfunction. As long as democratic elites and institutions in advanced industrial democracies remain unable or unwilling

to tackle the myriad challenges facing their societies, we should expect populism to remain an attractive political option.”

SHERI BERMAN is Professor of Political Science at Barnard College, Columbia University.



Strongly Agree

“For this not to happen there would have to be a very large compression of the income distribution.

Wages would need to grow faster than the

underlying rate of GDP growth for an extended period of time.”

MARK BLYTH is Professor of International Political Economy at Brown University.

▶ See the full responses at ForeignAffairs.com/FutureofPopulism



GOLIAT THE GIANT.

In an ice-free area in the Barents Sea off Norway, Eni starts production of Goliat: the first oil field to start production in the Barents Sea. Goliat was developed through FPSO, the largest and most sophisticated floating cylindrical production and storage vessel in the world. The Unit has a capacity of 1 million barrels of oil and was built with the most advanced technologies in order to tackle the technical and environmental challenges linked to operations in the Arctic's context. The daily output will reach 100,000 barrels of oil per day. Production will take place [...]

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