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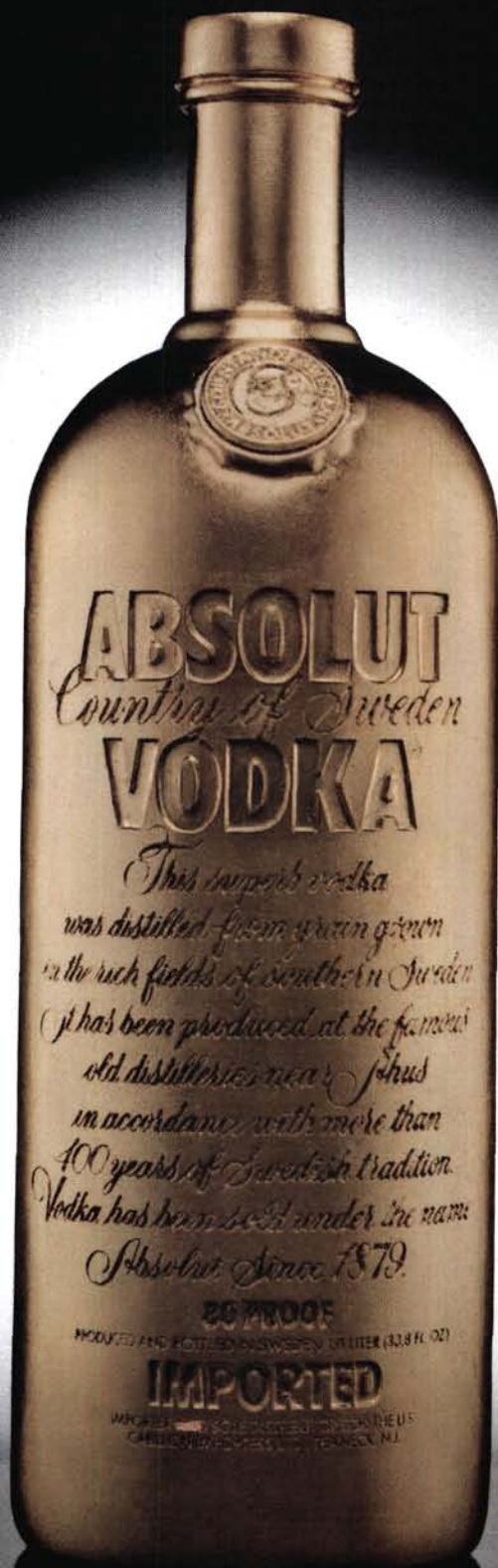
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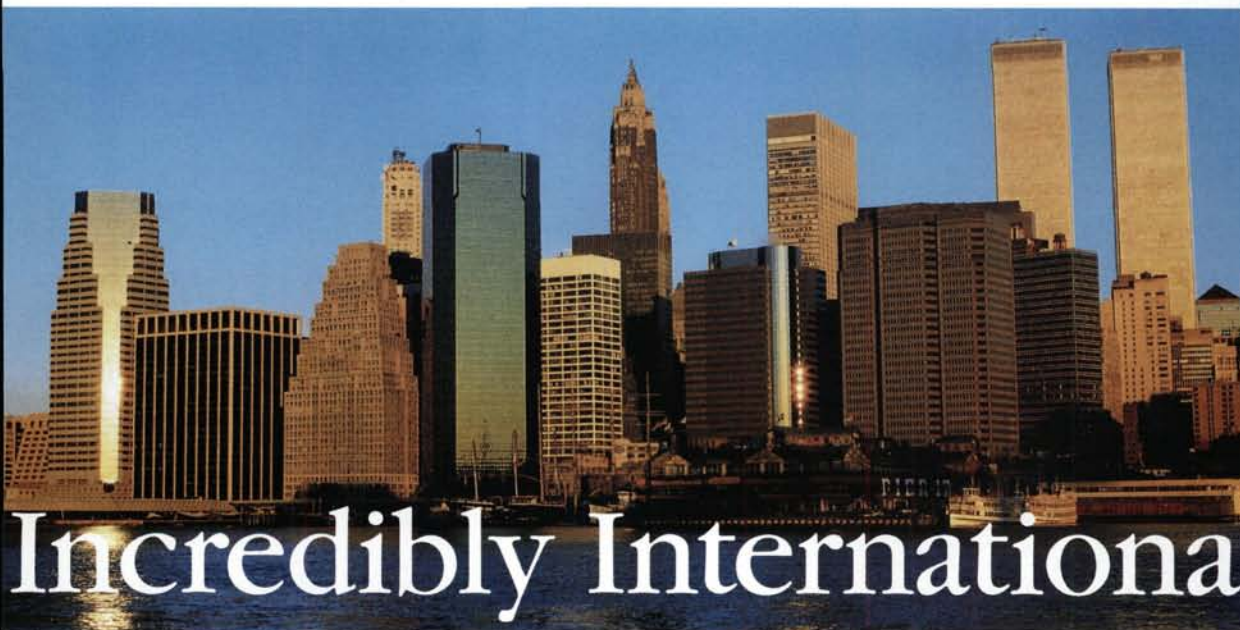
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RUSSIA: A CHANCE FOR SURVIVAL

Russia has a unique capacity for attracting the world's attention, as Alexis de Tocqueville pointed out 150 years ago. Daily newspapers and even CNN, let alone magazines, prove increasingly unable to keep up with the rapid pace of change or to find their way through the maze of everyday facts.

It is important to resist the temptation to simply describe the flow of events, becoming hostage to routine developments. Instead we should take a broader look. Granted, grand designs need to be seen from afar, and only future historians will be able to make a truly unbiased judgment of the second Russian Revolution. However, making no effort to fathom the profound meaning of recent events is tantamount to losing one's bearings.

It is important to see that, behind present-day affairs, we are witnessing a tectonic shift, a global change in the world's political landscape as a continuation of age-old processes in a new historic setting. One sixth of the world land mass that at different times has been known as the Russian Empire or the Soviet Union is now in a state of flux. It is undergoing a major facelift that affects the evolution of the world community. As a result 15 newly independent states, in lieu of one, will be joining the mainstream of human events.

Having lived through all the suffering associated with despotism, Russia awoke from centuries of lethargy, and no attempts at a simple cosmetic facelift or at building Socialism with a Human Face, through our own version of the Prague Spring, can keep people any longer from aspiring to profound changes.

II

Much of the explanation of the Soviet phenomenon must necessarily be historical. In taking that approach we might conceivably focus only on the last phase of Soviet history and agree with Zbigniew Brzezinski, who said that the crisis of authority in the Kremlin and the perception of the historical

Andrei Kozyrev is Foreign Minister of Russia.

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collapse of communism have finally brought about a disintegration of the Soviet empire.¹ That, however, would be too facile an explanation. After all the U.S.S.R. did not materialize out of thin air; it came in the wake of the former Russian Empire and bore many of its birthmarks. It will be long before many of those blemishes cease to affect the fate of those countries that have now inherited the expanses of the former U.S.S.R.

The birth and expansion of the Russian Empire had been greatly influenced by an eminently messianic belief in the special mission of tsarist Russia as heir to the global vision of a Third Rome. Totalitarian trends in ideology and political attitudes are still besetting Russia even as it seeks to assert political pluralism. Imperial Russia, even though appearing a priori as a typical colonial empire, was clearly distinct from such maritime powers as Britain or France and the hinterland Austrian Empire. For all its expansionism the Russian Empire did little to improve the well-being of the Russian people at the expense of others. As a celebrated Russian historian, Vassily Kluchevsky, aptly put it, Imperial Russia was a "bloated state of emaciated people." Furthermore the Russian Empire boasted no metropolis as such.

Western colonization, following as it did a clear-cut pattern between metropolis and colonies, was driven by a search for new markets, sources of raw materials and labor. Colonization made societies more open to the world around them, albeit through sometimes ruthless methods. Russia, by contrast constantly concerned with protecting its boundaries, was drifting eastward and stretching its territory outward to fend off outside risks to its historical center. Finally, whereas Western colonization proceeded amid bourgeois revolutions that spelled an end to feudal stagnation, Russian colonization only served to strengthen absolutism. Russian history might be likened to a mammoth cauldron set over a low fire, which boils so slowly that people forget to let the steam escape in time, leading inevitably to a gigantic explosion. An important stage in the process began with Peter the Great, whose reforms were firmly and cruelly imposed from above. Peter propelled the upper crust of Russia into western Europe, turning Petersburg into a northern Palmyra, a shining city among the most

¹Zbigniew Brzezinski, "Selective Global Commitment," *Foreign Affairs*, Fall 1991, p. 3.

precious jewels of European culture. That splendor, however, concealed illiteracy and barbaric squalor just a few miles away.

When a tidal wave of revolution swept across western Europe in the nineteenth century and civic societies took shape, Russia continued its slow-paced search for its own "special place" in an attempt to perpetuate its archaic statehood. No wonder that the utopian Marxist ideas that made their way into Russia from the West acquired wild and most extravagant features. After the old empire collapsed in 1917, the peoples of Russia stood a good chance of improving their lot. The absence of both a classical metropolis in the Russian Empire and severe ethnic repression (everyone seemed to live an equally miserable life) offered good opportunities for engaging all the newly liberated nations, free from mutual hatred, in a common search for a better democratic future for their crumbling country. Theoretically the 1922 treaty that formed the U.S.S.R. provided a legal foundation for establishing a civilized commonwealth of free nations based on principles of equality.

However the totalitarian ideology of the Russian Bolsheviks, which came to supplant totalitarian attitudes of the Russian tsars, emasculated these processes of their democratic essence. Not only was the erstwhile empire reinstated under new ideological colors, it became more despotic and repressive, trampling upon the freedom and very existence of human beings.

The Soviet empire outdid its predecessor on its home turf when it came to the nationalities issue. Joseph Stalin consistently uprooted whole ethnic communities, banishing them from the lands of their ancestors. Nikita Khrushchev went to another extreme, making presents of whole regions and re-carving the U.S.S.R. as best he could—taking little heed of the aspirations of the peoples, much less anticipating a future disintegration of the U.S.S.R. along borders traced earlier at his whim.

But disintegrate it did, in a logical culmination of an unprecedented communist experiment with hundreds of millions of human subjects. And, much as it had in the past, this encounter with the outside world precipitated change in Russia, this time known as the Soviet Union.

Historical analysis brings out a certain cyclical pattern in the evolution of Russia: major periods of modernization were always brought about by a brutal collision with the outside

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world, which only tended to underscore the inadequacy of a backward and xenophobic Russia. That had been the case during Peter's reforms, that was the case in 1917 and that is what is happening today.

However now there is an essential difference in that all the previous encounters with the outside world were of a clearly aggressive and confrontational character. Peter the Great carved out his "window on Europe" not merely for the sake of developing trade or sharing culture but nurturing certain military-strategic designs. Under Nicholas II Russia experienced another collision with its "external environment" in the cruel and ruthless setting of World War I, while the Bolsheviks usurped power amid a clearly hostile environment.

Now, as in those earlier chapters of Russian history, a close contact with the outside world brought out the inadequacy of the Soviet system in face of major global trends. However that contact was not a violent head-on collision. The Soviet system simply proved unable to cope with the breathtaking pace of history and suffered a crushing defeat in an open contest with the civilized world. The foundations of the system were shaken loose by President Gorbachev's glasnost and Foreign Minister Shevardnadze's openness in foreign policy, though the initial intent seemed to be the opposite, to reinvigorate the system.

In contrast to the previous sharp reversals in Russian history, the second Russian Revolution unfolded in a favorable foreign policy setting and enjoyed tactful and discreet support from civilized and democratic nations, free from any instigative notes, much less any attempts at direct interference.

Some Americans had concluded that five long centuries of absolutism—from Ivan the Terrible to the Soviet 1970s—had tamed the Russian masses into the habits of submission. It is now apparent that the humility of the Russians came to an end when broader contacts with the outside world, though strictly controlled, brought about an information revolution offering people an opportunity to compare and, consequently, to choose. And that was the undoing of the system. Russian philosopher Vladimir Solovyev said: "Generally, to rise above coercion in social morality, wild humanity has to go through that stage; to go beyond despotism, humanity has to live through it."

Soviet communism was doomed to failure from the start. This historical blind alley has been described by Orwell, Zamiatin, Solzhenitsyn and Akhmatova. Most surprising is not

the fact that the system collapsed, but that it lasted for over 70 years.

The U.S.S.R. is no more. What will come in its wake? Do we still face the dangerous prospect of a lapse into attempts to put ideology above common sense? Regrettably forecasts of the future, like assessments of the past, do not often obey Heinrich Heine's stern injunction against providing direct answers to fateful questions. No such answers regarding the fate of Russia will be forthcoming. Neither Russian history nor its evolution have ever been straightforward.

III

Communist ideology, like the tsarist ideology before it, has run its course. Russia already knows those two ideologies for their true value and will never step for a second time into either of these dried-up rivers of its past. However the centuries-old, carefully cultivated and genetically encoded hopes for a messiah may still give rise to new forms of stultifying ideology, particularly in these difficult times of economic crisis. This raises the dangerous prospect of fascist ideology staging a comeback in some form. There also exists an audience only too eager to welcome would-be führers with their promise of miraculously cheap vodka for all and their grand vision of restoring Russia in its grandeur to the borders of the former U.S.S.R. There is still a lingering risk of other, more subtle attempts at building a semi-empire—banking on a lack of pluralistic traditions or a normal multiparty system. Many of us recall the warning from the American scholar, Richard Pipes, at the time of perestroika in the former U.S.S.R., that behind the facade of complete renovation old attitudes persist, as do the forces trying to bank on them. This warning has lost little of its urgency.

The risks are made even more tangible by some ill-advised steps taken by the newly independent states, by overly emotional nationalistic policies of the countries emerging from the ashes of the U.S.S.R. and by neglect of certain intermediate steps that absolutely have to be taken. Extremist attitudes on these and other issues, such as the status of the armed forces, energy, transport and communications are liable to touch off anarchy and bring about the rise of new would-be dictators.

Moreover our inability to ensure enlightened and civilized leadership is fraught with explosive consequences. We have very few capable managers who can provide such leadership,

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while the majority of old apparatchiks, who are thus far indispensable, espouse old administrative ways, remaining hostage to a system that puts a premium on unconditional loyalty while discouraging initiative in innovation, even on routine matters.

A new generation of democratic managers is in its embryonic stage, and a difficult growth it will be. For many it came as a revelation that the uphill battle against totalitarian central rule, from which they emerged triumphantly, did not solve the woes of Russia—that the hard part is only beginning and that innovative policies and radical reforms will be needed, in deeds rather than words.

The dearth of properly qualified manpower for building a civil society makes itself felt not only in governmental and managerial structures but also within the business community, still a toddler in this country. Hence the temptation of many managers to rely on the simple, tried and true command-and-administer routines each time they are faced with specific tasks arising out of their everyday economic activities.

The democratic forces that have now moved center-stage in politics, particularly in Russia, are far from homogeneous. They once were united by their rejection of the former system; now they are divided along party lines in their vision of the future of our society. Some long for fast and seemingly simple solutions, capable in and of themselves of ensuring so-called social justice. Still others, professing commitment to a market economy, are prone to inconsistency and indecision.

The government of Russia is aware of those risks. Its actions, far from being romantically motivated, are predicated on a conscientious and deliberate policy aimed at pulling out the roots of the fallen tree of totalitarian rule. This is the essence of the entire program of reforms undertaken by the democratic leaders of Russia, who are trying to engage other former Soviet republics that have embarked on the road of creating independent democratic states. The success of reforms will signify precisely the triumph of democracy over the threats of any imperial revival.

Marx said that history repeats itself twice: once as tragedy and the second time as farce. Today history in Russia repeats itself not according to Marx. The dismantlement of the former tsarist empire in 1917 turned out to be tragedy and farce at the same time: a tragedy for the people and a farce in the attempts to introduce democracy in Russia. Thus today we have real

things left to accomplish, so that the collapse of the last (I hope) empire will permit us to steer the country to normal human conditions. Now we know the truth about the first Russian Revolution. We have learned bitter lessons from its results and have no right to make mistakes by repeating history. Only partially can I agree with the remark of an American journalist that history “hovers over the entire amazing enterprise, reminding all concerned that Russia has never learned how to be really free.”²

The motivated support of most of the people proves that we are in fact learning how to live in freedom. In 1917 the Bolsheviks exploited the ignorance of savage illiterate “masses” who associated freedom with expropriating the expropriators. Today people are sufficiently educated to make a conscious and free choice in favor of a civil society in which they still do not know how to live but are resolved to learn. They proved that last August by defending democracy around Moscow’s White House.

In 1917 only the upper stratum of society understood the significance of the constituent assembly. The rest did not and they paid no attention to its dissolution. Instead they meekly accepted the power of the commissars. Today the parliamentary system is deeply rooted in public consciousness—one of Gorbachev’s chief merits. The irony of history is such that the first and last Soviet president, who never competed in nationwide free elections, contributed to a situation in which people came to regard such elections as the only way of legitimizing power.

A reservation is in order: having accepted the idea of elections, people do not yet possess the necessary experience. In the absence of a multiparty system and true competition of platforms, and when attempts are sometimes made to manipulate the electorate, certain elections look more like voting at an old party meeting. Hence the apparently unavoidable costs of the current stage. As to where this might lead, we saw what happened in the neighboring state of Georgia, where the freely elected president, Zviad K. Gamsakhurdia, had to flee his own country.

The main evolutionary trends in Russia and the political maturity of its citizens enable us to expect that the country will

²Robert G. Kaiser, “Gorbachev: Triumph and Failure,” *Foreign Affairs*, Spring 1991, p. 172.

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not lapse into absolutism. The course of our internal processes, in conjunction with the favorable “external background,” give hope that we shall continue to seek answers to questions about the fate of Russia not by looking for a new “strong arm” but through the elimination of the inadequacy of our own lives as compared with normal countries. On the agenda is the elimination of our technological backwardness, intrinsic to a totalitarian regime with central planning of all and everything; the restoration of sorely lacking political culture and the dignity of owners and producers.

The fact is that Russia today is not placed in a hostile environment, as it had been in earlier dramatic stages; rather, it encounters friendly and positive external surroundings, and this objectively deprives the advocates of a “strong arm” of the possibility of invoking “the external threat” to force the country to once again adopt the old power structures.

IV

The fate of democracy in Russia will be determined to a great extent on the economic front. Russia’s democratic government is based on mass popular support. However many of those who voted for the present leaders regarded them as individuals capable of rapidly ensuring “social justice” and of transforming into everyday life old myths about the possibility of egalitarian, universal well-being.

Our people have to understand that we can no longer live without measures carried out by the government to introduce a free-market economy, privatization and liberalization of the entire economy. They must understand the fairness of the diagnosis pronounced by the government regarding the crippled economic organism it inherited. They must understand the political courage of the Russian leadership that decided to carry through extremely unpopular, but realistic, measures to save the country. At any rate critics do not suggest other prescriptions, except for a return to centralized planning, which spells death for the economy.

Assuring people of real support in this difficult period means much more than providing assistance in its traditional sense. Assistance is not support for people “returning” to a normal economy based on common sense. Russians do not know such an economy. They have lost all historical memory

of it after several generations of a totalitarian distribution system.

Looking at assistance in historical terms, the American scholar John Lewis Gaddis perceives yet another important aspect. He notes that of critical importance is not the size, as such, of this assistance but its timeliness, its accurate "targeting" and its coverage in the mass media.³ This psychological aspect is particularly important in today's Russia, because at stake is helping the entire nation to learn to live a new life, helping it save for the world economy its largest and currently most promising part, which was once artificially cut off from the rest of the world.

The concept of assistance is undergoing fundamental change. Now it is not only humanitarian assistance but first and foremost "target" support for the primary driving forces of the reform: specific program mechanisms to liberate the economy and the emerging strata of businessmen. The way is open for mutually advantageous interaction at a key stage of forming a truly international free market.

This perspective, which focuses on the 21st century, should be kept in view when determining, without delay, concrete questions of translating into practice the favorable external background against which Russia is making the transition to democracy. Such practical implementation is called upon to consolidate the positive and mutually attractive character of Russia's current opening to the rest of the world.

We are undertaking concrete steps toward this aim by exploring an area that for decades has been a "diplomatic virgin land" for us. We are joining the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade; becoming more active in the European Bank; establishing in deeds rather than words an interaction with the Group of Seven industrial nations, the European Community, the Organization for Economic Cooperation and Development, regional banks and economic cooperation forums in Asia and the Pacific and other regions. We have a lot to learn. But rest assured, we are learning fast.

In turn this will help establish Russia as a reliable partner in the community of civilized states. History has witnessed many times how the domestic problems of Russia made that state a

³John Lewis Gaddis, "Toward the Post-Cold War World," *Foreign Affairs*, Spring 1991, p. 115.

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dangerous and unpredictable participant in international affairs. However, with the transition to democracy in politics and the economy, our internal life and its driving-belts become understandable to the surrounding world.

No doubt Russia will not cease to be a great power. But it will be a normal great power. Its national interests will be a priority. But these will be interests understandable to democratic countries, and Russia will be defending them through interaction with partners, not through confrontation. In economic matters, too, once on its own feet and later, after acquiring a weight commensurate with its potential in world trade, Russia will be a serious economic competitor to many but, at the same time, an honest partner complying with the established rules of the game in world markets.

The “supertask” of Russian diplomacy in all areas is to make the utmost, concrete contribution to the improvement of the everyday life of Russian citizens.

V

Russia’s main foreign policy priority is relations with our partners in the Commonwealth of Independent States.

Despite decades of totalitarian rule, pervasive party and state “instructions,” personal surveillance and the “serfdom” of residence registration that collectively degraded human dignity, people in Russia have managed to preserve their amazing ability to communicate. Strange as it may seem, it is precisely these human bonds that fate twined around “one sixth of the world land mass” that drew together our peoples more firmly than any iron curtains or fences. Will these bonds break now that the totalitarian structure has been destroyed? On the contrary, now a full and normal human existence begins. Such is the main source of the centripetal, unifying trends.

Russian diplomacy will preserve and multiply this invaluable treasure of human relations: friendship between the independent states of the Commonwealth; friendship between Russian people wherever they live and with those who live nearby. The documents issued after the meetings in Minsk and Alma-Ata created a solid foundation for interaction within the Commonwealth in all areas. Work has started to give concrete substance to those mutually agreed commitments, taking into account the entire infrastructure of multifarious defensive, economic,

communications-related, cultural and, most important, human links among the states of the C.I.S.

This work is also important in the sense that through it those states that are most advanced in their democratic and market-oriented reforms will act as stimulants to those Commonwealth countries where such reforms are still in the initial phase. Of course it will take some time for all states of the Commonwealth to reach common language on all the issues, but by and large the formation of the C.I.S. is a natural process that objectively contributes to their consolidation.

It is important to keep this perspective in mind rather than limit the analysis just to current events. To view the Commonwealth, as *The Economist* put it, as only a "forum for resolving, or at least discussing, the problems bequeathed by the Soviet Union to its successor states" is a static approach. It overlooks the historical and modern dynamics of the processes developing in Eurasia.

Moreover these processes will not run along a rigid, uniform course. They will be mixed and most likely produce not just another indiscriminate scheme reducing everything to the same level but a mosaic of relations among the Commonwealth member states in various fields—and not necessarily in one and the same combination.

Furthermore the experience of other European structures, notably the Conference on Security and Cooperation in Europe (CSCE), the Council of Europe and the European Community will no doubt be useful to Russia and the Commonwealth as a whole. Active participation in the European process and the use of the standards and expertise accumulated within its framework will be of real help in solving Russia's internal problems and those of other ex-Soviet republics, as well as in the civilized development of the Commonwealth in harmonious interaction with regional and global structures and mechanisms for security, cooperation and partnership. Here the United Nations has a special role to play. Russia, as a continuing state of the U.S.S.R., intends to promote in every possible way the strengthening of the United Nations as an instrument to harmonize national, regional and global interests. Russia will strive to halt fruitless debates and increase the efficiency of U.N. activities in all areas of world politics. We intend to work actively on the issues of U.N. reform. There are many promising ideas on that score, formulated both by member states and nongovernmental orga-

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nizations, such as the United Nations Association of the U.S.A. The Security Council summit showed that the international community is ripe to pass from talk about a possible new world order to concrete deeds to advance a democratic world. Russia is ready to cooperate with all countries, including, of course, our Commonwealth partners, to cope with these tasks. I am confident that by the time this article appears in print most, if not all, of the independent states of the Commonwealth will have become members of the United Nations.

Russia entered the C.I.S. on the principle of full equality with the other independent states. However Russia cannot afford to forget about the particular responsibility conferred on it by history. This concerns both nuclear weapons and the obligations stemming from its status as a great power and permanent member of the U.N. Security Council. This status of Russia has been recognized throughout the world and is in no way in conflict with the creation of the C.I.S.

However attempts still continue to artificially counterpose Russia to the C.I.S. and to interpret the establishment of the latter as tantamount to the forfeiture by Russia of its great power status. Arguments are making the rounds that we “gave away the Russian land,” withdrew into Asia and all but closed the “window on Europe.” These are echoes from the distant imperial past; they reveal a total ignorance of the realities of the end of the twentieth century. Openness to the world, responsiveness to everything useful and access to prosperity are gained not through armies marching to warm or cold seas, but through progressive foreign and domestic policies and through commitment to democratic values of the civilized world. Coupled with modern means of communication and the orientation of society toward high technologies, this commitment provides for our closest interdependence with the leading countries. So, by becoming a co-founder of the C.I.S., we opened ourselves to the rest of the world rather than moved away from it. Here again there is a fundamental difference from the events of 1917 and from Russia’s past clashes with its environment.

VI

Today, however, openness alone, as it was understood until very recently, is no longer enough—and this concerns all states without exception. The level of interdependence achieved by the civilized world objectively requires not only the freedom of

movement for people, goods, services, ideas and capital across national state borders but also the ensuring of the entirety of human rights and freedoms—political, economic, cultural and others—within each country. Assurance of democracy ceases to be an internal affair of states and becomes a common concern, a *sine qua non* for a sustainable development of the international community.

Wherever threats to democracy and human rights occur, let alone violations thereof, the international community can and must contribute to their removal. Effective measures to remove such threats should be elaborated on a regional and global basis, as is being done now in the context of the CSCE. Such measures are regarded today not as interference in internal affairs but as assistance and cooperation in ensuring everywhere a “most favored regime” for the life of the peoples—one consistent with each state’s human rights commitments under the U.N. Charter, international covenants and other relevant instruments. This is the approach that is already asserting itself within the CSCE. And it is from this fact that the democratic leadership of Russia, too, takes clear guidance in its action.

The new openness also presupposes a fundamental change in Russia’s attitude toward the United States, the West and NATO. Russia does not wish to bear any unnatural military responsibility beyond its borders. The time of world policemen is over, as is the era of military confrontation. The state ideology of communism, which has been the main breeding ground for the Cold War, is itself disappearing. The role of NATO is bound to change under the circumstances. The formation of the North Atlantic Cooperation Council reflects all these trends, leading to openness and partnership in the military-strategic sphere as well.

As far as Russia is concerned, we see our goals—disarmament and limitation of the arms race—in terms of releasing as many resources as possible and creating the most favorable conditions for the implementation of our socioeconomic reforms. It is our desire to work for further deep cuts in strategic offensive arms and conventional armaments, for a “zero” solution to the tactical nuclear weapons problem, complete elimination of chemical weapons and for winding down nuclear tests.

In addition to making traditional quantitative disarmament more radical, above all nuclear disarmament, the emphasis in

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the security area is being shifted to confidence-building measures in the nuclear field, to nonproliferation in its broadest interpretation and to defense conversion. Promotion of demilitarization in both societies, without which the world's democratic trend would inevitably ebb, is becoming the pivot for Russo-American partnership in military affairs. A switch from words to deeds in carrying out specific joint ventures in conversion would give real impetus to cooperative investments, which in the long run should become the main channel for Russo-American economic interaction.

How does democratic Russia's course toward rapprochement with the West and NATO, as well as its overall position on arms control issues, differ from the policy of "new thinking"? That policy initiated by Gorbachev and Shevardnadze has accomplished a great deal and started what the world press called "breakthroughs" in limiting strategic offensive and conventional armaments, as well as in other areas. To be sure, those were breakthroughs but ones measured by old standards—those of the Cold War.

It is not the fault but the misfortune of the architects and makers of "new thinking" that those policies could be nothing more than a substantially liberalized modification of the earlier Soviet foreign policy course. Granted, "new thinking" in the world arena ran ahead of attempts at reform undertaken within the country, particularly in the beginning. Some individual concessions were occasionally won from the military-industrial complex on specific issues to be negotiated with the West. But those concessions had to be paid for, and the price was, objectively speaking, susceptible to pressure from the military-industrial complex in other foreign policy matters—and not only in secondary but fundamental ones. So even when agreement was extracted from the military for considerable reductions in the horrendous stockpiles of armaments, it never proved possible to obtain its consent on the main point—on changing the very attitude toward the United States and the West as a whole. Despite everything that attitude continued in fact to draw on the old ideology. And the old power structure called the "center" was too bound by that ideology to be able to change the situation.

Now in the leadership of Russia we have people who are free from commitments and debts to the communist past, who have completely and unequivocally broken away from communism. The only burden from the past that weighs heavily on them is

the dire economic situation, not at all some kind of ideological nostalgia. These new leaders simply cannot think, for instance, of NATO as Russia's adversary.

Let me make a qualification: this is the firm position of those who make up the government of Russia today, but not yet the mentality of the entire society, particularly in its managerial apparatus and in the corridors of the military-industrial complex. Pressure from those quarters on the Russian leadership will continue, and reliable guarantees of irreversibility in this regard are yet to emerge.

But the main point holds: the first-ever president legally elected by the people and a team of his like-minded associates are resolved to create such guarantees through radical democratic market-oriented reforms that already are under way. These reforms are aimed at improving the life of the people today, at their return from a through-the-looking-glass existence to a normal life and to the provision of well-being for themselves, their children and grandchildren. These reforms offer, in the view of the government, the only path to prosperity in Russia as a great (but normal!) Eurasian power in all its aspects—European, Asian, Siberian and Far Eastern—a power that in its domestic life and foreign policy refutes the pessimistic prophecy of Rudyard Kipling that East and West will never meet.

The geopolitical location and historical role of Russia as a bridge between West and East predetermine its active "Eastern policy." Here I would limit myself to mentioning the Asian and Pacific region, an area characterized by a uniquely dynamic development. Among our priorities is to finalize the normalization of relations with Japan on the basis of a peace treaty, including a solution to the territorial issue. We see good prospects for relations with China as well. It is in our interests to have an economically strong China, posing no threat to Russia. On a broader scale all this should help achieve a balanced interrelationship in the "rectangle" comprising Russia, the United States, Japan and China, thus contributing to greater stability and cooperation in Asia and the Pacific.

VII

All this appears to suggest the answer to the question that our friends abroad ask us: How can Russia be helped? Let me once again stress that what we are talking about are non-orthodox approaches. There are no simple answers like "Help

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Yeltsin” (some time ago it was Gorbachev). Obviously it would be a mistake if “Gorbymania” were to be replaced with “Yeltsimania.”

Generally speaking, scenarios where support from abroad is addressed exclusively to those who are designated by the authorities in the country appear to be fundamentally inappropriate. We want to create a society that would abide by the same universal human laws as the civilized world. This world has come a long way to build such a society. Success has been secured by the democratic essence of the construction processes and by the support of the people implementing these processes in politics and economics.

In our case, too, everything will depend on the support for such processes, for specific initiatives and for the people who are democratically engaged. The Russian government, in all its actions, supports just these processes and people. Should support from abroad be channeled in the same direction, then we will certainly be able—through joint effort—to take advantage of the chance that Russia now has.

THE FUTURE OF RUSSIAN CAPITALISM

For years Western observers had assumed that as the transition from socialism to capitalism proceeded in the Soviet Union there would appear a gradual shift away from strict state control of production toward some form of market socialism. Some property and productive assets would move from collective to individual ownership, but not all that much. Market forces of supply and demand would take over some of the responsibilities of allocating resources, but the state would retain a dominant role in protecting the population from the excesses of capitalism. Russia would more or less fit itself into the Swedish model. The dynamic of capitalism would be safely subordinated to the imperatives of a welfare state. How could it be otherwise? After seven decades of collectivism, the people of Russia and the former Soviet republics must surely have lost all memory of commercial competitiveness.

In fact quite the opposite conclusion might be drawn. During the 70 years of the communist experiment the competitive impulse of Soviet man has not been extinguished at all, but rather has been channeled into the awkward mazes and blind alleys that ultimately led to abandonment of the Marxist-Leninist idea. Now freed of these constraints, it is easy to imagine these competitive impulses racing ahead of our Western form of corporate capitalism, which has grown flabby and slow. It is possible to imagine a future of Russian capitalism that asserts itself early in the 21st century as the envy of the world.

In this difficult time of Russia's conversion from one system of political economy to another, it might seem sheer fantasy to present such a notion. The objective, as an alternative to the Swedish model, is worth considering, however. The Russian people are now engaged in nothing less than designing the basic architecture of a brand new country. Why not consider all possibilities? Why not design the Russian system of capitalism to be the best?

Jude Wanniski is president of Polyconomics, Inc., an economic consulting firm in Morristown, New Jersey.

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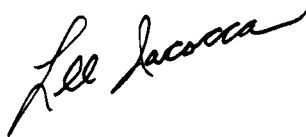
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Before exploring the future of Russian capitalism, we should be clear about the past. Karl Marx was extremely close to the truth when he completed his examination of capitalism in the midst of the nineteenth century: capitalism could not succeed because capitalists would sow the seeds of their own destruction. That is, if capitalism requires relentless competition, yet capitalists are doing everything they can do to destroy competition, we have a system that is inherently unsustainable—as with animals who devour their young.

Here is the problem: if successful capitalists can control the apparatus of government in order to prevent a new growth of capitalists, the system will inevitably destruct. If a system can be devised that prevents successful capitalists from controlling the apparatus of government for their narrow interests, though, there is at least a chance of renewal and a prospect of success.

The system Marx did not contemplate took another half century to reveal itself. It came in the form of a secret political ballot, the key to democratic choice, the key to unlocking the wisdom of the masses. If the people collectively know which course of action is the wisest, as I believe they do, they must be provided a safe channel to express that opinion.

In creating a system of Russian capitalism there is no more important ingredient than this—a democratic mechanism that protects the collective wisdom of the electorate. Mikhail Gorbachev called it *glasnost*. In that he was correct: the democratic structure of the political economy is far more important than the economic structure. The economic structure must change continually to keep pace with changing times in a competitive world economy; an optimum democratic structure provides the foundation for such change, enabling the people to exert their wisdom in guiding the direction and contour of economic change.

Even then it is not enough to have democratic mechanisms alone to thwart the most determined corruptors of capitalism. Capitalists are forever trying to use their power in government to protect their businesses against foreign competition, through higher tariffs or nontariff regulatory barriers. The Wall Street Crash of 1929 and the Great Depression of the 1930s were the direct result of such trade protectionism in the United States. The American public at the time did not vote

for such policies. Indeed it voted for politicians who were seemingly opposed to trade protection.

The worst policy errors occur not because of voting decisions of ordinary people, but because politicians break their promises to the people between elections. For this reason, in the design of a democratic political mechanism for Russia, the most advanced democratic processes should be adopted, including national initiatives and referendums that can be triggered at any time between national elections in order to keep politicians from straying from the commonweal.

At the moment no such mechanism exists, but there is immediate need for economic relief. From a distance, standing outside the unfolding history of events now under way in the republics, one arrives at certain elemental considerations.

Think of the current status of Russia and the other republics as bankruptcy proceedings, the bankruptcy of the old U.S.S.R. The corporation that we had called the Soviet Union can no longer pay its bills. And, as in any bankruptcy proceeding, the creditors are crowding in to get paid, trying to elbow their way to the front of the line. There are two classes of creditors here, foreign and domestic. Thus far, the foreign creditors have been more successful, persuading first the Gorbachev government, then the Yeltsin government, to put them at the head of the queue. The government has put domestic creditors—the people of the old Soviet Union—at the end of the line.

Indeed the government has come close to advising the people that it intends to cheat them out of their ruble claims against it, their lifetime savings and pensions. This has been the advice of Western creditors, who suggest that the ruble savings of the ordinary people of the republics is a barrier to progress. They see it as a “ruble overhang” that could suddenly come out of savings for spending purposes, igniting inflation. Of course this is nonsense. The ruble savings of the people are the foundation of the new Russian capitalism and should be preserved and protected. We must include here the value of pensions, which should be restored to their level of purchasing power that existed prior to the recent inflation.

Because of the nature of the failed experiment with communism, the wealth of the nation is held collectively; a strategy must be developed that will, as equitably as possible, turn collective wealth over to private hands. The new managers of the state will, of course, try to preserve as much wealth in state hands as they can. Foreign investors will also try to crowd into

privileged positions when state assets are offered for sale. It is the strength of the democracy alone that can offset these forces and place the assets where they belong, at least to begin with, in the hands of the ordinary citizens. The political leadership must be determined to place at least half the nation's collective wealth into individual hands, insisting that foreign individuals or corporations be permitted to buy assets only from the citizens in the open market. Because great wealth and natural resources are involved, it will take impressive political resolve to prevent the people from being cheated of their due through bribery and corruption. Russian capitalism must have this moral foundation.

III

Much is made by some Western analysts of the absence of the legal pillars of capitalism: courts to enforce contracts, a clear legal code, a transparent system for making regulatory decisions that affect business. This argument has great merit, because in Western democracies the state stands over the marketplace as referee, discouraging individuals from cheating one another, just as the police discourage individuals from robbing each other in the street.

Even more fundamental to the success of Russian capitalism is that the state abstain from cheating the people by demeaning the value of the currency through inflationary policies. In that regard Western democracies are not as pure as they might like to represent. If one individual owes another \$100 and decides to pay only \$50, the creditor has recourse to the courts to exact payment. But if the state decides to reduce the purchasing power of its currency, debtors (including the state, which is always the biggest debtor) gain from devaluation of the currency, while creditors lose. Devaluation thus redistributes wealth arbitrarily among citizens.

In Russia, where private debt does not exist for all practical purposes, the devaluation of the ruble represents nothing more than a transfer of wealth from individuals to the state. Excepting automobiles, household appliances, furniture and hoards of consumer goods, all private wealth in the republics of the former U.S.S.R. takes the form of currency or bank deposits held by individual citizens. These are debts owed by the state to the people. If the state devalues the ruble, it cheats

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the people out of their savings. What good is contract law or courts if the state can rob the people with impunity?

Western economists, as well as the Russian government, agree that the Russian economy can only recover if the state transfers property to the people. Under the advice of Western creditors the Russian government has gone in precisely the opposite direction. While the government negotiates with the West over \$10 billion or \$20 billion of emergency credits, it has virtually eliminated 600 billion rubles of private wealth through the devaluation of the currency. This savings wealth accumulated over decades in which the purchasing power of the ruble was roughly equivalent to a dollar: a dollar could buy a loaf of bread, so could a ruble. In that light the people have had the bulk of their personal wealth, 600 billion rubles, repudiated by the state. In sheer size that is an expropriation of private wealth comparable to the forced collectivization of agriculture during the 1930s. Its economic consequences are no less devastating, even though the move was accomplished without violence and deportations.

To estimate the disaster wrought upon Russia by the devaluation of the currency, we must begin with a concept that Marx omitted from his economic model, what Western economists call "transaction costs." Transaction costs are ultimately determined by the degree of risk involved in economic activity. The social cost of a commodity is quite different if a producer can sell it in a moment in an efficient market, or if the same producer must hire a dozen bodyguards to avert robbery on the way to the market. To avert robbery by the state, citizens of Russia must first convert their rubles into some store of value and then find the means to barter these stores of value for products they need. Farmers will not sell wheat or milk for worthless rubles; they would rather feed their produce to pigs, which represent an interim store of value. Thus we see ordinary citizens waiting on queues for many hours to exchange depreciating rubles for consumer goods, individuals spending hours in the market trying to exchange one good for another, and industrial managers spending weeks attempting to obtain goods they need by an elaborate chain of barter.

In a modern industrial economy whose daily activity requires a division of labor of millions of workers producing tens of thousands of different commodities, the social costs of a barter system are catastrophic; the costs of simple transactions eat up most of the economic effort of society. It is no surprise,

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then, that Russia is now experiencing a spiraling economic collapse, with the great majority of its citizens reduced to the most abject poverty, the diet of most citizens limited to sufficient carbohydrate calories to sustain life itself. No one believes that this situation can continue for long without catastrophic social and political consequences. It is equally obvious that the state must convince the people that it will not rob them—that it will preserve the value of its debt held by the people, for the crisis to be overcome. Once the state honors its obligations to the people, the creation of a legal code for business and related matters can be attended to expeditiously.

But how is this to be done? The state itself is in the grip of a vicious cycle: the collapse of the ruble has forced an ever-growing proportion of transactions into the barter system, wiping out government revenues. The state, in turn, is forced to print money to meet essential expenditures, since its revenues shrink much faster than it can reduce spending. By flooding the market with newly printed money, the state further reduces confidence in the ruble.

If the Russian state were a private firm within a Western industrial country, the problem would never have arisen. Russia is rich: the assets of the state, land, structures, capital equipment and mineral resources amount to trillions of dollars by the most conservative measure. Its debt totals less than one trillion rubles. Even if the ruble were valued at 1:1 to the dollar, its assets would exceed its liabilities many times over. A Western firm with such a favorable position would have no difficulty raising ready cash by borrowing against the collateral of its assets or selling some of its assets to investors. The existence of capital markets capable of converting wealth into ready cash, though, depends upon the existence of trust between creditors and debtors, something that Russia has yet to achieve.

By the most optimistic estimate Russia will require several years to privatize the bulk of state properties. It cannot exchange the state debt in the form of currency or deposits for houses, mineral rights or industrial shares quickly enough to stabilize the ruble. It must therefore persuade the people to wait for a number of years, offering capital instruments—bonds—with a corresponding maturity. The value of the ruble should be in accord with the value of Russian labor; at the current black market exchange rate a Russian worker earning the average wage of about 900 rubles a month earns barely \$6

a month. Assuming that Russian labor is worth on the international market what workers earn in middle-income developing countries, the proper exchange rate for the ruble should be around two to the dollar. That should be the target for the exchange rate. The government bonds must be indexed to gold or foreign exchange at this high rate.

Russian officials worry that the people may not trust the government sufficiently to have confidence that these bonds will be redeemed at a favorable exchange rate. The building of trust is a formidable task and will require all of the state's resources to accomplish. One avenue toward that end would be to guarantee that part of a gold-indexed bond issue could be sold on international markets to Western investors. A secondary market would then exist for such bonds in hard currency; Russian citizens would, if they chose, be able to sell bonds bought with today's rubles for hard currency in this secondary market. That is an essential element for establishing trust.

It is important to recognize, though, that the state has never attempted to offer the people the chance to hold financial assets that will preserve the value of their savings. It has offered them only low-interest deposits or low-interest, long-term bonds that the public has rejected. If the government clearly explains the nature of the problem to the people and shows how it intends to make good on its obligations to the people, it still has a fighting chance to win their confidence.

Once current rubles are convertible into a financial asset that pays a dollar for every two rubles, rather than every 100 at today's distorted black market rate, a floor will be placed under the ruble's value. It is hard to tell where that floor will be, since it depends on the public's confidence in the new government bonds. Certainly the ruble's value will rise to fewer than ten to the dollar, perhaps to fewer than five. Farmers will again sell wheat and milk for rubles, rather than feed them to pigs, and a flood of hoarded goods will reappear in the stores.

These measures alone will not solve Russia's economic problems. On the contrary: they are the precondition for solving them. Russia will require the new aforementioned legal system, a tax structure that permits producers to operate with the least burdens, regulatory mechanisms that do not impede economic activity and a variety of other reforms. All these improvements are possible once a basic condition of trust is achieved between the state and the public. If the state accepts

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the premise that its obligations to the people are sacrosanct, Russia's leaders will have little difficulty persuading the public that all these reforms are in the general interest, since the vast majority of individuals will stand to benefit from them.

IV

It was in just this fashion that the United States began its national life more than 200 years ago. The early American experience is endlessly fascinating to today's Russian officials and opinion leaders. There were voices in the first administration of George Washington who urged a policy of debt repudiation. The new country was burdened with great debts to its own people, incurred during the fighting of the War of Independence. It also owed a large amount to creditors in Holland, who had helped finance the war. The first American treasury secretary, Alexander Hamilton, insisted this was not the way to begin as a new nation, by declaring bankruptcy, thereby cheating creditors at home and abroad. A new country should be expected to incur debt for many years before it matures and is able to redeem its obligations. The United States began on this moral principle, establishing a bond of confidence between the state and the people that became the foundation of the great enterprise that soon became the envy of the world. The new Commonwealth of Independent States will find this policy serving it just as effectively. Investment will soon flow from abroad, and from the toil of the people, as they note the integrity of the new government.

The future of Russian capitalism lies in the lessons of America's past. Honesty in its money is but one element. Simplicity in law is another. In the United States more than 700,000 lawyers ply their trade, draining off the energies and talents of a nation in empty legal skirmishing. Battalions of accountants are required to fathom the dispiriting intricacies of the tax laws. Bank regulations have become so incomprehensible that ordinary people increasingly find it impossible to borrow. The government has become dominated by aging capitalists who add layers of complexities to prevent new competition from below. The freedom and flexibility of America's youth has become bound like Gulliver.

If Russia is to leap ahead after 75 years of stagnation it should be resisting all advice that comes from the West that complicates growth. Americans can now only dream of how nice it would be to start anew, with a blank slate on which we

could write simple tax and regulatory legislation. Complexity serves the interests of the elite, who know how to pay their way around it. It confounds the interests and opportunities of ordinary people who are hoping to get ahead. If Russia can think of itself as a nation of young capitalists, striving to attain a potential that now seems limitless, the path to its prosperous future will more easily be seen.

Two centuries ago the elite of the Old World looked smugly on the ragtag enterprise of the new United States of America. We can be sure there were many who doubted whether Americans would ever amount to much. These Americans would surely be confounded by the wilderness, the native savages, and the absence of experienced institutions capable of dealing with the intricacies of modern politics and commerce.

We Americans, in turn, may now be tempted to become Old Worldly ourselves, viewing the new Russian enterprise with patronizing amusement and skepticism: it will surely take these Cold War losers a generation or two before they learn the sophisticated nuances of modern business and finance, to the point where they will understand the profound importance of a leveraged buyout. Will it not?

Or perhaps we could consider the Commonwealth as a kind of new frontier, an adventure on the planet that will soon be exploring far more interesting possibilities than leveraged buyouts and convertible debentures. Across the great expanse of 11 time zones, Russia and the republics are like so many liberated colonies, freed of the straitjacket of the communist idea. We should not forget that the idea was simply one that subsumed individual risk-taking and reward to the security of the community, the commune. The experiment in political economy did not work, and the people who were subjected to it are eager for a system that will.

If our own history is any guide, we should expect in this brand new country an eagerness for opportunity and an explosion of risk-taking and entrepreneurial ferment. The people of Russia clearly look to the United States, not Europe or Asia, as the exemplary model. We should be happy they do and counsel them in that spirit, not as old adversaries or potential new competitors, but as converts and potential new allies. It will make a great difference to the shape of the 21st century.

Kenneth L. Adelman
Norman R. Augustine

DEFENSE CONVERSION: BULLDOZING THE MANAGEMENT

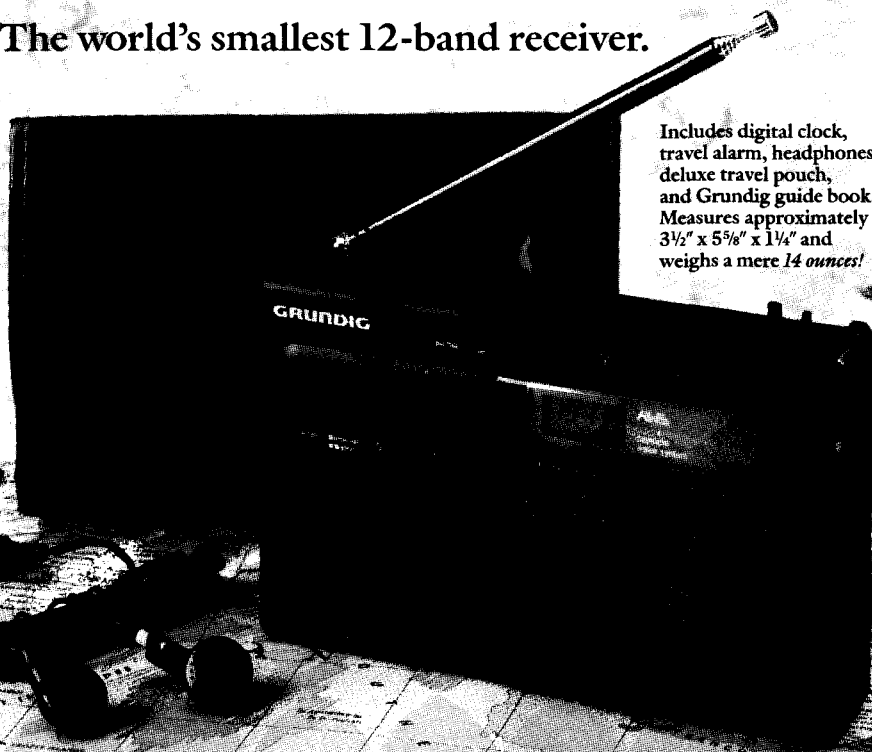
The record of massive defense conversion is one unblemished by success, with two notable exceptions: the defense-dominated economies and mammoth military facilities of Japan and Germany, which were converted into civilian production after World War II. Then, the two defeated powers were militarily occupied, their defense industries were immediately destroyed and rebuilt with extensive foreign aid; now, decades later, both countries enjoy economic prosperity.

Similar solutions are being proposed today for the former Warsaw Pact nations, using Western bulldozers rather than Allied tanks, since true defense conversion is readily dismissed as impossible or at least impracticable. There are sound grounds for such dismissal. In our travels throughout the onetime communist countries—talking to plant managers, workers, academics and government officials alike—we came to sense the staggering obstacles they confront. The greater these obstacles appeared relative to anything known in the West, where defense conversion has largely failed, the darker their prospects seemed. And where the need is greatest, in the former Soviet Union, the impediments are greatest and the trends most pernicious.

Something needs to be done. On that almost everyone concurs. On exactly what, almost everyone seems to differ. We offer our views from a rather unique perspective among analysts of this topic, since one of us has actually had to operate and alter defense production plants over the years.

Kenneth L. Adelman, former director of the U.S. Arms Control and Disarmament Agency (1983–87), is a syndicated columnist and vice president of the Institute of Contemporary Studies. Norman R. Augustine is chairman and CEO of Martin Marietta, a major defense contracting firm. The two co-authored *The Defense Revolution*.

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II

Defense conversion in the United States has been bedeviled by two conflicting objectives: how to shift firms out of defense and into civilian pursuits, and how to preserve a mobilization base to meet conceivable future defense needs.

Twenty-six years ago an Arms Control and Disarmament Agency report examined attempts at commercial diversification by U.S. defense firms. It found "a discouraging history of failure."¹ Two years ago ACDA reexamined the same issue and came to the same conclusion: "Successful examples of such conversion are difficult to find. Detailed research has not identified a successful product in our economy today which was developed through a military-to-civilian conversion approach. . . . As of 1990 there are very few concrete examples of actual conversion."²

Defense conversion attempts have been made, some laughable and in retrospect almost all dismal. Kaman Aerospace successfully ventured into guitar-making, but its effort affected only about 100 workers. Rohr Industries moved from aerospace into mass transit, Boeing Vertol from helicopters also to mass transit, Grumman into the bus-making business and Martin Marietta into the electronic-pager market; in virtually all these cases, the results were disappointing, at best. Nor have prospects brightened recently. The latest ACDA report on the subject states: "Studies sponsored by some defense contractors have shown that if they were to attempt conversion projects, about 85 percent would be doomed to failure." This assessment comes from firms historically accused of making chronically rosy forecasts.

The reason for this solid record of failure is simple: defense work has little in common with civilian work. These two areas demand different skills and marketing techniques and have different cultures and organizations. Clearly the defense business, even in the United States, has little to do with free enterprise. Defense contractors have a single customer who directs them from above, rather than many customers who show their preferences in the market below.

Defense contractors lack expertise in mass marketing and in making high-volume, low unit-cost items. Their distribution

¹"Defense Industry Diversification: an analysis with 12 case studies," U.S. Arms Control and Disarmament Agency, January 1966.

²"Report to the Congress on Defense Industry Conversion," ACDA, August 1990.

network is, in the commercial sense, nonexistent. Their capitalization is modest. Their product servicing is limited. And their bookkeeping and reporting requirements are staggering. Defense firms know little of consumer tastes, establishing customer credit or pricing to compete in the commercial marketplace. They know nothing of market research. Much of their work is performed under cost-reimbursable contracts—they are paid whatever costs they incur, which encourages taking huge technological risks. In a nutshell, defense contractors have adapted to their unique monopsonistic environment in a Darwinian fashion. To further complicate matters, embedded within this monopsony are occasional monopolies, since only a single firm can sell the “customer” a B-2 bomber or MiG-29 fighter.

When venturing out of their natural habitat, defense firms seek to retain the same organizational structure and company culture and to use the same operating methods. This accounts for a majority of defense conversion failures. Even the few switch-hitting firms—those successfully engaged in both military and commercial work—commonly erect an impenetrable iron curtain between the two sides of the house. And when astute U.S. defense firms acquire a commercial firm, they retain the prior management and culture and give it wide operating freedom. While this approach is best, it precludes any of the synergism that is at least initially used to justify most corporate mergers and acquisitions. Little “value added” is realized, as the defense firm merely becomes a holding company; scant else is thereby accomplished—certainly nothing to help preserve its own employees’ endangered jobs.

Most such acquisitions fail anyway. A recent McKinsey & Co. study done for General Dynamics reveals that 80 percent of commercial acquisitions by defense contractors prove financially harmful. This is not reassuring to defense companies, already heavily burdened with debt and selling at a 60 percent discount in the equity market. Many firms now stand practically one mistake away from extinction.

Postwar experiences of individual U.S. defense companies are distinct from those of the country as a whole. The U.S. economy has expanded in various postwar periods, none as dramatic as that immediately after World War II when U.S. defense spending fell by 90 percent. Defense spending plummeted from 41 percent of GNP in 1944 to 6 percent just three

years later. But while some 19 million GIs were demobilized, unemployment rates stayed beneath the four percent level.

While a remarkable record, it is a singular experience. For rather than a successful example of massive defense conversion, the post-World War II case was a special instance of defense *reconversion*. Most wartime defense plants were only temporarily such; they reverted to their prewar civilian activities when the war ended. Enormous demand for civilian goods followed V-E Day, as did the farsighted GI Bill that provided educational, retraining and counseling opportunities for millions who had served in uniform. This enhanced their purchasing power and lifted their living standard. Moreover America's massive postwar conversion was successful, in part, because of high rates of wartime savings coupled with President Truman's prudent expansionary economic policy to fuel a quick recovery.

The Korean and Vietnam wars were far less demanding on U.S. industry. Existing defense facilities were expanded rather than new ones created to meet those wartime needs. Worker and capital mobility helped minimize disruptions in those postwar transitions. Most important, all such transformations occurred in a fundamentally sound economy. Herein lies the prime difference between the post-World War II U.S. experience and the present challenges in the newly free Soviet and east European states: their economies were tenuous, at best, long before defense conversion became a top priority. Almost nothing, it now seems, worked—at least not well. And that which did work under the old Soviet system seems to have been confined to the commercially irrelevant defense sector.

In trips across eastern Europe and the former Soviet Union we often found inferior technology, inadequate capital, bankrupt consumers, poor work practices and scant experience with the free-market system they say they now seek. Their defense sectors have just one advantage over those in the United States: they are not seeking to penetrate established and crowded markets already populated with strong and quasi-threatened competitors.

III

That a centrally controlled economy does not and cannot work is now accepted. The once-raging war of ideas—capitalism versus communism, central control versus free enterprise—has ended with the clear contrast between the

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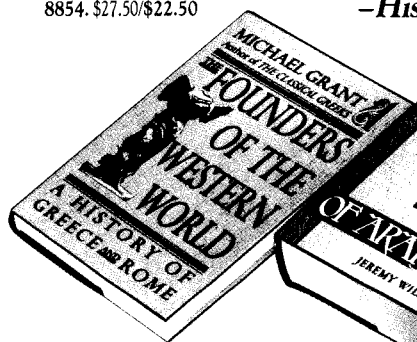
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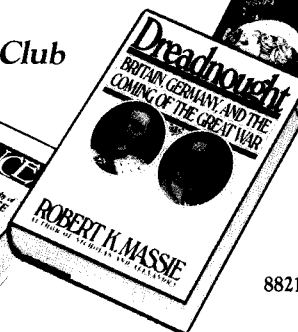
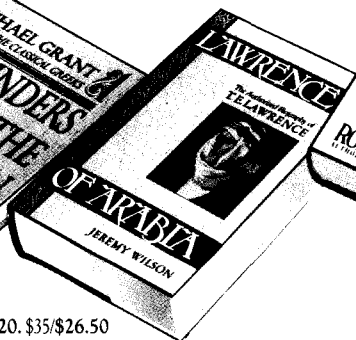
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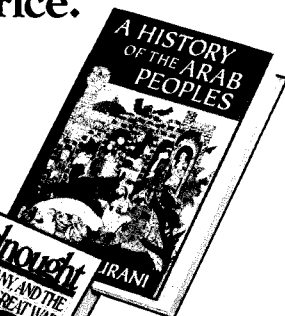
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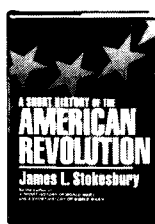


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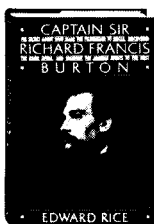
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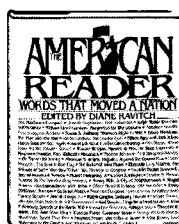
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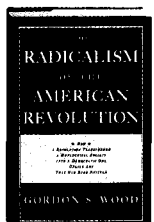
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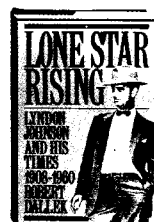
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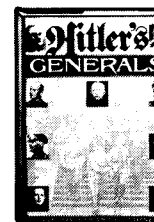
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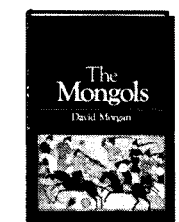
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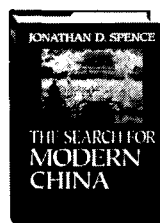
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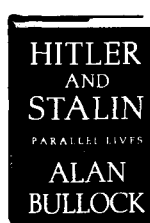
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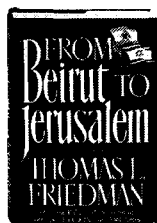
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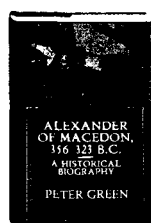
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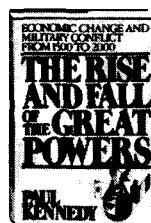
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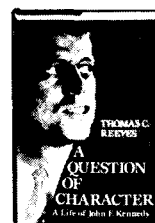
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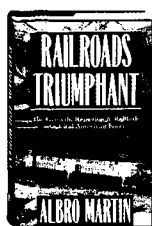
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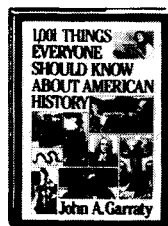
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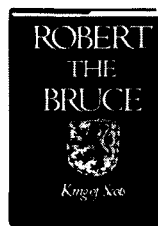
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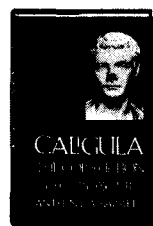
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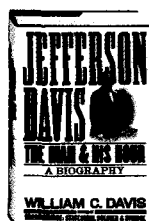
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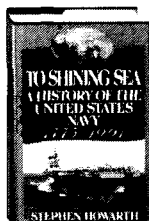
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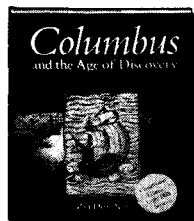
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economies of west and east Germany, Taiwan and China, Puerto Rico and Cuba, and South and North Korea.

While the destination is clear, the means of getting there are not. Libraries are full of books on the transition from capitalism to communism, but few were written on the transition from communism to capitalism. Such manuals are needed now to guide the first crop of newly elected politicians, who worry whether they will have enough time to manage the transition. They fear the attempt may be overtaken by economic collapse, civil war, authoritarianism or some combination. And people now constantly worry about losing their jobs.

Under communism there was no official unemployment, just massive underemployment. Everyone had a job, though nobody had to work. Conversations with plant managers and workers throughout the area led us to a rough conclusion: one-third to one-half of all employees would no longer be needed if their plant had modern technology and competitively oriented management. Efficiently run firms could not afford to keep them on the payroll.

Nonetheless no government can tolerate such massive unemployment, even during a transition period. Never having acknowledged joblessness before, the former Warsaw Pact nations lack both the social "safety net" structures found in the West and the funds to launch such programs. To be unemployed is a big blow to self-image, even in countries where some unemployment is common. But where everyone has been employed for nearly as long as anyone can remember, as in the onetime communist countries, it constitutes a psychological shock of immeasurable proportion.

Besides it has become a phenomenon of modern life—in free and managed economies alike—that when government causes unemployment, people mobilize to resist, but when private companies cause unemployment, people mobilize to find other jobs. After the Pentagon canceled the A-12 aircraft, for instance, thousands of industrial workers were laid off, with hardly a whimper. Yet when a government laboratory or military base is subject to closure, even if it employs only a handful of people, massive political pressure is mounted and is often successful enough to stop the proposed closure—and this in a free enterprise nation.

Thus the main dilemma of defense conversion: how to manage a first-ever transfer from a central to a market-driven economy, starting with bankrupt political and financial struc-

tures, ending soon enough to preclude unmanageable social unrest and with as little unemployment as possible along the way. What we have here is a world-class challenge.

IV

From Leonid Brezhnev through Mikhail Gorbachev, Soviet attempts at defense conversion have led to some ludicrous results. The Ministry of Aviation Industry was given responsibility to process fruits and vegetables and to make starch, syrup and pasta. A few years ago the minister himself appeared before the Soviet Council of Ministers to boast of creating the country's first macaroni production line. Under Gorbachev the ministry charged with making nuclear weapons began to manufacture cheese-making equipment. Initially it received orders for 10 units and then, within a few weeks, orders for 2,300 units, causing the plant manager to sigh: "Of course now we are somewhat bewildered." Stories have been rampant of children's sleds adorned with titanium runners, of gasoline refiners producing somewhat dubious champagne.

The problem of defense conversion, however, is no laughing matter. And the conversion situation is unique, just as the Soviet economy was unique. The U.S.S.R. spent perhaps three to five times more of its GNP on defense than the United States, and up to 25 times more than Japan. Around one-fourth of all Soviet industrial production went for its military. For a large number of cities in Russia and Ukraine—two republics that accounted for some 85 to 90 percent of all Soviet defense production—this one sector comprised four-fifths of all industrial enterprise.

Over time the distinction between military and civilian sectors became increasingly blurred. The so-called military sector relied upon civilian plants for its raw materials and finished goods—all produced under military priorities. And the civilian sector relied upon the military sector for much of its goods. In 1971 Brezhnev boasted that 42 percent of the Soviet defense industry's output served civilian purposes. In 1991 the 3,000-plus Soviet defense firms made some 2,000 types of consumer goods, including nearly all televisions and refrigerators and some two-thirds of vacuum cleaners and washing machines.

The expansion of the defense sector into civilian production came in part because defense industries seemed the most successful. While enjoying some triumphs in its core busi-

ness—from launching Sputnik to making first-rate weapons in enormous quantities—the Soviet defense sector's overall efficiency, even in high-tech military equipment, was far below that of the West.

In its heyday the Soviet industrial-military complex worked as well as it did because it was politically favored and thus generously funded. It received a hefty budget, any needed raw materials and the best and brightest scientists and engineers. It attracted the ablest managers, who received the highest salaries, biggest bonuses and newest dwellings. Its workers lived in the most comfortable apartments of any workers in this once-touted "worker's paradise."

Whenever bottlenecks developed, the defense sector expanded by vertical integration. The Ministry of Aviation Industry, for instance, made aluminum for its airframes and grew rubber plants for its tires. Assisting those engaged in defense and intervening at the first sign of a dip in production by suppliers were the party apparatchik and KGB operatives. They kept things in line, as they did elsewhere in Soviet society.

Gorbachev left this system relatively intact during his first three years as Soviet leader. In March 1988 he began an energetic campaign for defense conversion—although in an all too typically injurious way. His campaign did not move defense plants into the commercial sector, but incongruously moved at least 260 civil plants into the defense sector as defense management took over ongoing operations in other fields.

Gorbachev had embarked on the wrong path. His faltering attempt at defense conversion was a failure of leadership. Expanding the defense sector further into civilian production merely expanded the military's role in an already vastly over-militarized society. This approach could not help satisfy popular needs, because in such an environment consumer goods would invariably take second priority to defense manufacturing. As one Soviet production official remarked, "We should not delude ourselves here. We must always remember that we are responsible for defense above all."

Hence those least willing or able to make consumer products were given authority to do just that. Gorbachev's conversion plans were devised by the Ministry of Defense and implemented by the military production ministries—neither of which was known for championing reform. Those efforts were

like using rabbits to deliver lettuce. Besides, at lower levels many defense managers and technicians resisted such changes. They saw the development and production of consumer goods as less professionally challenging and certainly less rewarding than building spacecraft, precision-guided missiles and supersonic aircraft. They would be less assured of acquiring necessary supplies and having ready markets.

Defense firms generally lack the skills needed for successful civilian work. Their managers face problems at both ends of the business spectrum—in obtaining supplies and finding markets—and in between at running responsive factories. Workers lack the geographical mobility to adapt to a changing labor market. Like their Western counterparts, defense producers in ex-communist states lack knowledge of consumer preferences, marketing, distribution, pricing and commercial accounting. They understand little of market research or turnover cycles, or inventory strategy or promotion. And in the ex-communist nations they understand nothing of capitalization, leverage, depreciation or product warranties. It is not surprising, then, that Soviet consumer goods cost more when produced within the defense industry than by a specialized civilian plant.

Such products were often overdesigned by overly skilled engineers and produced on overcomplicated machinery run by overly sophisticated machinists—all overseen by legions of bureaucrats. Thus washing machines passed through 20 different cycles for each load. And thus Gorbachev's most celebrated conversion was to have the Votkinsk machine plant, which manufactured all the SS-20 missiles before the Intermediate-range Nuclear Forces (INF) Treaty ended that production, begin to manufacture baby carriages and beer containers. Likewise having airplane plants produce saucepans makes scant practical sense. The tale of a Soviet defense factory reconfiguring itself to make titanium wheelbarrows is indeed a technological breakthrough of the first magnitude—but only for someone willing to spend \$10,000 on a wheelbarrow that will last 1,000 years.

Gorbachev's five-year effort increased consumer output little, if any. It did increase the grasp and power of the Soviet military, which was not helpful to him or his citizens. Gorbachev's approach somehow managed to lower the already abysmal quality of consumer goods while simultaneously raising their prices. He apparently wanted defense conversion in

the worst way—regardless of the consequences—and that is how he implemented it.

The new leaders of Russia and Ukraine have already taken the single most important step toward defense conversion by severely slicing defense production. U.S. intelligence reports estimated that Russian military procurement for the first quarter of 1992 was cut by a whopping 80 percent from the same period last year. That figure may be a bit high; other indications are that procurement was down 50 percent. Either figure, though, constitutes a staggering decrease in such a short time. And a discomfoting one for that monstrous industrial-military complex.

Since power has devolved to local authorities, plant managers are now scrambling to adjust. In parts of Ukraine the situation has on occasion become both comical and ironic. When a generation ago Nikita Khrushchev bragged that the Soviet Union could produce rockets like sausages, he had in mind heavy missile factories like that in Dnepropetrovsk, Ukraine. Once the biggest integrated missile producing plant anywhere, the Iuzhmash factory recently went into sausage-making—literally. “When we built our first 30 sausage machines,” its chief engineer said, “they all fell apart.” Problems developed elsewhere, as heat chambers for rocket boosters were transformed into high-speed rose-petal dryers to make perfume, booster rockets into farm granaries and trolley buses, and machinery was retooled to churn out umbrellas, tractors and microwave ovens.

More sensible have been changes in the Znamya Truda (“Banner of Labor”) Plant 30 in Moscow—once a showplace for the Soviet military aircraft industry as it produced MiG-29 fighters and transport aircraft. Managers there now plan to stop producing MiGs and begin making the Il-114 civilian airliner, currently undergoing flight testing. To help them over the transition hurdle, plant officials attempted to build industrial juice processors, but the results have been nothing short of lemons.

The Klimov Engine Plant in St. Petersburg had long made engines for military and civilian fixed-wing aircraft and helicopters. It now plans to manufacture the engine for a new civilian airliner. To help them through the transition, managers are working to produce shoemaking equipment, but this effort may end as the attempt at juice processors did.

The massive conversion of the defense sector seems dubious

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at best, although a few such local attempts could conceivably succeed. The new Russian government under Boris Yeltsin has formed some 16 new committees to deal with this problem—an ominous sign in itself, as anyone familiar with the U.S. Congress realizes—and top-level pronouncements have hardly been reassuring.

The good news is that most Russian leaders recognize that Gorbachev was wrong to view defense conversion as paving the way for perestroika. They sense that the reverse is true—moving beyond perestroika to form a functioning market economy must lead the way for successful defense conversion. Hence Yeltsin's adoption of shock therapy for the whole Russian economy.

And hence Mikhail Bazhanov, the head of the Russian State Committee for Defense Industry Conversion, lamenting last January that there is no market to help defense conversion. The defense complex must "be taught the market," he said in a televised interview. "Furthermore, one cannot talk about real conversion. I call it convulsion rather than conversion." Bazhanov recognizes the ill-conceived attempts made by most defense factories thus far:

They are looking feverishly for what they should do, if only to earn something, if only to provide social support for their workers. Pans and beds and whatever else you like are therefore indeed being produced, along with hat stands and coat hangers—you name it. Children's beds that often cost more to produce than they're worth.

While on the mark with the problem, Bazhanov is off track on the solution. He still views defense conversion as a centralized effort—one demanding a complete catalogue of every plant's qualifications, technology, output and potential: sort of a centralized decentralization. Bazhanov talked as if his committee (or any committee for that matter) could manage "a conversion program for the enterprise, then for the region" and then "an overall program for the conversion of Russia." For this, he said he needs "approximately 150 billion rubles" for the next five to six years, "and incidentally I am calculating this according to the prices that were in force before now." Such huge sums are required even though "so far not a single kopek has been allocated for conversion. At any rate, I haven't seen any."

Should such funds miraculously come his way, Bazhanov

would begin his “certification of production facilities,” encourage them to branch out and “offer those enterprises technologies that we have in the committee’s data bank. That is the only way.”³

But centralized planning for defense conversion can work no better than centralized planning for economic development. The plans of Bazhanov, who worked for many years in the Soviet industrial-military complex, have been roundly and rightly criticized by Russian free-market advocates. That is not “the only way.” There is a better way, as we will present shortly.

V

No central east European country was as thoroughly militarized—or is as economically failing, politically splintering, ethnically clashing or bureaucratically stifling—as the U.S.S.R.⁴ While these populations often complain about their predicament, they now at least have hope. This, like so many other things, they lacked for a half century.

Being smaller, more monolithic and certainly more manageable, east European states have greater opportunities for outside aid to make a genuine contribution. The ex-Soviet Union is simply so large that plausible levels of foreign aid cannot be expected to make a dent, other than in specialized areas such as medical supplies. And in eastern Europe the living standard has been higher and the work ethic stronger than in the former Soviet republics. Forty-five years of communism is less corrosive than seventy-five years.

One U.S. automaker reports that its plants in western Europe are 25 percent less productive than those in the United States (which in turn are generally less productive than those in Japan), leaving little to the imagination about the productivity in eastern Europe—let alone Russia, Ukraine, Georgia and the other republics. Plants across ex-communist lands are hopelessly outdated—“veritable museums of industrial archaeology,” as aptly put by one commentator. A visit to those factories turns one into a Rip Van Winkle in reverse.⁵

East European countries, however, are at least heading in

³Official interview on Industry Conversion, *FBIS*, Jan. 23, 1992, pp. 53–56.

⁴We exclude Yugoslavia in our consideration here.

⁵We are grateful to Arthur Alexander for his thorough research on this topic over the years, which furnished so much delightful and helpful material.

the right direction, toward privatization. Over half the defense plants in Czechoslovakia, Poland and Hungary have now been slated for such conversion or, for many, closure. In east Germany an aggressive program is underway to privatize all manufacturing—an effort destined to succeed given the support of its wealthy cohort, but surely with much greater difficulty and more delay than ever anticipated.

In many cases east European governments have simply flung defense concerns into the commercial marketplace—“the sink-or-swim school” of conversion. Most of these are not real “companies” at all, but factories. For years their managers have been told what to build, their workers when and how to build it. Much to their current disadvantage the defense factories in eastern Europe produced mostly small arms or component parts; in the case of larger systems, their factories and products were simply copied from Soviet designs.

Though east European technology lagged a generation behind the Soviet Union’s, at least those countries led in management skills, particularly Hungary. Budapest gained a decade head start in moving toward a free-market system through a tacit agreement with Moscow, which tolerated economic experimentation as long as the political line was toed.

The enormous demands on industrial managers in a free-market eastern Europe pale in comparison with the demands placed upon policymakers overseeing and directing this transformation. Many of their new political leaders were former dissidents; they were intellectuals, poets or unionists, not managers. Some patriots spent many of the communist years confined in jail, and thus lack essential experience. Poland’s second postcommunist prime minister admitted that “my experience in politics was close to zero” before he took the key political position.

Now that their countries are strapped for hard cash, they are tempted to continue making military equipment for export. President Yeltsin has explicitly supported arms export in his public statements. This becomes worrisome, since those countries with the most hard cash to buy weapons are precisely those Middle Eastern or Persian Gulf nations that the United States might wish not to be more heavily armed. It is also worrisome since it just postpones the day when massive defense conversion must be tackled.

The classic example of such an exporter is Czechoslovakia.

Its inspiring playwright-turned-president, Václav Havel, was one of the most defiant opposition leaders. He nonetheless reversed initial plans to phase out the country's defense production, due to Czechoslovakia's need for hard cash and to preserve jobs. Ethnic tensions also played a major role, since drawing down the defense business would have devastated the poorer republic of Slovakia, which manufactures some 75 percent of the country's arms. In east European states, defense production has been geographically concentrated, with many regions almost wholly dependent upon defense. In one area of Czechoslovakia, for example, the local economy was dominated by a huge underground plant originally built before World War II to manufacture tanks for defense against the Germans. Captured and operated by the Germans throughout most of the war, it eventually fell into the hands of the Soviets. Today it is largely unused, a monument to past wars—and to future environmental cleanups.

The breakup of political links has shattered market relationships. Other former Warsaw Pact nations used to account for half of Czechoslovakia's arms sales—formerly the seventh largest in the world—but these countries no longer want the weapons, nor can they afford them. Consequently many Slovakian defense plants have huge inventories, few customers and a government with an increasingly desperate need for hard currency. Thus the Havel government has approved a \$200 million tank sale to Syria and a rocket launcher sale to Iran, both over the West's strong objections. Recent reports tell of Slovak-made weapons heading to factions in Yugoslavia and to Syria.

Such may be the pain of transition. And the transition will be long and hard. After all it took the already developed nations of Japan and West Germany a quarter century—aided by benevolent foreign occupation and massive infusions of foreign assistance—to convert their economies after World War II. It took South Korea about the same time after its war in the early 1950s, again with massive aid (but no occupation).

People are understandably frightened. Polish President Lech Wałęsa reflected this sentiment when addressing the Council of Europe last February: "Nowadays our own people are not getting the feeling they are better off. . . . Democracy is losing its supporters. Some people even say, 'Let's go back to authoritarian rule.'" And in fact, Poland has gone through



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three prime ministers in the past two and a half years, largely as a result of its jolting economic reforms.

Capitalism demands individual initiative, an often alien concept for those who lived under communist rule. But promising signs are emerging, including the thriving black market in Moscow, which prompted David Johnson at Plan-Econ in Washington to identify the main defense conversion problem as: "They don't have any experience with how to do it legally."

VI

Defense conversion throughout the ex-communist states leads to a bundle of woes that accompany the unprecedented leap from communism to capitalism, from communes to companies. They raise several questions.

Ownership. Who owns the land, building or company originally seized by the communist government? Or by the Nazis and then by the communists? What date does the government choose to honor restitution? Or should the government not honor restitution—giving the land or real property back—and instead merely honor compensation? Who owns the plant? The center, the local authority or the plant manager?

Privatization. How is one to convert existing facilities from the government to private hands? Who gains ownership, since few citizens (besides high-ranking ex-communists with suspicious sums of money) have the means to buy major facilities? How much foreign ownership will be allowed? Can an investor be certain that the laws made today will hold five years from now? What is the sanctity of a contract? How are legal disputes to be resolved? What standing will foreign firms have? Will domestic firms that operated these facilities prior to World War II be given preferential treatment?

Personal Allegations. How much in the millions of raw intelligence reports is to be believed? How can one clear his or her name of allegations? When will this be done? Until it is done, who prominent in these societies can rest assured that they will not shortly be smeared with a leak, no matter how unfounded? In Russia how did a certain individual conduct himself or herself during the attempted coup in August 1991?

Entrepreneurial Talent. Where is one to find or train potential business leaders with a host of skills never needed under communism? How long will it take to create a critical mass of

such skills in each country? What happens to the existing cadre of managers?

Conversion of Currency. How do foreign firms repatriate their earnings? At what exchange rates? With what level of taxation? Is this likely to change dramatically?

Environmental Liability. What happens if a newly purchased facility is later found to have a major environmental problem? Is the answer the German approach, where officials simply indicate that indemnification will be provided?

Political Stability. With whom within a government does one negotiate? (In Czechoslovakia there are three foreign ministers; in the former U.S.S.R., fifteen.) With what government? For how long? Should commercial agreements be made with the central government, the republics, the cities' mayors or the factory managers?

The dearth of answers to those questions represents the greatest deterrent to foreign investment and provides what may be the last great refuge of the established bureaucrat.

Problems of defense conversion naturally ease as the economy improves. Prosperity, or even relative improvement, is a catalyst to transition. That, in turn, depends on a measure of stability. Money is a coward; few risk great sums in periods of great uncertainty—especially when the world is rich with opportunities from Malaysia to Mexico for risk capital. Reports indicate some 3,400 foreign partnerships have been established with firms in the former Soviet Union, but in reality only a few have left the drawing board.

In a grand sense Britain prospered in the nineteenth century because of four factors: a clear, simple and dependable legal system, which assured both property rights and the sanctity of contracts; real, fully convertible money; relatively low taxes; and an absence of corruption (whose existence prevents any political system from encouraging economic growth). These four elements remain key to prosperity today.

For conversion to work best, capital must flow into private enterprises led by a new class of entrepreneurs sensitive to consumer needs. It will not work when production is assigned to existing defense facilities commanded by the military elite. Nor will it work well if it consists of simply answering the question posed to a Western visitor touring a Ukrainian plant, "How do we sell AK-47s abroad?"

Fortunately the critical step for conversion—privatization—is occurring in eastern Europe, as throughout much of

the world. In 1990 some 25 governments worldwide sold state-owned enterprises—incidentally accruing some \$30 billion in revenues. Such actions are frequently controversial, sparking demonstrations from India to Argentina when government-owned assets were put up for sale, but such actions are needed.

Privatization must come with greater incentives for workers and managers to engage in civilian projects rather than military programs. The traditional Soviet mania for secrecy must be lifted to open the way for joint ventures with foreign firms. Only justice is blindfolded; no worthy potential business partner will emerge so adorned.

Asking what to do leads to the Rosetta Stone of defense conversion—to wit, defense conversion should not be viewed as “conversion” at all. Rather it is the result of two independent and parallel actions: *shedding* many elements of the defense sector; and *absorbing* those assets into a new entrepreneurial consumer sector. The way to increase the production of sausage-making machines is to expand the sausage factory, letting it hire the employees of the defense firm and rent or buy its factories—not to anoint the rocket makers as sausage makers. The first step is already being done rapidly throughout the world, especially in Russia and Ukraine, where defense shedding is happening much faster than was imaginable, even under Gorbachev.

Ex-military workers can be employed in similar civilian jobs; welding a tank resembles welding a truck. Even design engineers may be salvageable; designing a radar resembles designing a television. Some capital assets can be retained; factory buildings care little whether rifles or refrigerators are made within them. The bad news here is for the managers, most of whom become unsalvageable.

Hence our main message on defense conversion: bulldoze the management, not the factories. And, while they are at it, bulldoze the corporate culture. For every industrial organization, as every individual, has a “personality” or culture that is resistant to change. Buildings can be razed and replaced, machines moved in and out, workers hired and fired—but the culture lives on. It is established over considerable time by deed, not by word, and emanates from the top, only to seep through the layers of managers in an organization. Managers in those countries who stand to lose the most by change must

therefore be replaced if the culture is to be fundamentally changed, as it must.

And as it can. Dramatic cultural changes have occurred, as when Japanese firms took over the operation of U.S.-based automotive or electronic manufacturing facilities and achieved remarkable improvements in quality and productivity with the same workers, plants and products—but new management cultures.

VII

Various models exist for transforming a defense industry into commercial pursuits. Many of them have been tried in past cycles of defense downturns in one country or another. None, however, has been fully tested during a shift of the entire economy from a managed to a free-market structure.

First is the “insertion model,” similar to what was unsuccessfully tried during the Soviet Union’s final years. Here commercial work and market share are assigned by the central government to defense manufacturers. A rocket plant is given responsibility for making refrigerators or perfume. This unworkable approach depends illogically upon a centrally managed economy, which is itself unworkable, and is not an attractive model.

Second is the “conversion model,” whereby defense contractors simply seek to use their technology and manufacturing capabilities to shove their way into the commercial sector. They launch major initiatives of new products, such as canoes, buses, coffins or beepers. This approach has been repeatedly tried—notably by U.S. defense manufacturers during the defense downturns of 1944, 1955 and 1969—and has regularly failed.

The third, unlike the first two not a proven failure, is the “evolution model.” This version is characterized by a gradual movement into selected commercial markets closely related to the basic skills of existing defense firms—endeavors marked by high-tech, systems engineering, “large” products, low-rate production and arrangements with a few large customers, whether governments or major corporations. This approach offers some promise. Yet it affords only limited opportunity to offset job losses in traditional defense activities since it excludes major market segments and does little for the consumer. Nonetheless this is the best model today for recasting the U.S. defense industry. It could work reasonably well in a

controlled defense downturn, as opposed to a defense budget collapse. No model can manage a free-fall.

Fourth is the “substitution model,” which we recommend along with accompanying actions for the ex-communist states. This consists of providing government assistance and incentives to small start-up, entrepreneurial enterprises that then selectively hire away the employees of the existing defense firms and, in some cases, even buy or rent parts of existing defense factories. This approach helps assure that the existing management and culture are left behind eventually to wither away, residues of excessive government-imposed bureaucratic oversight attuned to a different era. Under this model technology is transferred the way it has always been transferred—although seldom recognized as such—in the minds and skills of the workers.

This substitution model can be facilitated by the leaders of these ex-communist states allowing joint ventures with foreign firms, on a company-to-company (not government-to-government) basis, to provide manufacturing expertise and capital in exchange for equity ownership. Start-up funds could also be raised from the sale of state-owned land and buildings. But to be effective the old management must be bulldozed aside and replaced with a cadre of fresh leaders, who make up for their lack of experience not only with a vision but also with a stake in that vision.

VIII

Decisive action is needed, and needed fast. The “muddle of the road” approach can only lead to economic failure, which invariably leads to political failure.

Leaders of these ex-communist states, now longing for capitalism, must realize that conversions of all kinds are endemic to that system. Joseph Schumpeter identified the essence of capitalism as “creative destruction” since companies, and even entire industries, constantly rise and fall. Manufacturers of buggy whips are down, while those of microchips are up. Employment in defense firms ebbs and flows as foreign threats rise and fall.

Any transition can be eased by enlightened government policy. In such an environment defense conversion largely “happens” rather than being directed or dictated. The U.S. government conversion policy is basically a hands-off policy. The Pentagon has only a minuscule office to help, the Office of

Economic Adjustment, which uses its \$4 million annual budget to assist some local communities.

Under capitalism the market redistributes whatever human and capital assets are displaced during defense downturns. After the INF treaty was signed in December 1987 American workers in Pershing II missile plants did not then start to make baby carriages in their factories. Rather some moved on to other projects in their companies while others moved on to other companies or other industries.

Defense conversion is a continual and natural part of change in Western economies. Downsizing leads to consolidation. During World War II, some 20 major contractors built fixed-wing aircraft in the United States; today only a half-dozen do. As U.S. defense spending continues to decline from a high of 6.3 percent of GNP in 1986 to below an estimated 4 percent in 1995, the number of defense firms contracting with the Pentagon will continue to decline. Likewise in France and Britain; each had some ten manufacturers of military aircraft in the 1950s. They now have one or two.

Thus do people in free-market societies move on to other activities when a market recedes—not without pain, but with the knowledge that this is how it goes. Or how it should go, if alternatives exist, as with the U.S. economy, which typically generates some one to two million new jobs each year.

Sadly this is not how it goes in most ex-communist countries. Leaders there cannot delay defense conversion until their economies start to hum. They must begin now, and can begin, naturally, by building on their comparative advantages. Work forces in most east European countries are well educated and fairly well motivated. Their number of craftsmen is high and factory labor costs low.

Given appropriate tax and investment incentives in a stable situation, Western firms could use these comparative advantages to build new (or even modify existing) facilities for relatively low-cost production—similar to what has happened in the Pacific Rim and Mexico.

How to accomplish such a transformation? We offer seven steps, none simple, but all clear.

The first task is to help assure political stability. Foreign investors shy away from committing assets if they are uncertain which government will hold power tomorrow—or, worse yet, which government holds power today. Likewise, layers of

bureaucracy must be scraped away, for they do little else than impede productivity.

Second, a business-friendly infrastructure must be constructed with clear laws of property ownership, assuring the sanctity of a contract, environmental accountability and an encouraging tax policy. This entails a legal system for dispute resolution and protecting intellectual property, ways for foreign investors to repatriate earnings, insurance for bank deposits, an economic safety net for employees displaced during the transition period, and much more.

Third, privatization should be expedited with a generous stance toward foreign ownership, including special tax incentives to reward job creation. Only then can productive assets be taken from the hands of bureaucrats and passed to the entrepreneurs, while raising capital.

Fourth, conversion must be need-driven, not capacity-driven. To launch the defense conversion effort these new leaders should direct assets into the essentials of a society—medical care, food processing and distribution, housing and energy generation. This, of course, is not the path upon which many Russian or Ukrainian factories are embarked; they prefer instead more glamorous high-tech pursuits. What remains of the old Soviet army, or new republic armies, should use the military's logistics system to help rebuild the infrastructure of highways, railroads, airports and telecommunications as well as for environmental clean-ups. The focus should be on internal markets since that need is greatest and today's capabilities are generally inadequate to match worldwide competition in the export realm.

Surely the sole constructive measure taken by the former East German government occurred in its final gasping days, when it assigned those drafted into the army to spend only three months in basic training and then begin national service in construction work or health care for the duration of their time in uniform. A civilian conservation corps of people displaced from the military and defense projects could help avoid massive unemployment and actually build up the infrastructure.

Fifth, ex-communist countries must develop sources of hard currency by doing what in the nondefense realm they do best. Eastern Europe still produces agricultural goods, and tourism there and in Russia, Ukraine, Georgia and elsewhere can attract Westerners anxious to see once forbidden and forebod-

ing sites. Officials could jump-start tourism as a potentially major source of foreign exchange.

Western firms could also be given equity stakes in developing oil resources in the Russian and other republics, whose resources are said to rival those in the Persian Gulf. This takes new approaches and firm decisions. Chevron's attempts to develop the Tenghiz oil field in Kazakhstan, for instance, has been frustrated for more than four years by bureaucratic infighting among sundry Soviet authorities.

Sixth, civilian manufacturing capacity should be generated, not by converting defense plants to refrigerator factories, as is now done, but by permitting entrepreneurs outside those plants to create new businesses. Something similar to this happens in the black market; it can and should be legalized and encouraged. Then government authorities could offer the new entrepreneurs use of privatized defense plants, besides facilitating the construction of new plants as needed.

Seventh, as an interim measure to help them, Western efforts should be made to inhibit top-notch ex-Soviet scientists and engineers from peddling their expertise elsewhere. Libya, Iraq and other countries are reported to have offered scientists jobs at salaries of several thousand dollars a month—undoubtedly tempting for people now drawing the equivalent of \$10 per month. For decades Washington paid American farmers not to farm. Over the next couple of years Washington should pay many Russian and Ukrainian nuclear workers not to work—or at least to work on less threatening projects.

Ideally the U.S. government should identify the top 20 or so nuclear engineers and scientists (those of potential Nobel Prize caliber) and recruit them for work in U.S. labs and universities. The next rung, the thousand or so skilled in this area and possessing the expertise to make nuclear weapons, could be employed to destroy, or at least defuse, existing nuclear weapons throughout the land, to participate on a new U.S.-Russian cooperative Strategic Defense Initiative program, or they could be retrained for other high-tech but low-lethality projects. As for the tens of thousands of scientists at the bottom rung, they must cope with the new situation, much like their fellow citizens.

Overall we propose a policy of substitution rather than direct conversion through the two-step process of shedding defense assets and encouraging the absorption of such labor and capital by newly created companies.

IX

Training in free-market principles is sorely needed if a new corporate culture is to be created. Despite all the talk, knowledge of how to operate within a free market is scarce. After a tour of former Warsaw Pact countries on defense conversion, U.S. Deputy Secretary of Defense Donald Atwood reportedly said, "We found almost universal acceptance of what the problem is—lack of understanding of how free enterprise works."

An infusion of retired Western executives with proven track records could guide the new entrepreneurs. Such activities, dubbed the "paunch corps," are already underway but need to be expanded both in numbers and in time of individual service (to a year or two). Launching a number of "how to" business courses in these countries would likewise help create a new cadre of entrepreneurs with a new corporate agenda. Corporate executive exchanges in both directions could assist as well, as could massive student exchange programs. Western aid to partially guarantee the seed capital for joint start-up businesses would be helpful.

Once on their way the ex-communist countries could model themselves on the step-by-step rise of postwar Japan, which deliberately proceeded from manufacturing baseball gloves to motorcycles to steel to automobiles to consumer electronics and now to aerospace.

International trade is also essential. Lowering, or better yet scrapping, the European Community's protectionist wall against commerce with countries to the east remains the most critical contribution any outside governments can make. It is ironic that a formidable wall harming the peoples of eastern Europe today has been erected and maintained by the west Europeans.

Above all time and determination prove critical. While the newly liberated people of these nations fixate on defense conversion per se, they are actually embarked on a much grander and nobler conversion, into a system of freedom and free markets. Theirs is an effort certainly worthy of pursuit and strong support.

David C. Hendrickson

THE RENOVATION OF AMERICAN FOREIGN POLICY

Fifty years of struggle against totalitarian powers have given American foreign policy an outlook and set of maxims profoundly at odds with those that animated the founders of this nation. We have assumed traits against which they consciously rebelled; our distinctive *raison d'état* has been lost. To recover an appreciation of that original reason of state and to apply it creatively to the challenges of the present are the great tasks confronting contemporary American policymakers.

It is obvious that such a foreign policy renovation must take account of the nation's vastly changed circumstances; contemporary policy must address risks and opportunities unknown to the founders of the American state. But it is a great mistake to believe that their vision is irrelevant or that they failed to anticipate many of the dilemmas we face today. Even if ultimately rejected, their outlook reflected a certain belief about the significance of America in world history that became deeply embedded in the nation's consciousness for 150 years. It reflected an understanding of when and why the nation might make war that was highly sophisticated in the way in which it accommodated the sometimes conflicting claims of American security and national purpose. It was based on an appreciation of the factors governing the rise and fall of republics and empires that is, in fact, quite relevant today. If we are now to abandon that outlook, we ought at least understand that we are doing so, and that we thereby risk a betrayal of the distinction America once coveted among the nations.

II

The United States was established in conscious flight from European precedents. For the Founding Fathers, as well as for the generations that followed, the workings of the European

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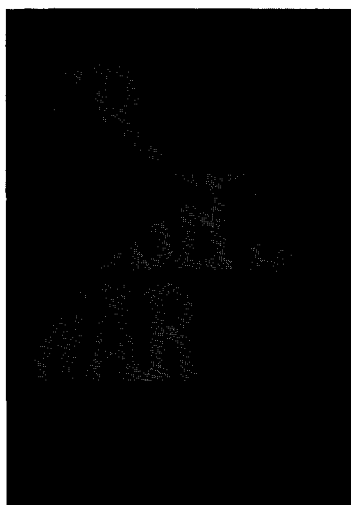


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state system gave rise to a predicament not unlike the anarchical Hobbesian state of nature. The founders recognized the sequence by which republics caught in the maelstrom of that system succumbed to war, debt and standing armies, and whose participation in the system thereby became the primordial cause of their corruption. With the breakdown of the Articles of Confederation and the impending division of the continent into rival regional confederacies, they feared that America would suffer that same fate.

Their remedy was twofold: the establishment of a republican empire in North America and that republic's political isolation from Europe. The one would contain the centrifugal forces that threatened to produce in America the system of interstate rivalry that had been the undoing of Europe (while also ensuring internal autonomy for the members of the union); the other would ensure that the republican empire thus created would be as far as possible immune to corruption and decay. The rule of law and the peaceful resolution of disputes were the main hallmarks of a *novus ordo seclorum* that would show the world the error of its ways and demonstrate the superiority of free institutions and free markets.

Underlying this outlook was a profound conviction that force had a logic ultimately inimical to liberty. Most Americans also came to understand that "the last logic of kings is also our last logic" and that force might sometimes be necessary "to preserve our honor in some unequivocal point, or to avoid the sacrifice of some right or interest of material and permanent importance." Yet primary emphasis was placed by Jeffersonians and Hamiltonians alike on the dangers that force would entail. Jeffersonians saw at work a historical dynamic by which force begot the expansion of executive or consolidated power inevitably hostile to liberty; Hamiltonians professed astonishment "with how much precipitance and levity nations still rush to arms against each other . . . after the experience of its having deluged the world with calamities for so many ages."

Both sides sought to devise institutional bulwarks, prudential maxims and moral barriers against the easy resort to war, believing that America should seek "by appeals to reason and by its liberal examples to infuse into the law which governs the civilized world a spirit which may diminish the frequency or circumscribe the calamities of war, and meliorate the social and beneficent relations of peace." Experience seemed to show only too clearly that nations and empires became corrupted at

home and weakened abroad unless the easy resort to force were somehow tamed or suppressed.

One potent source of corruption was the relationship seen to exist between war and public debts. Jeffersonian Republicans, following Adam Smith, considered debt not only ruinous to future generations but also a powerful temptation to go to war. Alexander Hamilton took a somewhat different view, holding "not that funding systems produce wars, expenses and debts, but that the ambition, avarice, revenge and injustice of man produce them." Even so, Hamilton did believe that the progressive accumulation of debt was "the natural disease of all governments." It reflected a propensity to "shift off the burden from the present to a future day—a propensity which may be expected to be strong in proportion as the form of a state is popular." He considered it difficult "to conceive any thing more likely than this to lead to great and convulsive revolutions of empire."

The observance of these cautionary rules was considered critical if America were to fulfill its distinctive purpose as a beacon for free institutions. The purpose the founders imparted was both inward and outward looking, an idea well understood by subsequent generations. If Americans believed they were part of a form of civilization higher than the polished societies of Europe, they also thought their purpose imposed an obligation to adhere to the highest standards of conduct in their own internal and external policy. The reputation of republican government was at stake.

Understood in this sense, the idea of a national purpose lent itself not only to displays of self-righteousness but also to sober introspection. It directed a reproach not only against the characteristic delusions of despotic governments but also the potential betrayal of national ideals by Americans themselves. African slavery and Indian removal were attacked on those grounds; so, too, were the wars with Mexico in 1846 and Spain in 1898. In each of these instances the national purpose served as a standard by which the aberrant ways of American democracy might be judged or held in check. It provided a light, at once piercing and redemptive, into the dark side of the American experience.

For all America's confidence that it had discovered principles of government that would allow every nation to improve its own condition and to enjoy the blessings of civil liberty, it nevertheless disclaimed any intention of interfering in the

internal affairs of other states. "Our true mission," as Daniel Webster observed, was "not to propagate our opinions or impose upon other countries our form of government by artifice or force, but to teach by example and show by our success, moderation and justice, the blessings of self-government and the advantages of free institutions." This was settled doctrine throughout the nineteenth century.

There were spirited debates over exactly how to apply this doctrine in particular circumstances, but even the most ardent propagandists of republican institutions disclaimed any intention to overthrow existing governments through American arms; even the most caustic skeptics of the ability of other peoples to transplant successfully republican institutions acknowledged a duty to teach by example. America was "the well-wisher to the freedom and independence of all," but "the champion and vindicator only of her own."

Americans appealed often to universal principles to justify the nation's rights and interests, whether in politics or commerce; in doing so, however, there was no intimation that the nation would surrender its freedom of action in foreign policy. Insofar as there was a multilateralist tradition, one founded on belief in the necessity of cooperation among like-minded republican regimes, it found expression in the union and the belief that "forbearance, liberality, practical good sense and mutual accommodation" were necessary virtues if the union were to survive. With regard to all states that were not a part of the "empire of liberty," however, the nation reserved its freedom of action. If we went to war, it would be for our own reasons and our own security. We would neither expect nor rely on the cooperation of other states.

In the original understanding, foreign policy was thus to play a modest role in the nation's life. Order and liberty were the ideals around which the nation's domestic life was to revolve, but they were to be objectives of foreign policy only in an indirect and limited sense. This outlook reflected the conviction that an ambitious foreign policy carried the risk of war; war in turn was seen as the means by which the constitutional order at home might be deranged and America's peaceful purposes corrupted. Though conscious that there would be occasions in which war would constitute the only acceptable response to an external assault on American rights and interests, the decision for war was seen as momentous, to be reached only on grounds of manifest necessity. The real

purpose of America lay elsewhere, in the perfection of its own civil society and the hope that the sphere of ordered liberty thus established would constitute a benign example for other peoples who wished to imitate it.

III

With few exceptions the principles of nonentanglement in Europe's political affairs, neutrality in Europe's wars and nonintervention in the internal affairs of other states characterized the outlook of American diplomatists from the nation's founding until the close of the nineteenth century. The duty to teach by example was continually reiterated, as was the American commitment to the peaceful settlement of disputes.

The epoch that followed—which may be dated roughly from the Spanish-American War of 1898 to Japan's attack on Pearl Harbor in 1941—was by contrast a period of uncertainty. Under force of circumstance and conscious of vastly enlarged power, intimations began to appear of a seismic shift in the permanent bases of American foreign policy. The old doctrine and old faith were increasingly questioned, though it was not until World War II and the onset of the Cold War that they were overturned.

The great transformation of American foreign policy from the late 1930s to the late 1940s arose, in the first place, because of a threat to physical security—and in this respect it was by no means inconsistent with the original understanding. It was the fear that the world balance of power might shift decisively against the United States, thereby posing a direct threat to its core security, that above all prompted the historic departure from a policy of isolation. At the same time American security was closely tied to more general considerations.

Both before and after World War II a pressing security need was linked with a justification for repelling aggression that invoked international law (order) and a certain diagnosis of the conditions in which peace might be secured (the spread of free institutions). Neither of these ideas would have been foreign to the outlook of the Founding Fathers, who made the law of nations part of America's own supreme law and who generally believed that free institutions contributed to international peace. What was novel was the degree to which the United States was now thought obligated to assume responsibility for ensuring compliance by aggressor states with international law and for establishing a protective umbrella over

selected areas of the world under which free institutions could prosper.

These departures from traditional policy were accompanied by a reversal of the nation's long-standing attitude toward "entangling alliances." Having previously abjured commitments in peacetime to the security of any other state, the United States entered into the North Atlantic Treaty Organization in 1949 for the purpose of containing the expansion of a communist movement led and supported by the Soviet Union. The nation entered that compact with a conviction that its own fate was intimately tied to Europe's and a belief in close cooperation among democratic states. Both that conviction in a common fate and belief in cooperative action harked back to the motives that led to the establishment of the American union in 1787. Both dates—1787 and 1949—signified the creation of an empire of liberty.

America's new world role would have provoked far greater domestic dissension—and in all probability would not have been taken up at all—were the threat posed by the Soviet Union to free institutions and international order not simultaneously a threat to American security. For different reasons Americans arrived at a common conclusion: the Soviet Union had to be contained. During the Cold War Americans debated whether containment should be particularist or universalist—whether the primary danger stemmed from the great power threat emanating from the Soviet Union or communism as such. Nevertheless a rough equation was readily established between ensuring order and protecting freedom on the one hand, and providing for security on the other. The equation was capable of uniting otherwise disparate outlooks, of holding under its capacious roof both Republicans and Democrats, realists and idealists, and all varieties of the tough-minded and woolly-headed. It formed the solid foundation of the Cold War consensus, which the party squabbles and partisan divisions of the day barely disturbed.

It was the strength of the Cold War consensus that explains why Americans readily consented to the establishment of institutions and governing practices previously identified with despotic governments. The establishment, in peacetime, of standing military forces more powerful than those of any nation on earth; the creation of intelligence agencies charged not only with assessing threats but also conducting covert operations; the claim of authority by the presidency to employ

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American military forces on short notice and without congressional consent—all this would have been looked upon by the Founding Fathers as incompatible with the maintenance at home of free institutions.

Yet enemies learn one another's weapons, as indeed they must. For a state with the political traditions of the United States, such institutions and doctrines might be justified only on the grounds of manifest necessity, as a regrettable yet inescapable departure from norms and practices we wished to maintain but could not. It attests to the strength of the Cold War consensus that not only were such institutions and practices accepted during the classic period of the Cold War, but that they even came to be seen as part of the natural order of things.

IV

The end of the Cold War in 1989 brought dramatic changes in America's position in the international system, forcing a rethinking of the assumptions that guided foreign policy for nearly half a century. The collapse of the Soviet empire in eastern Europe, together with the symptoms of internal disorganization and breakdown the Soviet system manifested, led to a dramatic improvement in the American security position. It also vindicated the American purpose, which had always been to show the peoples of the world through peaceful example that free institutions and free markets constituted the key by which their political oppression and economic misery might be lifted.

The implications of these epochal changes for American foreign policy were highly paradoxical. The novel situation that came to exist in relations between the superpowers made the connection drawn during the Cold War between world order and American security more tenuous than ever. Without a great power base behind it, the threat posed to American security by remaining minor despots was sharply diminished. At the same time enhanced cooperation between the superpowers made it possible for the United States to entertain objectives in the world—and particularly on the periphery—that were previously stymied by antagonism at the center. The favorable circumstances in international relations that allowed the United States to entertain a renewed vision of world order

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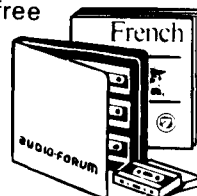
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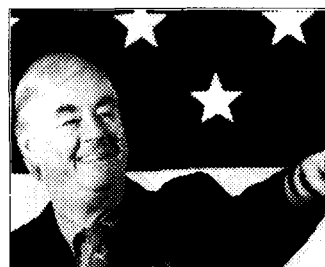
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thus also made it less necessary for purposes of security to do so.

It was under these circumstances that the Bush administration confronted Iraq's aggression against Kuwait. The most striking feature of its response to that aggression was the administration's insistence that the equation among order, freedom and security still held. It attempted to restore the Cold War consensus absent the Cold War and the threat of communism. It did so through its insistence that aggression anywhere in the world, if not quickly repelled through military force, constituted a threat that would ultimately endanger not only world order and free institutions but also American security—thus closely identifying disorder in the world with threats to the nation itself. It did so through its insistence that the president has the authority to go to war, even on a massive scale, without seeking congressional authorization—a claim made for the first time in American history in the aftermath of World War II. And the administration did so, more generally, in its claim that the world remained a dangerous place, which required the United States to maintain powerful interventionary forces to contend with would-be aggressors. This vision, to be sure, was pursued under the banner of “collective security,” but no one doubted—least of all its architects—that what would give efficacy to the promissory notes of a new world order was the pledge that a single hegemonic power would stand ready to redeem them.

This role of America in the new world order represents a marrying of two opposing traditions in American foreign policy, though without the limitations characteristic of either. The tradition represented by Thomas Jefferson and Woodrow Wilson entertained grand ambitions in the world but was equally insistent on achieving these ambitions through measures short of war. The tradition represented by Alexander Hamilton and Henry Cabot Lodge eschewed grand ambitions and insisted that foreign policy be tied to the pursuit of limited national interests; at the same time it saw the need for military preparedness and believed that military force would remain the great arbiter of conflicts among nations.

President Bush's vision of foreign policy embraces both universal aspirations and military force. It is an authentic offspring of both traditions, but one from which each parent would have recoiled. It offends the Hamilton-Lodge tradition by virtue of its universalism; it offends the Jefferson-Wilson

tradition by virtue of its reliance on force. A product of the past half century, it combines the outlook and institutions that a global challenge to the nation's security and purpose necessitated with circumstances that are altogether different from those that justified the initial response.

Although the vision of a new world order has been set forth as novel, it is in fact the latest manifestation of an outlook that found periodic expression during the contest with the Soviet Union. Then, it took the form of global containment. That policy proclaimed the need to resist the expansion of communist power and influence, if necessary by force, wherever and however it occurred. Indeed in some respects the vision articulated by President Bush goes well beyond containment. In the determination to make the acquisition (as opposed to use) of weapons of mass destruction by states deemed expansionist the occasion for the use of U.S. force against them, we see the reemergence of a doctrine that during the Cold War went by the name "containment plus." Like the prevailing outlook today, that doctrine condemned as futile and dangerous the reliance on nuclear deterrence and a defensive military posture. That doctrine provides a basis for the continuing use of American military power throughout the world.

Given the favorable power circumstances in which the Bush administration would today pursue its vision of a new world order, a policy that is the functional equivalent for the post-Cold War world of global containment, or even global containment plus, has evident attractions. The nation has succumbed to these attractions before, at times to its bitter regret.

Whereas our relations with the nations that formed the core of American postwar policy—in Europe and Japan—often brought out what was very nearly the best in us, our relations with the nations of the Third World often evoked what was close to our worst. Nor is there reason to believe that this experience will now change for the better. If anything the likelihood is that it will grow still worse, now that a principal incentive for restrained behavior on our part has been removed. When the opportunity provided by the end of the Cold War is joined together with the ostensible lesson of the Gulf War, the result may well be a greater disposition to intervene in the developing world. That disposition, if acted upon, would prove as corrupting to the nation in the future as it has in the past.

This is especially so if one considers the manner in which

future interventions may be conducted. We have fastened upon a formula for going to war—in which American casualties are minimized and protracted engagements avoided—that requires the massive use of American firepower and a speedy withdrawal from the scenes of destruction. The formula is very popular at home, but is not to be approved for that reason. Its peculiar vice is that it enables the United States to go to war more quickly than it otherwise might, while simultaneously allowing Americans to walk away from the ruin created without feeling a commensurate sense of responsibility. The idea that victorious powers have responsibilities of pacification, and that the nation has used force most wisely when it has assumed those responsibilities, is alien to this outlook. While assuming an imperial role, there is no intention of assuming the responsibilities of imperial rule.

V

These strictures against intervention in the periphery would be worth observing even if the United States still enjoyed the kind of economic surpluses it once did. But those surpluses are a thing of the past. It is true that military spending is not the sole cause of the nation's inability to live within its means; it is equally apparent, however, that this inability reflects profound structural causes that pose a serious long-term threat to the well-being of Americans and the stability of the world financial system.

The continuing budget deficits reflect a profound disorder within the American body politic, a fundamental disequilibrium between the wants of the people and their willingness to sustain the sacrifices necessary to secure them. As a consequence of this imbalance, since the 1980s interest payments on the debt have been the most explosive expenditure of government. Taxes for which there exist compelling financial, environmental and security reasons—such as those on gasoline consumption—are politically untouchable. Although there is no reason to suppose that the needs of future generations will be any less exigent than our own, we persist in a policy of financial profligacy that can be defended only on that ground.

Next to the existence of a formidable national security establishment itself, there is no feature of our current position that would have so astonished and mortified the statesmen of the late eighteenth and nineteenth centuries as this propensity, in a period of peace, to run ceaselessly into debt. Unless

reversed, that propensity will lead, as Hamilton warned, to “great and convulsive revolutions of empire”—revolutions that will adversely affect the core, as opposed to the peripheral, interests of the nation. Despite the current popularity of proposals that would widen the structural deficit, a plan to escape it remains of indispensable long-range importance.

Under the circumstances it seems evident that military expenditures should meet the test of necessity. If, as James Madison once suggested, both war and the preparation for war were paid out of current revenues, so that avarice might calculate the expenses of ambition, the American people would be in a far better position to judge the weight of these necessities and the value of these ambitions.

VI

Concern over the fate of free institutions and the conditions of world order will continue to inform the American approach to foreign policy. Given the role that order and liberty have always played in reflections on the American purpose, such concern is both inevitable and appropriate. In pursuit of this concern, however, military power has assumed an excessive role, if seen in the light of traditional conceptions of the national purpose. In making it the primary basis of our power and influence in the world, we risk betraying the distinctive purpose of America. The progressive expansion of the ends on behalf of which force is threatened or employed—whether for world order or the extension of freedom—is a corruption of the original understanding.

This disproportionate emphasis on military power is nowhere more apparent than in the disparity between the amount the nation spends on “defense” and the good works it performs to assist other nations struggling to make the transition to representative democracy and market systems. Even with the planned reduction in U.S. military forces, the Bush administration’s defense budget request for the next five years still exceeds \$1.3 trillion. The economic aid that might make the most significant contribution to the establishment and growth of free institutions, however, has very little political support. The public consents to these large military expenditures because it has been instructed by the president that they remain necessary to America’s security. In fact most of these expenditures are necessary only if it is thought the nation

should undertake a vast philanthropic enterprise to order the world through its military power.

At bottom the great issue we face is not between isolationism and internationalism, but the way in which we conceive our international responsibilities and the methods to carry them out. Skepticism about military intervention may coexist with a stance that is internationalist in other respects—one that recognizes the necessity for cooperative action among the great representative democracies, to preserve an open trading system and to contend with a host of functional problems. At the same time, however, and more disturbingly, an increasingly nationalistic public—one resolutely opposed to foreign aid and increasingly attracted to protectionism—may not be opposed to the use of American military power. So long as interventions, on the model of the Gulf War, promise to be relatively painless in American blood and treasure, they may well enjoy support from a public that is otherwise increasingly “isolationist.”

However inconsistent with the current public mood, the contemporary task most in keeping with our historical purpose is to assist the development of civil institutions among peoples who have shown a willingness to make such a transition. The waves of democratization that have swept across eastern Europe, the former Soviet Union and Latin America offer a chance, which may prove fleeting, to solidify and stabilize free institutions through peaceful measures. Such a program is particularly urgent in the case of the former Soviet Union; the response of the Bush administration since the August 1991 coup stands in stark contrast to the acts of creative imagination—preeminently the Marshall Plan—that animated American diplomacy after World War II. Led by public opinion, instead of leading it, both the president and Congress appear unwilling to offer the resources necessary to assist the reconstruction of these economies and thus undergird their experiments in freedom.

Given the scale of America's own domestic problems, such an attitude is surely understandable, even if deeply regrettable. Less understandable and harder to justify is the belief that America's new calling under the novel circumstances created by the end of the Cold War is to create a universal alliance against aggression, enforced by American military power. To refuse both tasks, under the exigent pressures of domestic crisis, would at least give consistency to the rejection of

internationalism. But refusing the one while embracing the other can only be deplored.

VII

The rejection of an open-ended commitment to the security of other states does not imply a withdrawal from all such commitments. In particular it ought not to reach core American alliances with Western Europe and Japan. This is so even if we accept the proposition that the renovation of American foreign policy should conform as much as possible to the nation's traditional diplomatic principles. Given the deep-seated character of American relations with Western Europe and Japan, the more relevant precedent is not the rule against entanglement but the belief, which found expression in the American union, in the necessity for cooperation among free governments.

With the collapse of the Soviet military threat, the retention of the security community with Western Europe and Japan is perfectly compatible with U.S. defense expenditures of \$170 billion a year, a level that might be reached over the next five years. The United States should aim for a devolution of responsibility in some areas, while also retaining certain roles—preeminently with regard to nuclear weapons—that would be destabilizing to renounce. The expectation of American policy would be that the states with which we have security commitments are not thereby relieved of the obligation to assume primary responsibility for their own conventional defense. Such an aim would make possible a far more substantial reduction in U.S. military expenditures than that currently contemplated by the Bush administration, but would not gratuitously introduce elements of instability where stability now prevails.

Though the Bush administration has not repudiated the principle of devolution in theory, its attitude in practice has been far more ambivalent. During the Iraqi crisis it made little effort to find even a partial substitute for American power in the capabilities of regional states. It has looked with skepticism and thinly veiled disapproval on the formation of a joint Franco-German force within the confines of the Western European Union, seeing such a force as a threat to American predominance in NATO. In its plans for rapidly deployable forces, there is little hint of the desirability of introducing policies, on the model of the Nixon Doctrine, that have as their

aim either a division of labor or devolution of responsibility. A *Pax Universalis*, after all, could hardly be sustained on the basis of such modest aspirations.

VIII

It is not only the traditional attitude toward world order and American security that might be rehabilitated in current circumstances, but the nation's traditional outlook toward the spread of free institutions. Such renovation of American policy would represent a difficult undertaking: there is today widespread consensus that it is America's duty to demand of foreign states far-reaching reforms in their domestic policy on behalf of human rights. The main difference arises over the means by which this end may be pursued. A coup in Haiti, repression in China, apartheid in South Africa, communism in Vietnam—all call forth the impulse to punish, whether that punishment takes the form of economic sanctions, the withholding (or withdrawal) of diplomatic recognition or, in some circumstances, even the use of force.

This impulse is not the exclusive possession of either the right or left. On several occasions Democrats have outbid Republicans in their denunciations of wrongdoing by foreign states, though they have shied away from military measures. But just as proponents of a new world order have appropriated the Hamiltonian tradition of military preparedness and corrupted it through the lavish expansion (or universalization) of the American security frontier, proponents of nonforcible sanctions on behalf of human rights also risk corrupting the Jeffersonian tradition of peaceable coercion. Although Jefferson did look forward to the subversive effects the example of free institutions would have on other peoples, he never linked economic sanctions and nonrecognition of governments to changes in the internal character of foreign states. That link was first made by Woodrow Wilson.

A policy of economic sanctions on behalf of human rights carries four main dangers. First, inflicting severe economic privation on other states may give rise to widespread suffering, objectionable on humanitarian grounds, particularly when resorted to with such readiness by the rich against the poor. Second, although sanctions operate as a form of pressure on despotic governments, they also inhibit formation of institutions critical to establishing a civil society once the old regime falls or feels impelled to moderate its repressive conduct.

Third, such policy may lead to consequences the United States is unwilling to address, as it did in 1991 when the destruction of the Haitian economy produced refugees the Bush administration had no intention of receiving. Finally, the demand that foreign states conform to liberal or democratic standards may ultimately lead to war if nonforcible methods fail.

These four considerations may not justify, in all cases, a return to the rules governing recognition and intervention in the internal affairs of other states characteristic of nineteenth-century American diplomacy; the United States may properly attach political conditions to disbursements of aid or to membership in Western institutions. These considerations, however, do justify a far more skeptical attitude toward the now well-nigh irresistible call for trade embargoes on behalf of liberty.

The traditional outlook was admittedly austere. It accorded recognition to foreign governments if they met the test of effectiveness and adhered to their international obligations. It refrained from intervention in the internal affairs of other states. It assumed an obligation to teach by example, thus directing primary attention to reforming the ills of American society while yet aiming for the "high, plain, yet dizzy ground that separates influence from intervention." It was universalist in the sense that it assumed that the philosophical assumptions underlying the institutions of civil freedom were in principle open to all humanity, if humanity would have the wit to see them. But it went not abroad in search of monsters to destroy. It understood that to do so would entail an insensible change in the fundamental maxims of American policy "from liberty to force."

The old method, however, no longer has the appeal it once did, and this despite its evident success in ensuring the doom of communism. The irony of the present moment is that, while our own maxims are in danger of changing from liberty to force, free institutions have captured the imagination of peoples throughout the world.

We may indeed deceive ourselves in thinking that this development augurs the "end of history," understood as the permanent ascendancy of liberal institutions and as the end-point of mankind's ideological evolution. But there is little doubt that the ideas of representative democracy and the system of natural liberty do have an extraordinary appeal and power in the world today. Seen from the perspective of the

traditional conception of the American purpose, such a development is profoundly gratifying. Yet we are willing to offer very little to solidify that auspicious development, nor have we seen it as an opportunity to rid the nation of the real and imagined necessities acted upon during fifty years of struggle with totalitarian powers. Instead the end of the Cold War, which both vindicated the traditional American purpose and sharply diminished the threats to American security, is seen as an opportunity to create a putative universal alliance against aggression, enforced by American military power.

That enterprise, justified as a vindication of the American purpose, in fact represents its betrayal. It arose from a deracinated political leadership, no longer receiving sustenance from, and indeed hardly conscious of, the best traditions of the nation it governs. Its collective memory is the experience of world war and cold war, and it has no sense that its real duty lies in fidelity to a tradition of far longer duration and much greater value. In that tradition of thought and web of principle may be found the basis for the renovation of American foreign policy in the coming generation.

A NEW CONCERT OF POWERS

The world does not need to be reminded that it exists in a formal state of anarchy. There is no international government. Nor is there sufficient interdependence or division of labor among states to transform international relations into a social system akin to domestic affairs. Under prevailing circumstances there are only three methods by which that anarchic system can be regulated or prevented from lapsing into chaos: the traditional balance of power; nuclear deterrence; and rule by a central coalition. Each system has been employed at different times during the last two hundred years.

The balance of power held sway during most of the nineteenth and the first part of the twentieth century. It was an inefficient mechanism at best, providing no automatic equilibration of power relationships. It also gave rise to both world wars this century. Under this system nations found it difficult to respond credibly to an aggressor state. While the balancing system aimed to restrain conflict, it did not fully control the aggressive policies of major nations.

Deterrence, used during the period of bipolarity from 1945 to 1989, was more successful. Through the threat of nuclear retaliation the system constrained the behavior of the two superpowers. With forces stationed in other countries the great powers largely solved the chronic problem of credibility of engagement that had beset the nineteenth-century balance. But deterrence was an expensive and tension-laden system. Major wars were prevented only through recurrent crises of resolve, such as Berlin, Cuba and the Yom Kippur War. Nuclear weapons were never used in anger, but the world veered uncomfortably close to the brink from time to time.

The arms race also involved the expenditure of about \$500 billion per year by the Soviet Union and United States alone. The opportunity costs of such staggering sums prevented the so-called superpowers from dealing effectively with domestic

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social problems, as well as denying them rapid and continuous economic growth. Like seventeenth-century Spain, the U.S.S.R. and the United States armed themselves into virtual economic stasis, while other powers proceeded to make unparalleled gains.

The third organizing method, rule by a central coalition, has existed only briefly and episodically in the past two centuries, but it is by far the most efficient peacekeeping device. In the nineteenth century the Concert of Europe functioned effectively from 1815 to 1822, and desultorily thereafter. Post-Napoleonic France was allowed to rejoin Britain, Russia, Austria and Prussia, and agreement among the five great powers provided a short period of direction for domestic as well as foreign affairs. After World War I the League of Nations Council briefly received international attention and obedience. But hampered from the outset by the absence of the United States, after 1924 it was no longer able to guide national or international policy.

Today the breakup of the Soviet Union, the liberation of eastern Europe, the Gulf War and the rapprochement between the United States and Russia have lent the world a new concert of powers. Five great bases of power again control the organization of the world order: the United States, Russia, the European Community, Japan and China. The U.N. Security Council is one manifestation of this new central coalition, which reaches its decisions in great power diplomatic consultations and only then expresses these in the United Nations and other forums.

The present-day situation is both urgent and precarious. While past concerts lingered on for some years, they failed to control events after about a decade. If the new post-Cold War system began in 1989, with the collapse of the Iron Curtain, the world now has about seven to ten years to make it workable and lasting. If this new system is not firmly established within that period, the world order may again lapse into a balance of power or an unworkable multipolar deterrence by the year 2000.

The critical question, therefore, is how long this coalition will last. Its longevity is a matter of greatest consequence: a relapse into a balance of power system, or even a proliferate deterrence, could produce a reversion to violence and the threat of force as chronic components of international relations. Such an outcome would represent a defeat of the most

profound hopes aroused in Europe, America and the world since 1945.

II

Much of the traditional writing on the balance of power glorifies an institution that was phlegmatic and unpredictable at best.¹ Contrary to conventional wisdom, the aggressive French Emperor Napoleon was not brought to heel by a rapidly organized and powerful countercoalition. Rather he defeated one opponent at a time and then (with the exception of Great Britain) co-opted each into the French system of empire.

In 1812 Napoleon decided to attack Russia. An effective coalition began to form against him only after his first defeats in that campaign.² In fact the European powers leaned toward his side, or at least toward that of the apparent victor. Such a response was not surprising: in the balance of power system, European nations each waited for the other to take the lead against a disruptive state. Despite celebrations of the balance of power system at the 1815 Congress of Vienna, most European states had propitiated the disrupter—they did not want to challenge a successful aggressor.

When Italy and Germany were unified, the balance was equally somnolent and unresponsive. Italian unification was bound to contribute to the glory of France; it could only come at the humiliation of Austria—Italy's imperial overlord, France's premier foe and the major upholder of the Vienna settlement. France defeated Austria in 1859 and then seized Nice: the European powers did nothing.

Stunning Prussian-German gains were also neglected as Germany was unified. Prussia and Austria defeated Denmark while Britain, despite historical commitments to Copenhagen, sat on its hands. Prussia then took on Austria, and again the European powers failed to act. More egregious, Prussia defeated France in 1870–71 without opposition. The powers

¹See essays by Paul Schroeder as an exception to this generalization, in particular, "The Neo-Realist Theory of International Politics: A Historian's View," Occasional Paper, Program in Arms Control, Disarmament and International Security, University of Illinois, Champaign-Urbana, April 1991. For alternative views see Edward Vose Gulick, *Europe's Classical Balance of Power*, Ithaca (NY): Cornell University Press, 1955; C. K. Webster, *The Foreign Policy of Castlereagh, 1815–1822: Britain and the European Alliance*, London: G. Bell, 1958.

²The best overall treatment of this period is Schroeder's magisterial account in *The Oxford History of Modern Europe*, covering the period 1770–1848 (as yet untitled). See also Geoffrey Bruun, *Europe Under the French Imperium*, New York: Harper, 1941.

were languidly considering what they might do in July 1870 when news came of the Prussian victory at Sedan; they quickly and pusillanimously decided to support the winner.

For the next twenty years the European states continued to sustain an overbalance of power under the leadership of German Chancellor Prince Otto von Bismarck. It was not until Kaiser Wilhelm II ascended to the imperial throne in 1890 that a real balance began to form. This was not the result of an overweening reaction against Germany but rather Wilhelm's own inept casting-off of clients. When in 1890 Germany refused to renew its Reinsurance Treaty with Russia, the tsar turned to France for help against Austria, the traditional Balkan enemy. But even the Franco-Russian alliance of 1894 did not represent a "balance" against Germany, any more than against England. Both France and Russia were eager to expand their colonies at Britain's expense, and Russia, at least, still eyed the prospect of reconciliation with Berlin. As did Britain: between 1899 and 1901 England repeatedly asked Germany for an alliance and only settled for an arrangement with Paris in 1904 because Berlin was unavailable.

The consolidation of the Triple Entente against the Triple Alliance, therefore, did not make for a solid balance against Germany. The Kaiser and his advisers, like other nineteenth-century military expansionists, adhered to the view that opponents would cave in once Germany made startling new gains.³ France, then, might be defeated quickly in 1914, as it had been in 1870. Germany thus did not hesitate to force the issue, and the surprise was that Britain did not yield or compromise. Russia also took an unwontedly strong stand against Berlin and was itself responsible for early actions toward partial and general mobilization.⁴

Thus the balance in 1914 did not prevent war; it fomented it. The alliances were neither strong nor credible enough to face down resolute action by the adversary; they were just strong enough to drag reluctant participants into military

³See Marc Trachtenberg, "The Meaning of Mobilization in 1914," *International Security*, Winter 1990/91, vol. 15, no. 3.

⁴This did not mean, however, that Germany and Austria would back down once Britain and Russia declared themselves. On this point see Trachtenberg, *op. cit.* For analyses that stress the Russian role in the early decisions toward war, see L.C.F. Turner, *Origins of the First World War*, London: Edward Arnold, 1970; and Dominic Lieven, *Russia and the Origins of the First World War*, New York: St. Martin's Press, 1983.

conflict. Instead of deterring war *ex ante*, they actually brought it on *ex post*.

The same result occurred in 1939. Britain and France could not save Poland or Rumania when they guaranteed them against German aggression that spring. They could only enforce a guarantee through the military power of Russia—the only nation that could provide defense on the spot. Neither Paris nor London thought they could succeed in a military offensive that would have to bridge the Rhine and smash the German westwall. The *Wehrmacht* would be too strong. Thus Hitler understandably believed that Britain and France would back down once he reached agreement with Stalin.

There was thus no effective “balance” against Germany that August. It was surprising that Britain and France went to war at all: they could do little unless Hitler decided to attack them. Nor did either have an agreement with the United States, despite President Roosevelt’s occasional musings about how he would save England. Military guarantees and alliances in 1939 did not deter war; again, they merely dragged unwilling participants into it.

In all these major wars it is interesting to note that the aggressor forged the decisive balance against himself, a balance that would not otherwise have been created. Napoleon resolved on the campaign against Russia in 1812; it was not St. Petersburg. Imperial Germany decided in 1917 to wage unrestricted submarine warfare against the United States, and it was Hitler who made the colossal mistake (after inexplicably waiting three days to decide) of declaring war on December 11, 1941, against the world’s strongest power, the United States, thereby sealing his own fate.

The international economic system of the late nineteenth century also made the balance of power function ineffectively. The world economy did not create an interdependence that prohibited war. Links among the major powers (except perhaps those between France and Russia) were tenuous and did not cement relations. For most necessary food and raw materials, trade was directed to less developed areas and colonies. Britain wanted to make its empire a unit largely independent of trade with the rest of the world. Economic relations forged few necessary links among industrial states themselves. Although there was a great deal of trade among Britain, France and Germany, little of it was strategic. Important political

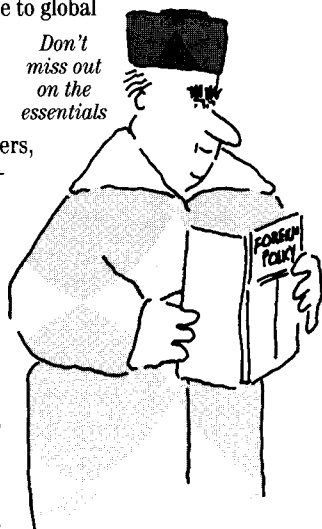


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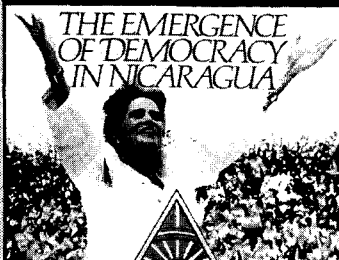
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leaders in each country instead wished to reorient trade to perpetuate an "imperial federation" or, in the German case, a *Mitteleuropa* that would exclude or substitute for past economic dependence on other European powers.

In sum, the history of the so-called balance of power is one of either weakness or misperceived strength—of attempts to divert the attention of the aggressor and focus it on another state. It is only occasionally redeemed by strong but vainglorious stands against aggression. As a method of regulating international behavior and conflict, it either did too little or too much, but it did not generally deter hostile political or military action.

III

Bipolar nuclear deterrence was a more effective but risky and expensive system of conflict control. It remedied some of the deficiencies of the balance of power. Credibility of response to aggression was far greater, partly because the system was bipolar. But its greater effectiveness was also due to ideological differences that created an antagonism not fully sustained in power terms. Given the ideological rift, each power would respond immediately to the actions of the other. In such circumstances the Soviet Union would be opposed even though it was much weaker.

Nuclear weapons added another element of stability. They were employed in the last phase of the Pacific War against Japan, and doctrine held that they would be used again in the event of a Soviet attack on Europe. Perhaps more important, the United States placed forces in the territories of its allies, thereby committing itself in advance to resist. That commitment became very important when the range of Soviet nuclear weapons was extended to include the continental United States.

In contrast nineteenth-century alliances did not station forces in other nations; forces got there only after war began. One wonders whether the Kaiser, Bethmann-Hollweg and the younger Moltke would have been so anxious to begin war at the end of July 1914 had a British expeditionary force already been based on the Marne. Would the Austrian leaders, Conrad and Berchtold, have moved so quickly if Russian forces had been stationed in Serbia?

While the nuclear deterrent system guaranteed some response to aggression, it was not self-operating. Truman and

his advisers worried so much about the advent of Soviet nuclear weapons that they spent huge amounts on conventional forces, all in the name of creating credibility. Credibility problems, however, surfaced once again in the Kennedy administration, when it appeared that nuclear weapons might not be employed against certain types of targets or in response to limited Soviet probes. The Defense Department occasionally contended that a Russian conventional attack could be parried by Western conventional forces alone. In this respect the credibility of U.S. nuclear deterrence declined with time and as Soviet forces grew both qualitatively and quantitatively.

It thus sometimes appeared useful for the United States (as well as the Soviet Union) to engage in military ventures to enhance overall credibility. The Soviets thus invaded Hungary and Czechoslovakia and threatened Poland. The United States demonstrated its military resolve by responding to the attack on South Korea and fighting in Vietnam. In 1962 the United States also threatened to intervene in Cuba and in 1973 in the Yom Kippur War. The Soviet Union sent its own forces into Afghanistan and proxy forces to Angola, Mozambique and Ethiopia.

Fortunately U.S. and Soviet forces rarely encountered one another, but there was the episodic possibility that nuclear weapons might be used. Each new American administration was pressed to take a tough line with the Soviets at the outset of its term, to pave the way for later agreements. These early periods could be quite tense. War did not occur, but the world may have emerged unscathed from the machinations of deterrence through a not negligible quantity of good fortune.

Economically the deterrent system paid the public-goods costs of creating an international economy to sustain the Western half of the bipolar order. There was a structural link between the American, European and Japanese economies; the resumption of European and Japanese growth was sustained by sales in the United States. World markets were opened to Japanese and European goods. The Soviet bloc reciprocated and created its own "hothouse" Eastern economy. Sales of poorly manufactured east European wares went to the Soviet Union in return for Soviet exports of raw materials and oil.

Although economic frontiers reinforced military ones and therefore added to unity and credibility, the nuclear deterrent system was beset by high opportunity costs. These, of course,

were not reflected merely in excess military spending. The United States sought to organize the Western world politically and economically—as well as militarily—in order to sustain its chain of commitments to allies. It paid the public-goods costs of keeping an open Western and democratic trading system; it encouraged associates to sell their products in the American market.

In that effort the United States fostered European unity and revived the Japanese automotive industry, never considering whether it might be creating a “third force” or opponent among its erstwhile allies. In investing and loaning money overseas, America did not fully realize that eventually it would have to allow foreigners to discharge their debts and finance U.S. investments by selling goods in the United States. All too soon such policy created export surpluses for presumably dependent allies and friends.

At home the familiar litany of the “decline thesis” found application in higher interest rates, low savings rates and mounting government deficits. Industrial productivity and the investment that might have accelerated it lagged. American business did not organize itself for exports. Pressured by new financial criteria and a freshly minted generation of chief financial officers, industry aimed at short-term profits to raise the stock price. Its horizons dipped from five years, to a year, to a quarter.

Investment lagged or was deferred in part because it would not result in an immediate profit on the balance sheet. American competitors had no such restraint. As a result two generations of Americans revelled in excessive consumption while competitors saved and invested.⁵ The American grasshopper was increasingly bested by Japanese and European ants. The Soviet Union found itself in far greater straits because of the continuing arms race. But U.S. allies prospered as a result of America’s extremely generous political, military and economic commitments to them.

This problem was no doubt exacerbated by Americans’ own unwillingness to allow their government to save, even if they would not. The government’s failure to save had much to do with continuing \$200 billion to \$300 billion defense budgets: it

⁵See Richard Rosecrance, *America’s Economic Resurgence: A Bold New Strategy*, New York: HarperCollins, 1990; Benjamin M. Friedman, *Day of Reckoning*, New York: Random House, 1988.

was not only social programs that broke the U.S. bank. If economic growth is a function of high productivity, and if productivity results from investment, and if investment only comes from savings (private or public), then high military "dissavings" directly impinged on U.S. growth. Nuclear deterrence, more than forty allies to support and spending on conventional weaponry represented high opportunity costs for the continuing progress and prosperity of the American economy.

Deterrence in short was relatively effective, but also a risky and costly endeavor. Over the long term it probably represented a recipe for American and Soviet decline relative to other nations. And even over the short term it contained manifold contradictions. Only a well-fed, well-housed and well-insured populace would support the free and democratic system against Eastern totalitarianism. But prosperity for U.S. allies was sometimes bought at the expense of economic progress at home.

IV

The operation of a central coalition was fundamentally different from that of the balance of power and deterrence. Members of the Concert of Powers, brought together at the Vienna Congress in 1815 by common interests in the aftermath of a victorious war, sought to enforce and perpetuate their notions of war prevention. They did so successfully for approximately the next thirty years.

Agreement on war causation and prevention welded the great powers together, at least for a time. The European powers fundamentally concluded that the revolutionary social system in Europe (extended to other countries by the military victories of Napoleonic France) had caused war. If they could contain those liberal sentiments and revolutions, they could prevent war. They also reasoned that war itself created the conditions for social dissolution; hence if they could prevent war, they could regulate social change. Performance of the two tasks was self-reinforcing.

The great powers also concurred that the task of war prevention was more important than gains for any one player. Russia thus limited its ambitions in the Near East; a reformed France gave up a policy of military expansion; and Austria under Metternich sought no particular national ambition, only the repose of the system as a whole. As a result there did not

have to be a balance of power *within* the concert; agreement among the major powers made that unnecessary. Moreover the strength of the central coalition attracted strength from outside. Smaller powers could not balance against the great and instead joined them.

Three factors eventually led to the breakup of the central coalition. The first was the abstention and partial isolation of Great Britain, withdrawing from participation in the affairs of the continent and concert. Britain was ready to act against a renewal of aggression from France, but it was not willing to endorse a policy of wholesale concert intervention in the domestic lives of European nations. Conservative though he was, even Lord Castlereagh would not have admitted a foreign right to intervene to change England's political constitution; he could therefore not agree to intervention in Italy or Greece. His successor, George Canning, was even more isolationist. With the British withdrawal the concert no longer retained the legitimacy or the power to direct political affairs on the continent.

Second, new ideological divisions arose to separate members of the concert. In 1815 the victors were united by a moderate conservatism that harked back to eighteenth-century social and political institutions. With the revolutions of 1830, however, France was once again transformed into a more liberal polity, and the 1832 Reform Act in Great Britain produced far greater middle-class influence in British politics. Thus in the early 1830s, the liberal two (Britain and France) increasingly came to oppose the conservative three (Russia, Prussia and Austria). This alignment was supported by the pattern of the Industrial Revolution—it moved from west to east across the continent, initially separating the two halves of Europe. The resumption of ideological conflict broke the agreement that had united Europe and the concert.

The final quietus of the concert occurred when the revolutions of 1848 and their aftermath proved that war was no longer the automatic result of revolution. More important, in the 1850s nations appeared able to stave off revolution by a policy of quick and efficient use of military force. In the 1860s it became clear that war could actually protect unreformed domestic institutions. Bismarck and the Prussian-German conservatives won a new lease on life through a policy of "blood

and iron" enforced against weaker nations. Hence war was no longer the greatest social evil; it could even be therapeutic.

With those three shifts the concert gave way to the balance of power.

The world economic system also failed to hold the political system together. After the onset of the "Great Depression" in 1873, tariffs began to rise and the growth of international trade declined. European colonization resumed with a vengeance, and Britain tried to cultivate its colonies' markets for industrial products. Vertical trade moved to the forefront; intra-industrial (horizontal) trade, while continuing, had less significance.

After the First World War when the time came to construct a new concert (in the League of Nations), the same three problems had to be overcome. First, war prevention had to be buttressed as a paramount goal, superior to the sectarian national interests of any great power. Second, there could be no breakdown into ideological conflict; this would create a rift among the major powers and reinstitute the balance of power. Finally, no crucial great power could return to a policy of isolation. If so, whatever its moral legitimacy, a concert decision could not be effectively enforced.

All three principles were, of course, rapidly challenged and then overthrown. While war avoidance remained a firm guiding rule for France and Britain, it was not so for fascist Italy or National Socialist Germany. They promptly rearmed and eyed their coveted territorial prizes to the east. Virulent ideological disagreements emerged at the same time, undermining the League Council's domestic consensus. These transformations were partly the result of the disastrous depression of 1929–39. The economic crisis forced desperation upon hard-pressed but still liberal governments in the 1920s, making them vulnerable to the appeals of either fascism or socialism.

The dissensus was increased by communist control of Russia. It was not just that ideological solidarity was shattered: it was sundered in a way that led to an epic misunderstanding of the policies of the fascist states. America and Britain had been anti-Soviet since 1917, and they expected Russia's communism to forge a link between Western states and the Italian and German dictators. Even Chamberlain's appeasement policy was supposed to have the sturdy foundation of common interests with Germany vis-à-vis Bolshevik Russia. The ideological conflict thus misled the Western powers about the

identity of the true enemy, and they temporized far too long. The United States did not help.

Finally the absence of America from the still-born League of Nations underscored its impotence. Articles 10 and 16 of the League Covenant could only have been made effective by strong international leadership. If powerful states had been willing to act when one nation violated its covenants, others would have followed. Instead there was no leadership, and the United States nullified its own influence through isolation and then neutrality. The international consensus that seemed to have been forged in 1918 was dissipated as early as 1924. The balance of power was reinstituted, and Britain and France were left on their own.

V

As in past ages today's concert rests on acceptance by the major powers of the same three principles: involvement of all; ideological agreement; and renunciation of war and territorial expansion, giving liberal democratic and economic development first priority.

Can the three problems of a concert be solved? One danger is that in the next five years or so three major centers of power may return to a *de facto* condition of isolation: the United States, Russia and the European Community.

In the United States there is palpable revulsion against further international heroics, not because of failure abroad, as was the case with Vietnam, but because domestic priorities have been so chronically underserved. Homeless people are beginning to populate even suburban streets; the twin problems of crime and drugs have yet to be solved; American education remains ineffective, despite large expenditures. Infrastructure, inner-cities and family solidarity have eroded under the treble impact of luxurious private consumption, foreign imports and a reversal of public spending priorities.

And the recession continues. Fiscal policy is stymied—the government cannot afford to spend more because of its heavily indebted international and domestic position—and monetary policy alone is not doing the trick. America may be lapsing into what Keynes called “underemployment equilibrium”—from which progressive declines in interest rates do not provide rescue. Bankers, fearful of another savings and loan debacle, continue to insist that borrowers have solid collateral. One remembers that lower interest rates have before failed to

stimulate industry—in the 1930s. Despite continual interest-rate cuts early in that decade, unemployment in 1936 remained at 16.9 percent. Business confidence was not rebuilt; investment lagged; profits remained low.

Production rises somewhat today, but service trades, housing construction and consumption still trail. Though it increased sharply in the third quarter of 1991, U.S. productivity remains at a historic low. Americans recognize that new and innovative products are too often sturdy outgrowths of foreign technology and industry. Other nations, relieved of the pressures of the arms race, have become trading states. The United States, meanwhile, wallows between economic renaissance and stagnation.

America yearns for a statesman who can set the nation back on a progressive economic track. When that happens, as it eventually must, national security spending will be rationed to a small fraction of its present massive dosage. President Bush's proposed \$50 billion defense cut is merely the beginning of a process to be continued by Congress. The temptation to put American domestic priorities first may well become overwhelming, as it did in the 1920s. It may be accompanied by a disastrous reconcentration on the American umbilicus.

Russia, Ukraine, Belarus and Kazakhstan face far graver domestic and economic crises than the United States. It now appears that Russia may be too hobbled to become the center of a unified economic space of 12 independent republics. There is also the question of whether a single international policy can be maintained at all; the rivalry between Russia and Ukraine poses important economic, military and territorial issues.

Russia will almost certainly seek to dispose of some financial burdens by cutting international commitments, dropping red regimes in Afghanistan and Cuba, and pink ones in Africa. But even so, Russia will not solve the new confederation's economic difficulties. These will continue to be linked to the need for true privatization and supply-side revolutions in societies long dominated by government ministries and monopolies. Likewise, establishing a private banking system with credit granted on economic, not political, grounds will require a profound reorientation of past practice.

Most important, early convertibility of the Russian ruble (in both internal and external terms) will be crucial to provide incentives for production and consumption. Only a convert-

ible ruble will sop up the huge savings “overhang” and lend incentives for productive work in agriculture as well as industry. Land reform and the breakup of the monopolies enjoyed by collective farms are also required to stimulate demand and to increase production rather than prices.

Russian economic reform will be so onerous and absorbing that a stable and active foreign policy may be precluded in the coming years. Like Tokyo after World War II Moscow may need a period of freedom from international responsibilities in order to reestablish a growing economy. Such internal stresses could almost entirely suppress Russian activity in international relations. Isolationism could occur *de facto*, if not *de jure*.

Finally, the European Community may become so preoccupied with its own growing pains—the debates over widening and deepening of EC integration—that it will neglect problems and conflicts beyond its sphere. Yugoslavia is gradually being written off the European agenda; the degree of intervention it demands is too great for European political or economic will. The conflict has thus been dumped in the lap of the United Nations. In the Middle East, Britain and France will continue to exert an influence, but the Community itself will have little to say or do.

It is possible that the EC is entering a stage, not unlike that of the federal United States in the early nineteenth century, in which questions of the accession of new states and territories largely overshadowed foreign policy. America’s “manifest destiny” of westward expansion rested on the suppression of foreign entanglements. Europe’s manifest destiny is eastward expansion. The Community could become so embroiled in the problems of integrating new nations that broader foreign policy is neglected. A move toward greater political unity may paradoxically worsen that outcome: the more concentrated their political and economic union, the less authority member states retain. National foreign policies would lose power and momentum; supranational policy would remain focused inward.

VI

The prospective reanimation of ideological conflict cannot be dismissed either. Under bipolarity and deterrence, sectarian and ethnic nationalism yielded to power imperatives. Ideological conflict only reaffirmed an already existent bipolar split in power terms. With the collapse of that conflict new

ideological flowers will bloom, from irredentism in the former Soviet empire to Islamic fundamentalism in the Middle East. Perhaps the dangerous portents of such conflicts have been overstressed, however, because they imbue smaller and less powerful nations. But ideological conflict among the great powers could still occur as well.

The most potent future antagonism the world could witness is a radical division between the United States and Japan. The Westernization of contemporary Japan is as yet incomplete. Beneath the external policy of a Japanese trading state boil nationalist resentments directed at a half century of American tutelage and Western neglect. Japanese nationalism and militarism are bubbling up against the MacArthur-written constitution; contempt for an economically inept America resonates throughout Japanese culture and institutions.

Especially galling to the Japanese has been America's tendency to consult Japan last among major allies, while Washington insists that Tokyo pay for or participate in American-dictated endeavors. Japanese believe that, while having achieved economic equality or superiority, they are still relegated to second or third place politically. Such U.S. policy may lead Japan to seek the independent military and strategic strength needed to establish a new political identity. A Japanese nuclear deterrent would be directed against no one, but it could be designed to earn the respect and attention chronically lacking from the rest of the world.

If current trends continue, it may not be too long before ideological rationalizations of Confucian strength and vitality are propounded by Japan as antidotes to supposed Western decadence and lethargy.

VII

Under such circumstances maintenance of the territorial status quo could again come into question. Isolation of key participants—the United States, Russia and Europe—could pave the way for a renaissance of expansionist ambitions in other quarters of the globe.

Japan's past vocation in southeast Asia might again become tempting as economic conflict with the United States intensifies. Burgeoning economic ties in the Asian-Pacific region might tempt Tokyo to forge another "co-prosperity sphere."

Japanese economic influence would be stretched into a form of political tutelage or even imperialism.

While such a renewed endeavor would appear quixotic, Japan's history demonstrates that the nation is sometimes willing to attempt the improbable. Such policy becomes the more credible if partially masked by financial and economic controls that merely "induce" dependent parties to yield resources and territorial demands. The United States once ruled Latin America through its own "dollar diplomacy." It did not always have to employ military force, and Japan would have much less need for overt intervention today.

VIII

If not addressed these three problems—isolationism, ideology and pacification—could erode the edifice of a modern concert. With its breakup no coalition would exist to pay the public-goods costs to maintain an open global trading system or to assist developing nations. Greater regionalism would prevail and give rise to a looser, disconnected international system. The great powers would no longer seek to resolve problems on the basis of fundamentally similar ideological and political orientations. Economic differences could widen to political fissures, instead of serving to transcend them. An introverted America would no longer provide essential global leadership. The recrudescence of isolation, the renaissance of ideological conflict and the resumption of territorial expansionism could together end the most hopeful period in the history of modern interstate relations.

All three international systems required the presence of a "threat" to make them cohere. This was most obvious in the balance of power and deterrence systems, but is equally necessary in a concert. Nations need to cooperate *against* something as well as *for* something. In the early nineteenth century, it was against the progress of liberalism. During the early period of the League of Nations, it was against nations that violated their covenants. Today, it must be against the threat of global economic breakdown.

It would be ideal if all major powers were in favor of the progress of democracy and liberalism, but that is not the case for mainland China. Still, the threat of a collapse of the international economy would represent a decisive check to the forward progress of all powers, as much to China as Japan. China is today as much resolved on a course of "export-led"

growth as was Victorian Britain in the 1840s. In many respects Japan's dependence on international trade is equally great. Its industrial edifice is twice as large as needed to serve the domestic market.

Even Americans have found that the world economy is critical: they cannot pull out of the recession so long as the rest of the world slumps. Europe's foreign direct investment, to say nothing of its powerful exports, also depend on an open and progressive world economy. Nor are trading blocs the answer. To be successful they would have to include all the markets, raw materials, energy and technology that powers previously required for their development and growth. History teaches that an open world economy is better, but the 1930s show that it cannot always be guaranteed.

This does not mean that any of these malign evolutions need occur, but they are within the realm of political possibility. The violation of these three principles has operated twice before to limit the scope of a world concert of powers. History does not necessarily repeat, but precedent suggests that a costly, inefficient and conflict-ridden balance of power reasserts itself just when the world's great powers assume it has been abolished.

The end of the Cold War is in this sense like the end of a military war: it injects relief from international endeavors and renewed internal introspection into the domestic lives of the great powers. In the past nations have lost their sense of prudence and proportion: they have abruptly reversed course time and again. Excesses of international conflict were followed by excesses of domestic introversion; the cooperative necessities of redressing power conflicts yielded to nationalistic and egoistic indulgence. This must not happen again.

Today the most propitious element uniting the world and facilitating the cooperation of a concert is its high degree of ideological agreement. That agreement can only be sustained in liberal, democratic and free-market terms if the world economy permits it to prosper. A world recession or depression breaks the ideological links that have knit nations together. Yesterday's debtors have to be able to earn credits; yesterday's creditors must run foreign trade deficits to allow loans to be repaid.

In time Japan must become as public spirited as was nineteenth-century Britain. Great Britain continued to earn a current account surplus up to World War I, but increasingly conceded a balance of trade surplus (in its own market) to

borrowers and recipients of English investment. Japan can in the future continue to maintain a favorable current account balance, but it must increasingly become a mature creditor, allowing others to make export gains in the Japanese market. Unless Japan recycles its trade surpluses to others, world economic growth will decline and markets will grow too slowly to absorb products from the former Soviet Union and eastern Europe. And only then will the Third World benefit from a strategy of "coupling" with the Western industrial world, rather than "decoupling."

None of this can take place unless the imbalance between the United States and Japan is redressed. This undoubtedly means that Japan must import more than the present one percent of its automotive equipment from the United States. It also puts a tremendous burden on U.S. political and economic institutions to straighten house. A nation chronically dependent on borrowing the savings of other nations to finance its own development cannot indefinitely sustain itself.

Ultimately what is necessary is a new sense of proportion in the allocation of international and domestic tasks and benefits. Governments and peoples must decide to continue to work on foreign problems, while devoting greater attention to neglected domestic issues. In one sense the two represent competing priorities, but for many purposes they are complementary. The United States cannot ultimately continue to play a large international role if its savings rates and economic growth remain low. Japan cannot continue to export without importing if its foreign customers (because of low growth) cannot afford to buy Japanese goods.

Increases in Japanese consumption of imported goods are therefore not only a key to the solution of other nations' problems, but also their own. Integrating Russia and its former republics into the world economy is necessary not only to achieve economic growth in Moscow, St. Petersburg and Kiev, but also because only a vibrant Eastern economy can buy Western consumer products. Ideological agreement thus continues to ride not only on a rising, but also more balanced, tide of economic growth for the world economy as a whole.

It is of course possible that this will not occur. It may be easier, politically speaking, for overburdened governments to respect popular wishes and focus largely on domestic tasks. The funds needed to sustain and restructure the Russian economy are, after all, very large. Not only domestic publics

but also the Third World will resent the necessary diversion of capital to the East. But ultimately the choice is between offering help or foisting social barbarism on a weakened Russia. If this help succeeds, it will build trust upon which a heightened ideological agreement can be based. If Europe and Japan are drawn in to this historic effort (as they must be), it will forge a linkage between four major centers of power in world politics.

If such cooperation occurs, the balance of power begins to operate in reverse: once a strong central group has been consolidated, others will not try to balance against it; they will be drawn to its core. In this way even China, in time, will become a member of the Concert of Powers, with the Third World next in train. Despite historic precedents, this time the central coalition does not have to collapse.

A central coalition would be a much cheaper international regulatory device than either an inefficient and dilatory balance of power or an expensive deterrence.⁶ This is important. It now appears that while American leaders are still willing for the nation to exert itself abroad, intervene in foreign conflicts and give large amounts of foreign assistance, the American public is more reluctant.⁷ Only a relatively efficient and cost-effective international order is likely to have U.S. public support over the long term. History may tell little about the future, but it seems to indicate that a central coalition—united by economic interest in a open and growing world economy—is not doomed to fail.

⁶Though the returns are not yet complete, it appears that the Gulf War was the first in which the United States actually made money; concert interventions should have the character of apportioning risks and expenses.

⁷See *American Public Opinion and U.S. Foreign Policy 1991*, John E. Rielly, ed., Chicago Council on Foreign Relations, Chicago: Chicago Press Corp., 1991.

Joseph S. Nye, Jr.

WHAT NEW WORLD ORDER?

The 1991 Persian Gulf War was, according to President Bush, about “more than one small country; it is a big idea; a new world order,” with “new ways of working with other nations . . . peaceful settlement of disputes, solidarity against aggression, reduced and controlled arsenals and just treatment of all peoples.” Not long after the war, however, the flow of White House words about a new world order slowed to a trickle.

Like Woodrow Wilson’s fourteen points or Franklin Roosevelt’s four freedoms, George Bush’s grand rhetoric expressed the larger goals important for public support when a liberal democratic state goes to war. But after the war, when reality intruded, grand schemes turned into a liability. People were led to compare the war’s imperfect outcome with an impossible ideal. The proper standard for judgment should have been what the world would look like if Saddam Hussein had been left in possession of Kuwait. The victory lost its lustre because of an unfair comparison that the president inadvertently encouraged, and recession shifted the political agenda to the domestic economy. The White House thus decided to lower the rhetorical volume.

II

The administration faces a deeper problem than mere political tactics. The world has changed more rapidly in the past two years than at any time since 1945. It is difficult to keep one’s conceptual footing within such fundamental shifts in politics. Familiar concepts fail to fit a new reality. It is worth recalling that it took Americans several years to adjust to the last great shift in the late 1940s. But the Bush administration, famous for eschewing “the vision thing,” added to the confusion because it had never really thought through what it meant by the concept it launched. Neither the administration nor its

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critics were clear about the fact that the term “world order” is used in two very different ways in discussions of world politics.

Realists, in the tradition of Richard Nixon and Henry Kissinger, see international politics occurring among sovereign states balancing each others’ power. World order is the product of a stable distribution of power among the major states. Liberals, in the tradition of Woodrow Wilson and Jimmy Carter, look at relations among peoples as well as states. They see order arising from broad values like democracy and human rights, as well as from international law and institutions such as the United Nations.

The problem for the Bush administration was that it thought and acted like Nixon, but borrowed the rhetoric of Wilson and Carter. Both aspects of order are relevant to the current world situation, but the administration has not sorted out the relation between them.

From the realist perspective there is definitely a new world order, but it did not begin with the Gulf War. Since order has little to do with justice, but a lot to do with the distribution of power among states, realists date the new world order from the collapse of the Soviet empire in eastern Europe in the autumn of 1989. The rapid decline of the Soviet Union caused the end of the old bipolar order that had persisted for nearly half a century.

The old world order provided a stability of sorts. The Cold War exacerbated a number of Third World conflicts, but economic conflicts among the United States, Europe and Japan were dampened by common concerns about the Soviet military threat. Bitter ethnic divisions were kept under a tight lid by the Soviet presence in eastern Europe. A number of Third World conflicts were averted or shortened when the superpowers feared that their clients might drag them too close to the nuclear abyss. The various Arab-Israeli wars, for example, were brief. In fact some experts believe that a stronger Soviet Union would never have allowed its Iraqi client to invade Kuwait. If so Kuwait can be counted as the victim rather than the cause of the new world order.

Some analysts see the collapse of the Cold War as the victory of liberal capitalism and the end of the large ideological cleavages that drove the great international conflicts of this century. There is no single competitor to liberal capitalism as an overarching ideology. Rather than the end of history, the post-Cold War world is witnessing a return of history in the

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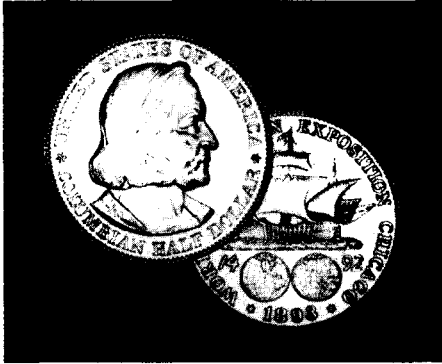


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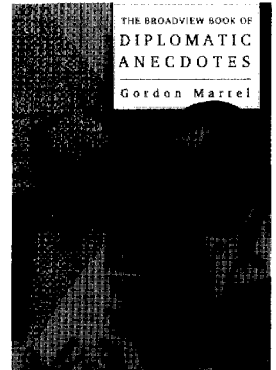
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diversity of sources of international conflict. Liberal capitalism has many competitors, albeit fragmented ones. Examples include the indigenous neo-Maoism of Peru's Shining Path guerrilla movement, the many variants of Islamic fundamentalism and the rise of ethnic nationalism.

This does not mean that the new world politics will be "back to the future."¹ There is an enormous difference between the democratically tamed and institutionally harnessed nationalisms of western Europe and the revival in eastern Europe of untamed nationalisms whose ancient animosities were never resolved in the institutional structure of state communism and the Soviet empire.

Moreover national boundaries will be more permeable than in the past. Nationalism and transnationalism will be contending forces in the new world politics. Large transnational corporations distribute economic production according to global strategies. Transnational technological changes in communications and transportation are making the world smaller. Diplomacy occurs in real time; both George Bush and Saddam Hussein watched Cable News Network for the latest reports. Human rights violations and mass suffering in distant parts of the globe are brought home by television. Although Marshall McLuhan argued that modern communications would produce a "global village," his metaphor was misleading because a global political identity remains feeble. In fact nationalism is becoming stronger in most of the world, not weaker. Instead of one global village there are villages around the globe more aware of each other. That, in turn, increases the opportunities for conflict.

Not all transnational forces are benign any more than all nationalisms are malign. Transnational drug trade, terrorism, the spread of AIDS and global warming are cases in point. With time, technology spreads across borders, and the technologies of weapons of mass destruction are now more than a half century old. The collapse of the Soviet Union removes two of the factors that slowed the spread of nuclear weapons in the old world order: tight Soviet technological controls and influence over its client states. The United States cannot escape from these transnational problems, and few of them are susceptible to unilateral solutions. Like other countries in the

¹See John Mearsheimer, "Back to the Future: Instability in Europe After the Cold War," *International Security*, Summer 1990.

new world order, the United States will be caught in the dialogue between the national and the transnational.

III

The United States will need power to influence others in regard to both transnational and traditional concerns. If the old world order has collapsed, what will be the new distribution of power? Over the past few years of dramatic change, different observers have claimed to discern five alternatives.

Return to bipolarity. Before the failure of the August coup and the final collapse of the Soviet Union, some argued that a newly repressive Soviet or Russian regime would create a harsh international climate and a return to the Cold War. But even if the coup had succeeded, it would not have restored bipolarity. The decline of the Soviet Union stemmed in large part from overcentralization. Stalin's system was unable to cope with the Third Industrial Revolution, in which flexible use of information is the key to successful economic growth. The return of the centralizers might have created a nasty international climate, but rather than restoring Soviet strength, recentralization would have continued the long-term decline of the Soviet economy. The same would be true for a centralizing Russian dictatorship.

Multipolarity. This is a popular cliché that drips easily from the pens of editorialists, but if used to imply an historical analogy with the nineteenth century it is highly misleading, for the old order rested on a balance of five roughly equal great powers while today's great powers are far from equally balanced. Russia will continue to suffer from economic weakness, and its reform is a question of decades, not years. China is a developing country and, despite favorable growth, will remain so well into the next century. Europe is the equal of the United States in population, economy and human resources. Even after the December 1991 summit at Maastricht, however, Europe lacks the political unity necessary to act as a single global power.

Japan is well endowed with economic and technological strength, but its portfolio of power resources is limited in the hard military area as well as in the cultural and ideological appeal that provides soft power. Japan would have to make major changes in its attitudes toward military power as well as

in its ethnocentricity before it would be a challenger on the scale of the United States.

Three economic blocs. Those who devalue military power argue that Europe and Japan will be superpowers in a world of restrictive economic blocs. An Asian bloc will form around the yen, a western hemisphere bloc around the dollar and a European bloc (including remnants of the former Soviet Union) will cluster around the European Currency Unit (according to optimists) or the deutsche mark (in the view of pessimists). Others foresee a European versus a Pacific bloc.²

There are three problems with this vision. First, it runs counter to the thrust of global technological trends. While regional trade will certainly grow, many firms would not want to be limited to one-third of the global market and would resist restrictive regionalism. Second, restrictive regional blocs run against nationalistic concerns of some of the lesser states that need a global system to protect themselves against domination by their large neighbors. Japan's Asian neighbors do not want to be locked up in a yen bloc with Japan. There will continue to be a constituency for a broader international trade system.

Most important, however, this vision is too dismissive of security concerns. With large nuclear neighbors in turmoil, both Europe and Japan want to keep their American insurance policies against uncertainty. The second Russian revolution is still in its early years, and China faces a generational transition. It is difficult to imagine the United States continuing its security guarantees in the context of trade wars. The end of the Cold War was not marked by European and Japanese calls for withdrawal of American troops. European and Japanese security concerns are likely to set limits on how restrictive the economic blocs become.

Unipolar hegemony. According to Charles Krauthammer, the Gulf War marked the beginning of a Pax Americana in which the world will acquiesce in a benign American hegemony.³ The premise is correct that the collapse of the Soviet Union left the world with only one superpower, but the hegemonic conclusion does not follow. For one thing the world economy is tripolar and has been since the 1970s. Europe, Japan and the

²Jacques Attali, *Lignes d'Horizon*, Paris: Foyard, 1990.

³Charles Krauthammer, "The Unipolar Moment," in *Rethinking American Security: Beyond Cold War to New World Order*, Graham T. Allison and Gregory F. Treverton, eds., New York: Norton, 1992.

United States account for two-thirds of the world's product. In economics, at least, the United States cannot exercise hegemony.

Hegemony is also unlikely because of the diffusion of power through transnational interdependence. To cite a few examples: private actors in global capital markets constrain the way interest rates can be used to manage the American economy; the transnational spread of technology increases the destructive capacities of otherwise poor and weak states; and a number of issues on the international agenda—drug trade, AIDS, migration, global warming—have deep societal roots in more than one country and flow across borders largely outside of governmental control. Since military means are not very effective in coping with such problems, no great power, the United States included, will be able to solve them alone.

Multilevel interdependence. No single hierarchy describes adequately a world politics with multiple structures. The distribution of power in world politics has become like a layer cake. The top military layer is largely unipolar, for there is no other military power comparable to the United States. The economic middle layer is tripolar and has been for two decades. The bottom layer of transnational interdependence shows a diffusion of power.

None of this complexity would matter if military power were as fungible as money and could determine the outcomes in all areas. In describing Europe before 1914, the British historian A.J.P. Taylor wrote that the test of a great power was the ability to prevail in war. But military prowess is a poor predictor of the outcomes in the economic and transnational layers of current world politics. The United States is better placed with a more diversified portfolio of power resources than any other country, but the new world order will not be an era of American hegemony. We must be wary of the prison of old concepts.

The world order after the Cold War is *sui generis*, and we overly constrain our understanding by trying to force it into the procrustean bed of traditional metaphors with their mechanical polarities. Power is becoming more multidimensional, structures more complex and states themselves more permeable. This added complexity means that world order must rest on more than the traditional military balance of power alone. The problems encountered by the Bush administration at the end of the Gulf War are illustrative. The traditional approach

of balancing Iran and Iraq was clearly not enough, and U.N. resolutions 687 and 688 (which dealt with Iraq's weapons and refugees) went deep into areas of national sovereignty.

The realist view of world order, resting on a balance of military power, is necessary but not sufficient, because it does not take into account the long-term societal changes that have been slowly moving the world away from the Westphalian system. In 1648, after thirty years of tearing each other apart over religion, the European states agreed in the Treaty of Westphalia that the ruler, in effect, would determine the religion of a state regardless of popular preference. Order was based on the sovereignty of states, not the sovereignty of peoples.

The mechanical balance of states was slowly eroded over the ensuing centuries by the growth of nationalism and democratic participation, but the norms of state sovereignty persist. Now the rapid growth in transnational communications, migration and economic interdependence is accelerating the erosion of that classical conception and increasing the gap between norm and reality.

IV

This evolution makes more relevant the liberal conception of a world society of peoples as well as states, and of order resting on values and institutions as well as military power. Liberal views that were once regarded as hopelessly utopian, such as Immanuel Kant's plea for a peaceful league of democracies, seem less far-fetched now that political scientists report virtually no cases of democracies going to war with each other. Current debates over the effects of German reunification, for example, pit against each other realists who see western Europe going back to the troubled balance of power, and liberals who fault such analysis for neglecting the fact that unlike 1870, 1914 or 1939, the new Germany is democratic and deeply enmeshed with its western neighbors through the institutions of the European Community. Moreover the interactions between democratic politics and international institutions reinforce each other.

Of course the game is still open in post-Cold War Europe, and Europe is very different from other parts of the world such as the Middle East, where traditional views of the balance of military power are still the core of wisdom. But the experience of Europe (and the democratic market economies

more generally) suggests that in at least parts of this hybrid world, conceptions of divisible and transferable sovereignty may play an increasing part in a new world order. The complex practices of the European Community are a case in point.

These liberal conceptions of order are not entirely new. The Cold War order had norms and institutions, but they played a limited role. During World War II Roosevelt, Stalin and Churchill agreed to a United Nations that assumed a multipolar distribution of power. The U.N. Security Council would enforce the doctrine of collective security and nonaggression against smaller states while the five great powers were protected by their vetos.

Even this abbreviated version of Woodrow Wilson's institutional approach to order was hobbled, however, by the rise of bipolarity. The superpowers vetoed each other's initiatives, and the organization was reduced to the more modest role of stationing peacekeepers to observe ceasefires rather than repelling aggressors. The one exception, the U.N. role in the Korean War, proved the rule; it was made possible only by a temporary Soviet boycott of the Security Council in June 1950. When the decline of Soviet power led to Moscow's new policy of cooperation with Washington in applying the U.N. doctrine of collective security against Baghdad, it was less the arrival of a new world order than the reappearance of an aspect of the liberal institutional order that was supposed to have come into effect in 1945.

But just as the Gulf War resurrected one aspect of the liberal approach to world order, it also exposed an important weakness in the liberal conception. The doctrine of collective security enshrined in the U.N. Charter is state-centric, applicable when borders are crossed but not when force is used against peoples within a state.

Liberals try to escape this problem by appealing to the principles of democracy and self-determination. Let peoples within states vote on whether they want to be protected behind borders of their own. But self-determination is not as simple as it sounds. Who decides what self will determine? Take Ireland, for example. If Irish people voted within the existing political boundaries, Ulster would have a Protestant majority, but if the Irish voted within the geographical boundaries of the island, Ulster would be encompassed within a Catholic majority.

Whoever has the power to determine the boundaries of the vote has the power to determine the outcome.

A similar problem plagues Yugoslavia. It seemed clear that relatively homogeneous Slovenia should be allowed to vote on self-determination, but a similar vote in Croatia turns Serbs in some districts into a minority who then demand a vote on secession from an independent Croatia. It is not surprising that issues of secession are more often determined by bullets than ballots.

Nor are these rare examples. Less than ten percent of the 170 states in today's world are ethnically homogeneous. Only half have one ethnic group that accounts for as much as 75 percent of their population. Most of the republics of the former Soviet Union have significant minorities and many have disputed borders. Africa is a continent of a thousand ethnic and linguistic peoples squeezed within and across some forty-odd states. Once such states are called into question, it is difficult to see where the process ends. In such a world, federalism, local autonomy and international surveillance of minority rights hold some promise, but a policy of unqualified support for national self-determination would turn into a principle of enormous world disorder.

V

How then is it possible to preserve some order in traditional terms of the balance of power among sovereign states, while also moving toward international institutions that promote "justice among peoples?"

International institutions are gradually evolving in just such a post-Westphalian direction. Already in 1945, articles 55 and 56 of the U.N. Charter pledged states to collective responsibility for observance of human rights and fundamental freedoms. Even before the recent Security Council resolutions authorizing postwar interventions in Iraq, U.N. recommendations of sanctions against apartheid in South Africa set a precedent for not being strictly limited by the charter's statements about sovereignty. In Europe the 1975 Helsinki Accords codified human rights. Violations can be referred to the European Conference on Security and Cooperation or the Council of Europe. International law is gradually evolving. In 1965 the American Law Institute defined international law as "rules and principles . . . dealing with the conduct of states and international organizations." More recently the institute's law-

yers added the revealing words, "as well as some of their relations with persons." Individual and minority rights are increasingly treated as more than just national concerns.

Of course in many, perhaps most, parts of the world such principles are flouted and violations go unpunished. To mount an armed multilateral intervention to right all such wrongs would be another source of enormous disorder. But we should not think of intervention solely in military terms. Intervention is a matter of degree, with actions ranging from statements and limited economic measures at the low end of the spectrum to full-fledged invasions at the high end. The U.N. Security Council and regional organizations may decide on limited nonmilitary interventions. Multilateral infringements of sovereignty will gradually increase without suddenly disrupting the distribution of power among states.

On a larger scale the Security Council can act under chapter seven of the U.N. Charter if it determines that internal violence or development of weapons of mass destruction are likely to spill over into a more general threat to the peace in a region. Such definitions are somewhat elastic—witness the imposition of sanctions against Rhodesia in the 1960s. The reasons for multilateral intervention will gradually expand over time. Although Iraq was a special case because of its blatant aggression, Security Council resolutions 687 and 688 may create a precedent for other situations where mistreatment of minorities threatens relations with neighbors or where a country is developing weapons of mass destruction in violation of its obligations under the Nonproliferation Treaty.

In other instances groups of states may act on a regional basis to deal with internal fighting, as Nigeria and others did by sending troops to Liberia under the framework of the Economic Community of West African States. In Yugoslavia the European Community employed the threat of economic sanctions as well as observer missions in an effort to limit the violence. In Haiti members of the Organization of American States imposed economic sanctions in response to the overthrow of a democratically elected government. None of the efforts was fully successful, but each involved intervention in what are usually considered domestic affairs.

It may also be possible to enhance U.N. capabilities for independent actions in cases where the permanent members do not have a direct interest. The gains for collective security from the Gulf War would be squandered, for example, if there

were no international response to a Rwandan invasion of Uganda or a Libyan incursion into Chad. A U.N. rapid deployment force of 60,000 troops formed from earmarked brigades from a dozen countries could cope with a number of such contingencies as determined by the Security Council.

Such a fighting force, as contrasted to traditional peacekeeping forces, could be formed around a professional core of 5,000 U.N. soldiers. They would need frequent joint exercises to develop common command and operational procedures. The U.S. involvement could be limited to logistical and air support and, of course, the right to help control its activities through the Security Council and the military staff committee. Many details need to be worked out, but an idea that would have been silly or utopian during the Cold War suddenly becomes worth detailed practical examination in the aftermath of the Cold War and Gulf War.

Such imperfect principles and institutions will leave much room for domestic violence and injustice among peoples. Yugoslavia is an immediate example, and it will not be alone. But the moral horrors will be less than if policymakers were to try either to right all wrongs by force or, alternatively, to return to the unmodified Westphalian system. Among the staunchest defenders of the old system are the poorly integrated postcolonial states whose elites fear that new doctrines of multilateral intervention by the United Nations will infringe their sovereignty. The transition to a liberal vision of a new world order is occurring, but not smoothly. Liberals must realize that the evolution beyond Westphalia is a matter of decades and centuries, while realists must recognize that the traditional definitions of power and order in purely military terms miss the changes that are occurring in a world of transnational communications and instant information.

VI

What is the American national interest in promoting a new world order? As election-year rhetoric asks, why not put America first? The country faces a number of serious domestic problems. The net savings rate has dropped from about 7.5 percent of gross national product in the 1970s to about 4.5 percent today. The federal budget deficit eats up about half of net private savings. The educational system is not producing a high enough level of skills for continuing progress in an information-age economy. In terms of high school dropouts

the United States is wasting a quarter of its human resources compared to five percent for Japan. There is a need for investment in public infrastructure. Clearly we need to do more at home.

But Americans should beware of a false debate between domestic and foreign needs. In a world of transnational interdependence the distinction between domestic and foreign policy becomes blurred. The real choice that Americans face is not between domestic and foreign policy, but between consumption and investment. President Bush has said that the United States has the will but not the wallet. The opposite is closer to the mark. The United States spends about 31 percent of gross national product on government at all levels, while most European countries spend closer to 40 percent. The United States is a rich country that acts poor. America's U.N. dues are a relative pittance, and many countries see our failure to pay them as proof of our hypocrisy about a new world order. Similarly Europeans cite our low levels of aid and question our seriousness and relevance to stability in postcommunist eastern Europe. The American economy could support a few more percentage points of gross national product to invest at home while helping to maintain international order.

But why spend anything on international order? The simple answer is that in a world of transnational interdependence, international disorder can hurt, influence or disturb the majority of people living in the United States. A nuclear weapon sold or stolen from a former Soviet republic could be brought into the United States in the hold of a freighter or the cargo bay of a commercial airliner. Chaos in a Middle Eastern country can sustain terrorists who threaten American travelers abroad. A Caribbean country's inability to control drugs or disease could mean larger flows of both across our borders. Release of ozone-depleting chemicals overseas can contribute to a rise in skin cancer in the United States. With more than ten percent of U.S. gross national product exported, American jobs depend upon international economic conditions. And even though not a direct threat to U.S. security, the human rights violations brought home to Americans by transnational communications are discomfiting. If the rest of the world is mired in chaos, and governments are too weak to deal with their parts of a transnational problem, the U.S. government

will not be able to solve such problems alone or influence them to reduce the damage done to Americans.

In addition, even after the Cold War the United States has geopolitical interests in international stability. The United States has a continuing interest that no hostile power control the continent of Europe or that European turmoil draw us in under adverse circumstances, as happened twice before in this century. While such events now have a much lower probability and thus can be met with a much reduced investment, a wise foreign policy still takes out insurance against low probability events. Given the uncertainties in the aftermath of the Soviet collapse, an American security presence, even at greatly reduced troop levels, has a reassuring effect as European integration proceeds. The United States has an interest in a stable and prosperous western Europe that gradually draws the eastern part of the continent toward pluralism and democracy. The primary role will rest with the Europeans, but if the United States were to divorce itself from the process, we might find the future geopolitical situation far less stable.

The United States also has geopolitical and economic interests in the Pacific. The United States is the only country with both economic and military power resources in the region, and its continued presence is desired by Asian powers who do not want Japan to remilitarize. Japan's current political consensus is opposed to such a military role, and Japanese leaders realize it would be destabilizing in the region. With a relatively small but symbolically important military presence the United States can help to provide reassurance in the region, while encouraging Japan to invest its economic power not in military force but in international institutions and to help share the lead in dealing with transnational issues.

In realist terms the United States will remain the world's largest power well into the next century. Economists have long noted that if the largest consumer of a collective good, such as order, does not take the lead in organizing its production, there is little likelihood that the good will be produced by others. That was the situation in the 1920s when the United States refused to join the League of Nations or cooperate in preserving the stability of the international economy. Isolationism in the 1920s came back to haunt and hurt Americans a decade later. There is even less room for neo-isolationism today.

Why not simply leave the task of world order to the United

Nations? Because the United Nations is the sum of its member nations and the United States is by far the largest member. Large scale U.N. efforts like the repulse of Iraq will continue to require the participation of the world's largest power.

The United States correctly wants to avoid the role of world policeman. The way to steer a middle path between bearing too much and too little of the international burden is to renew the American commitment to multilateral institutions that fell into abeyance in the 1980s. The use of multilateral institutions, while sometimes constraining, also helps share the burden that the American people do not want to bear alone. Multilateralism also limits the resentments and balances the behavior of other nations that can lead them to resist American wishes and make it harder for Americans to achieve national interests.

While the Bush administration failed in its policies toward Iraq before and at the end of the Gulf War, its actions in organizing the multilateral coalition that expelled Iraq from Kuwait fit the national interest in a new world order. The administration combined both the hard power of military might and the soft power of using institutions to co-opt others to share the burden. Without the U.N. resolutions it might have been impossible for the Saudis to accept troops and for others to send troops. Nor is it likely that the United States could have persuaded others to foot nearly the entire bill for the war. Had there been no response to Iraq's aggression and violation of its obligations under the Nonproliferation Treaty, the post-Cold War order would be far more dangerous.

In short the new world order has begun. It is messy, evolving and not susceptible to simple formulation or manipulation. Russia and China face uncertain futures. Regional bullies will seek weapons of mass destruction. Protectionist pressure may increase. The United States will have to combine both traditional power and liberal institutional approaches if it is to pursue effectively its national interest. We want to promote liberal democracy and human rights where we can do so without causing chaos. The reason is obvious: liberal democratic governments are less likely to threaten us over time. We will need to maintain our alliances and a balance of power in the short run, while simultaneously working to promote democratic values, human rights and institutions for the long run. To do less is to have only a fraction of a foreign policy.

Howard H. Baker, Jr.
Ellen L. Frost

RESCUING THE U.S.-JAPAN ALLIANCE

At the start of 1992 the U.S.-Japan alliance was stood on its head. In December the two countries had marked the fiftieth anniversary of the Japanese attack on Pearl Harbor with dignity and restraint. Just a month later, after President Bush's trip to Tokyo, the two countries were publicly bickering with a vehemence and bitterness entirely uncharacteristic of a friendly alliance.

If President Bush had visited Japan in early December, as originally planned, he and Prime Minister Kiichi Miyazawa would perhaps have gone further in symbolically healing the wounds of war and shifting the political focus to the future. But these lofty purposes were all but lost in the cacophony of criticism from both sides of the Pacific that assailed the visit and its participants. Also lost in the noise were a number of potentially meaningful agreements, including a common effort to revitalize the American and Japanese economies as well as an agreement to open the Japanese computer market to greater world competition.

II

How could an occasion designed to reinforce and reinvigorate the alliance have deteriorated so dramatically? Part of the answer is surely election-year politics, which caused the postponement of the president's trip in the first place. Another part is the frustrating Japanese tactic of waiting until the pressure becomes unbearable before making any move.

Yet well before the president's trip tension had been building. Japan and the United States entered the 1990s resembling

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two sparring adolescents: prickly, intense, awkward, critical and self-righteous.

Many Japanese harbor attitudes characterized by a certain degree of resentment, self-pity, hypersensitivity to criticism from Washington and a limited understanding of Japan's global responsibilities. They see America as a nation in decline, plagued with crime and drugs and riddled with undisciplined minorities and immigrants. Japanese embarrassment over Tokyo's slow response to the Gulf War has given way to a widespread feeling that the United States has gone too far in pushing Japan around. Instead of addressing their problems at home, Americans make Japan a scapegoat. No sooner does Tokyo give in to one demand from Washington than another takes its place.

The mood in America has become both tougher and more prickly. It has hardened in the sense that more and more Americans believe that Japan is "unfair" in its business dealings with the United States. This perception grew stronger with news that General Motors, America's largest producer of automobiles, would close several plants and lay off more than 70,000 workers. Another disturbing announcement was that Japan's trade surplus soared in 1991, reversing three years of decline.

Although Americans continue to consume Japanese products, large minorities of them now say they favor import restrictions targeted against Japan. According to one poll the number of respondents who said they make a "conscious effort" to avoid buying Japanese products unless they have no choice jumped from 49 percent in 1990 to 63 percent in 1992.¹

At the same time Americans have become extremely sensitive—some would say hypersensitive—to Japanese criticism. In the wake of the president's trip, offhand remarks by senior Japanese politicians disparaging America's work ethic sparked a wave of publicity and fueled widespread anger. Following one such episode 37 percent of Americans surveyed opined patriotically that the United States has "harder-working workers" than Japan, compared with only 19 percent two years ago. Two-thirds of the respondents said that anti-Japanese feelings in America are on the rise.² Similar criticism from Americans

¹*The Washington Post*, Feb. 14, 1992, p. B1.

²*Ibid.*

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| In Heavy Blow to Miyazawa, LDP Candidate Loses Miyagi By-election | |
| <p>In a serious blow to Prime Minister Miyazawa, Kōji Hagiwara, candidate of the 8-million member Renmei labor federation, narrowly defeated the LDP's Nobuo Onodera in an Upper House by-election in Miyagi prefecture. Hagiwara, who was also led by the Social Democratic (Socialist) party, won by just 1,917 votes among 790,000 cast. But the LDP defeat, following a similar loss in Nara prefecture last month, was a shock to a party already worried about how it will do in a national election for half the Upper House in July. The party is disturbed that the loss in the vice belt came despite an all-out effort. Among other things, LDP put off a decision to open the market, adopted pump-priming measures to shore up the sagging economy, and sent several leaders including former Prime Minister Kaifu and LDP Vice President Shin Kanemaru, to campaign. Miyazawa, whose offer to do so was turned back by the local LDP chapter, invited himself up on Saturday anyway.</p> <p>Warrior Railed: It's unclear whether his presence affected the outcome, but the result has raised worries in the LDP about conducting a campaign this summer with Miyazawa at the helm, reports said. "It would be extremely difficult to reposition ourselves," Yonifuri quoted one senior politician as saying. But Nikkei said there is no disposition yet in the powerful Taiseisha faction, led by Kanemaru, to depose Miyazawa. "We have no choice but to go with the present leadership until July. It's physically impossible" to change leaders right now, it quoted a top party official as saying.</p> | |
| Third SDP Discusses Stump Party by Admitting He Took Money from Sagawa | |
| <p>A third Social Democratic (Socialist) politician, upper house Dietman Ryōichi Yasutome, acknowledged "borrowing" ¥8 million (US\$100) from Sagawa Kyōka, the package delivery group involved in an enormous influence peddling scandal. Yasutome admitted he had taken the funds in 1989, just when he was conducting investigation of Sagawa's overseas practices and of some of its finances. Yasutome insisted he returned the money later and had done "nothing about which I have to feel remorseful." But two weeks ago Dietwoman</p> | |

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or even from other countries' leaders does not have the same explosive effect.

These trends feed into a more subtle undercurrent of concern. Many leaders have worried for some time that the economic relationship is not healthy and that America has become dangerously dependent on Japan. Some analysts of Japan stress that the two societies are fundamentally different and that their interests are not necessarily compatible. They call for exceptional government actions to defend American interests against Japan's inexorable economic expansion and its efforts to influence political decisions in Washington.

This emphasis on differences rather than similarities may be exaggerated, but it has brought into focus a number of very real contrasts between the two societies. When it comes to a choice, the Japanese value group loyalty over individualism, social homogeneity over diversity, and hierarchy over equal opportunity. They value social order and believe that things work better in Japan because the Japanese are better educated and more reliable than foreigners. Accordingly they resist immigration as threatening the good of society in general and public health and safety in particular. Although their behavior toward foreigners is courteous and friendly, they tend to shun close contact.

These attitudes appear to be less pronounced in the younger generation, but they continue to form the core of a persistent "Japanese-ness" that makes it difficult to penetrate the Japanese market. Imports have soared to over \$200 billion annually, but a certain psychological insularity persists. There is little appreciation for what Americans call "transparency"—the publication or ready availability of regulations, technical specifications, bidding procedures and other information relevant to making a sale. This clubby aspect of doing business in Japan is increasingly criticized as incompatible with the responsibilities of a major trading nation.

Paradoxically the two governments have never cooperated more closely. They have resolved (at least temporarily) a series of specific disputes, such as trade in semiconductors and access to Japanese construction projects. They have negotiated higher levels of Japanese support for U.S. troops based in Japan—the highest level of host-nation support in the world. They are cooperating closely to limit the spread of nuclear weapons and other destabilizing technologies. With some

exceptions they are finding common ground on protecting the global environment.

In U.S. opinion polls Americans consistently say they trust Japan more than most other nations, and a solid majority would be willing to defend it if it were attacked. On the eve of the fiftieth anniversary of Pearl Harbor some 77 percent of American respondents said their feelings toward Japan were “friendly.”³ Surveys taken since the president’s trip, however, suggest a dropoff in such positive feelings. In some regions a “buy-American” movement has gathered steam. Nevertheless, Americans remain attracted to a range of things Japanese, from cars to sushi bars. Even the U.S. Congress, which erupts with anti-Japanese resolutions from time to time, has thus far stopped short of passing binding legislation that is specifically anti-Japanese. The Democratic presidential campaign, which many Japanese feared would become a hotbed of Japan-bashing, has begun on a level more restrained than many anticipated.

The Persian Gulf crisis was a success of sorts, albeit a deeply embittering one. The fact that Japanese were not willing to “put bodies on the line” angered many Americans. So did the length of time that elapsed before Tokyo came up with its contribution and the last-minute niggling about a “shortfall” that resulted from fluctuating exchange rates. But most Japanese felt they were being asked to pay for a war over which they were not consulted and did not really favor. In terms of consensus, precedent and political support the government began from zero. It ended up with a contribution second only to those of Saudi Arabia and Kuwait itself. The \$13 billion sum represents a tax of roughly \$100 on every man, woman and child in Japan.

In Japan the Persian Gulf crisis polarized public opinion, just as it did elsewhere. Yet it also stimulated a consensus in favor of more global involvement. Characteristically inward-looking Japanese attitudes are still pervasive, though they appear to be diminishing. Support for some kind of participation in U.N. peacekeeping forces, while still controversial, has gained ground. The belated dispatch of minesweepers to the gulf should be seen in this broader context. Only a few years earlier such a move would have been impossible. Japan

³*The New York Times*, Dec. 3, 1991, p. A16.

may have strong traditions that differ from America's, but it is not immobile.

III

Still the relationship is arguably in some danger. Has the collapse of communism in the U.S.S.R. punctured the *raison d'être* of the Japan-U.S. alliance? Or will it free up the two countries to build a new partnership? What might such a partnership look like?

The dreams and visions of each side are by no means identical. The Japanese dream includes: avoidance of war at all costs; elimination of nuclear weapons; noncombat contributions to U.N. peacekeeping; substantial foreign aid; quiet diplomacy; minimal security efforts, and none at all outside Japan's territorial waters; diversified sources of food and raw materials; trade and investment ties with all nations; economic preeminence through excellence in science and technology; respect from the world community; and a higher living standard for a homogenous population through lower land and housing prices and more leisure opportunities.

In this vision the role of the United States is that of a benign older brother, who nonetheless accepts Japan as a more equal partner. The United States remains a military superpower and a global policeman, although a more cautious one. American strength keeps the world safe so that Japanese companies can strive for preeminence even while Japan as a nation remains "number two." Americans are allowed to press gently for the liberalization of the Japanese economy but must tolerate its unique aspects because they understand Japanese culture.

The American vision includes: the pursuit of international human rights and democracy under American leadership, likely to result in pro-Americanism and goodwill throughout the world; the capability to combat aggression without substantial American casualties or heavy economic burdens; control of oil and other vital resources by friendly nations; leadership in science and technology; respect and cooperation from allies and friends; and a higher living standard for a heterogeneous population through jobs, consumption and imports.

In the American view the role of Japan is that of a good ally and good-natured business partner. Japan should share American goals and contribute substantially, when asked, to U.S. operations overseas. It should also inject democratic and humanitarian values into its aid and investment programs,

share technology freely with other friendly nations, try to steer the steady expansion of its companies in beneficial directions without behaving too overtly like "Japan, Inc.," open domestic markets more completely, make productive investments in the United States that create good jobs for Americans, send high-quality products to American consumers, accept more immigrants, end discrimination against minorities and women—and relax.

Americans are ambivalent on many key questions, such as whether it is a good thing for Tokyo to send Japanese forces overseas. On foreign aid they want Japan to do even more (it is already the world's largest or second largest donor, depending on exchange rates), but they are uncomfortable with the inevitable economic influence that this fosters. They want Japan to share technology but are suspicious of proposed cooperative research programs. Confused and dismayed by these mixed signals, and frequently underestimating the diversity of American opinion, some Japanese feel they are caught in the middle.

IV

Neither the United States nor Japan will necessarily conform to the other's dreams. Japan will remain an ally but will pursue its agenda more assertively and without always seeking to harmonize it with Washington. While the two countries will remain very important for each other, the United States will shrink from a position of overwhelming weight and importance for Japan to one of more normal proportions.

American dependence on Japan for technology and industrial components is likely to become more widely recognized (and politicized). Japan will continue to be a competitor, collaborator and catalyst, boosting quality and forging new competitive patterns, but forcing painful dislocations as well. Japanese purchases of U.S. government securities have fallen off for the time being, but dependence on Japanese capital will remain substantial as long as the American savings rate remains low.

Assuming (perhaps optimistically) a peaceful and democratic Russia, the political and security relationship with the United States will lose some, but by no means all, of its immediacy. The region gaining correspondingly more influence in Tokyo will be Asia. Indeed this trend is well under way.

Asian countries have long received the bulk of Japanese aid even though most of them are among the least poor. In many parts of Asia, Japan has displaced the United States as a model for economic development. Japan's annual sales to Asia have recently surpassed those to the United States and so has the rate of new investment. Japanese companies, already well represented throughout the region, have been positioning themselves to enter new markets in Vietnam, Cambodia and possibly Mongolia and the Russian Far East. Although this expansion is driven primarily by commercial concerns rather than politics, Japanese policymakers are now finding in Asia a potential counterweight to the regional integration of the European and North American markets, where Japan has encountered considerable hostility. For all these reasons the United States will have less overall influence with Japan, and Asia will have more.

At the same time Asia will also remain very important to the United States, and hence it is an area of potential U.S.-Japan contention. Short of a total breakdown of the world trading system, the danger of a trade bloc excluding the United States is remote. Still, commercial competition is bound to grow, and our political and security interests are not identical. Tokyo has limited interest in publicly promoting democracy and human rights in Asia, at least not as Washington defines and promotes them. The predominant view among Japanese government officials is that Americans are naïve for insisting on them so stubbornly. They believe that many if not most developing countries have yet to reach the stage of development where it is reasonable to expect greater democratic processes. While progress toward democracy will henceforth be one of Japan's criteria for aid, Tokyo prefers quiet diplomacy and backstage maneuvering to American-style public diplomacy and unilateral economic sanctions.

A prime example is China. Many Japanese were deeply disturbed by the Tiananmen Square tragedy at the time, but they wish to avoid offending Beijing. They also understand, and to some extent share, the Chinese leadership's fear of chaos and civil war. Human rights violations are regrettable, but the best long-run cure, they believe, is economic development. Neither Japan nor any other major country threatens to abolish normal trade with China, as the U.S. Congress does.

It is widely believed that Japan is unpopular in East Asia

because of memories of World War II. Such memories certainly linger, and Japan's wartime behavior is an issue that will not go away. There has been some progress, including carefully negotiated apologies by the new emperor, by former Prime Minister Toshiki Kaifu and Foreign Minister Michio Watanabe. Nevertheless there is nothing comparable to the explicitness of German textbooks or the openness of German leaders. Japanese young people still do not learn much about the war in school. This is a political minefield in Tokyo, watched over vigilantly by the right wing and fenced off by an unenlightened Ministry of Education.

There is no enthusiasm anywhere in Asia for a vigorous Japanese military role, but other attitudes vary by region. In the Korean peninsula resentment against the Japanese remains strong even though American bases in Japan remain pivotal for the defense of South Korea. China also harbors much bitterness and suspicion. In Southeast Asia, however, Tokyo's prospects are bright. The Japanese used to be seen as a necessary evil, but now they are being seen as less evil and more necessary, and even—economically at least—desirable.

Japan's political and security agenda in Asia, while far more limited than its economic interests, is now more extensive than at any time since World War II. It includes efforts to promote peace and reconciliation in both the Indochinese and Korean peninsulas. In so doing it cooperates closely with Washington.

Tokyo, however, will avoid endorsing formal Asia-wide security structures and institutions unless there is broad consensus among the nations of the Pacific Rim, including the United States. Along with the United States it is wary of the proposed conference on comprehensive security and cooperation in Asia, a counterpart to the Europe-based CSCE. Japan claims that Asian security challenges are too sensitive, and too varied, to be resolved in a huge, highly politicized forum. Tokyo thus looks with favor on subregional, ad hoc groupings, such as the special security framework for Cambodia and a possible "two plus four" arrangement to promote the reduction of tensions in, and the eventual unification of, the Korean peninsula. (The four would be the United States, Russia, China and Japan.)

Provided that the United States is not excluded, any number of confidence-building and dispute-settling mechanisms should be possible. This is a promising field. Such mechanisms might evolve informally within what Robert A. Scalapino calls

“concentric arcs”—specifically constructed, open-ended, sub-regional security structures offering maximum flexibility and communication among the various players.⁴ Such arcs could bring together parties to a real or potential conflict and offer informal mediation services in a neutral setting. They could also gather and share information relevant to the fears of each side, such as the size of military forces and projected military exercises.

There is no shortage of subregional tensions and opportunities in Asia. These include the reduction and redeployment of American and Russian forces in the region, the potential unification of the Korean peninsula, the evolution of Indochina after decades of war, rival claims to the Spratly Islands, the reversion of Hong Kong to China and the political future of Taiwan. Once the process had been established, other arcs might even tackle the sticky issue of human rights in the region.

Washington and Tokyo are unlikely to take the initiative to propose informal groupings of this kind, but there is some chance that other nations will. Asian protagonists might welcome a forum that was smaller and less politicized than the United Nations, less legalistic than the World Court and more responsive to shared subregional concerns than standard bilateral alliances. They might also see the value of embedding Japan more firmly in a multilateral security web. Besides encouraging “good citizenship” in Asia on the part of Japan’s political leaders, Tokyo’s participation could serve as an extra “safety check” to ensure that Japan’s military capabilities pose no threat to other countries. From Tokyo’s (and Washington’s) perspective, Japan’s membership in subregional security structures would arguably open new avenues to shared security goals and ease the political strain of relying exclusively on the bilateral U.S.-Japan alliance.

If current trends prevail there is very little chance that Japan will become a major military power. Simple-minded projections that economic power automatically entails corresponding military power overlook both politics and history. The Japanese government is likely to maintain a respectable self-defense force, gradually achieving its own limited goals. These include the ability to repel a limited, small-scale attack and

⁴Robert A. Scalapino, “The United States and Asia,” *Foreign Affairs*, Winter 1991/92, pp. 38–39.

defend sea-lanes out to a distance of 1,000 nautical miles. But there are simply no advantages that would accrue to Japan by embarking on a major military buildup. In fact there would be a number of disadvantages, such as higher taxes and the diversion of engineering skills from commercial products. Moreover neighboring Asian states would become deeply suspicious of Japan's motives and would distance themselves politically—and perhaps even economically—from Tokyo, reversing years of patient diplomacy.

Thus far the scenario is manageable, but in certain circumstances a more ominous pattern could emerge. If the United States still sways under the load of deficits and debts, fails to boost the competitiveness of its industry and allows its social and educational ills to fester, the Japanese would lose much of their remaining respect for Americans. Reciprocity in trade and investment would falter, if only because Americans would not have the assets to establish a position in the Japanese market even if it were more open. Spiraling trade friction in visible and politically sensitive industries would exacerbate protectionism and nationalism. More trade would be managed, but many American companies would lack the resources to modernize their facilities during the breathing spell.

In Japan one could see a resurgence of that element of the Japanese political psyche that identifies itself as Asian rather than Western in the modern industrial sense. Perceiving—and subconsciously exaggerating—a common heritage of race, geography, culture and history, Japan's leaders would shun the West, downgrade their global goals, halt or reverse their commitments to open their markets and pursue an agenda in Asia that could run counter to Western ideals. Criticism of the United States would become sharper and more vocal. Japan's economic power in the region would solidify into a *de facto* trade and investment grouping, while the General Agreement on Tariffs and Trade (GATT) rules were ignored. Rather than relying on quiet diplomacy Tokyo would publicly criticize Washington for failing to understand Japanese goals in Asia. Meanwhile, in Japan, advocates of military autarky would accelerate autonomous programs and retreat from cooperative defense arrangements with the United States.

Even if there were no open break, mounting hostility would weaken the partnership and corrode the very core of the alliance. The United States would lower its military posture in Asia, and those forces that remained would serve

primarily as buffers and only secondarily as allies. Japan would cement its economic hold on the region, solidifying a zero-sum network detrimental to U.S. interests. In a manner reminiscent of the bitter China debates of the early 1950s, Americans would point fingers and ask, "Who lost Asia?" There is no rational alternative to the alliance for either country, but slow deterioration could ultimately be as serious as an open break.

v

What will determine the future of the American-Japanese partnership?

Much depends on the global political environment, especially the fate of the former Soviet Union. If present trends continue, a nuclear arsenal will be worth less and less as a meaningful criterion of superpower status. Other things being equal, nonnuclear economic powers such as Japan and Germany will gain influence compared to nuclear powers with troubled economies, such as the United States and France. Nuclear proliferation in unstable regions of the world remains a serious problem, but the danger of all-out nuclear war has shrunk dramatically.

If the U.S.-Japan alliance truly needs new threats, as some argue, it will not be hard to find them. The succession of power in both China and North Korea, together with efforts to reunify the Korean peninsula, have the potential to change the face of Asia. Pyongyang's announced willingness to permit international inspections of its nuclear facilities is encouraging, but the example of Iraq is a reminder that clandestine development of nuclear weapons cannot be ruled out. Also to be watched are instability in the Philippines and possibly Indonesia, the durability of the Cambodia settlement, the fate of Hong Kong and the evolution of the China-Taiwan relationship. There is no shortage of threats in the rest of the world either. To name just one, militant Islamic fundamentalism is avowedly hostile to most of what Japan and America have stood for over decades.

All of these threats argue for a continued U.S. military presence in Asia. Except in Korea the U.S. role in Asian security contingencies is not clearly defined. But at a minimum U.S. forces serve to balance and stabilize the various regional

tensions. For this function as well as for military contingencies the U.S.-Japan alliance is crucial.

Equally crucial to Asian stability and growth are the eventual success of the Uruguay Round of GATT negotiations, the openness of the European Community and the proposed North American Free Trade Area, and ultimately the future of the global free-trade system. If the postwar trading system collapsed, Japan would be among those suffering the sharpest dislocations.

Even more than the global political environment, domestic politics ultimately drives foreign policy. In the long run whether Japan grows into a world leadership role commensurate with its economic strength will depend on developments at home. But in determining the short-range agenda and the "atmospherics" of U.S.-Japan relations, domestic politics in the United States are more decisive than domestic politics in Japan.

Recent polls indicate that a growing number of Americans have lost confidence in their economic future. In this context they see Japan's economic power surpassing that of the United States and threatening their jobs. The same Americans who buy Japanese cars, respect Japan's accomplishments and are willing to defend Japan if attacked also see Japan as pursuing only its own interests, and doing so more relentlessly and successfully than other nations—at the expense of the United States.

Japan has become a lightning rod, attracting complaints and illuminating the absence of a cohesive U.S. industrial strategy. Americans are normally optimistic, but Japan's success at a time of their own growing uncertainty makes them feel increasingly uneasy about their future. They project a lot of this uneasiness into individual episodes involving Japanese, such as the proposed codevelopment of a fighter support aircraft (the FSX) or the Japanese purchase of New York's Rockefeller Center.

To worried Americans, Japan has also become a mirror reflecting American values. Savings, hard work and education—the keys to Japanese success—come straight from Benjamin Franklin and the Pilgrims. It is disconcerting to think that those values are being applied more consistently in Japan than in the United States. This helps to explain why Japan, real or perceived, is identified as part of almost every U.S. problem in America's domestic debate. It is also part of almost

every solution. There is growing recognition that America's future depends on much more than whether the Japanese buy more cars made in Detroit. The key questions instead are whether the United States can forge a consensus strong enough to reduce its budget deficits, generate productive investment, reverse the decline in education and make meaningful progress in overcoming social problems.

The central questions on the other side of the Pacific are also domestic and political. For the average Japanese U.S.-Japan tensions highlight the weakness of their own leadership. Whatever they felt about the Gulf War to begin with, they were critical of the way their government handled it. Some felt that the Japanese government lacked vision, and most believed that it simply kowtowed to American pressure. Almost everyone recognized that decisive commitments took so long to emerge that their diplomatic value was lost.

The Japanese political process makes creative policymaking difficult and rapid decisions impossible. What counts at the highest level is not issues or leadership, but money from interest groups and deals between factions. The socialists and the communists, who have no real chance of governing, seek opportunities to embarrass the government whenever they can. To break the frequent deadlocks, Japanese policymakers are forced to invoke foreign pressure. All this adds up to a glacial and seemingly grudging pattern of decision-making that undermines Japan in American eyes and tarnishes the value of the concession or contribution in question.

Short-term prospects for reform are not encouraging. Former Prime Minister Kaifu staked his political leadership on the need for reform. He lost. Prime Minister Miyazawa has put the whole issue aside. Yet over time developments external to the Liberal Democratic Party may force an improved electoral system and better regulation of "money politics." Prospects for reform depend, among other things, on whether the opposition parties can shed discredited ideologies and become more attractive to voters, whether new regulations will curtail political donations from corporations and banks, and whether public discontent can pry open the grip of the "iron triangle" of vested interests—regulated and protected industry sectors and their counterparts in the bureaucracy and the Diet.

The evolution of political leadership will influence the outcome of the much debated "internationalization" of Ja-

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pan. This fashionable word means different things to different people. Both the Ministry of International Trade and Industry (MITI) and former Prime Minister Yasuhiro Nakasone are calling for genuinely "internal" internationalism, driven not by foreign pressure and fear of isolation but by self-confidence and a broader understanding of Japan's national interest.

What happens in the business sector is particularly crucial. Japanese companies are trying to adapt to other cultures as they extend their operations overseas, but the driving force is economic, not political or psychological. Many Americans sense not only an obsession with competition, both Japanese and foreign, but also an underlying nationalism that is pervasive and intense. While Americans debate questions of national identity, most Japanese companies have no such doubts. Despite their extraordinary technical achievements, their visions still seem narrow. As a MITI official put it, "Japanese companies must change their mentality. Some very big companies still believe that free trade means beating everyone with a combination of price-cutting and quality improvement, but that's not politically viable."⁵

What will the next generation of Japanese leaders think about the United States? Japan's younger generation does not remember the American occupation (1945–52) and has no special respect for the United States. For all of its complicated "love-hate" aspects, the occupation nevertheless created certain good images of the United States among hungry and war-weary Japanese. Today's young people, well fed and secure, have been exposed to images of crime, drugs, illiteracy, poor workmanship and urban decay in American society. Japanese education, excellent as it is, does not address this challenge to the relationship. Japanese students memorize lots of facts about the United States, but they lack a true understanding of the spirit of America and its institutions.

On the other hand, young Japanese are traveling abroad in greater numbers. They are much more likely to have visited the United States than their parents. They are likely to return from their trip with strong impressions of American openness and friendliness. They may even help to overcome pervasive images of American violence, proving that it is at least occasionally possible to walk down the street without getting mugged.

⁵*Nikkei Weekly*, Dec. 7, 1991, p. 3.

Despite their domestic differences American and Japanese visions of the global system do in fact overlap significantly. Like Americans, Japanese would prefer an open trade and investment climate abroad, maintained by friendly and stable democratic governments. This is a major reason why talk of a "war" between the United States and Japan is far-fetched.

Among the common interests security still ranks high, even in a post-Cold War world. While Japan will not be a major military power, Tokyo is likely to achieve a modest but respectable standing in international security affairs in a number of other ways. The Japanese government has already signaled more Japanese leadership on multilateral arms control and technology transfer restraints. It has proposed an international arms transfer registry to be maintained by the United Nations. Despite political setbacks in the Diet, it will probably see its way clear to assigning a modest number of arms-bearing troops to noncombat roles in U.N. peacekeeping operations in the not too distant future.

Given the nightmare of opening the U.N. Charter to revision by the member states, it is hard to see how Japan might achieve its goal of permanent membership in the Security Council. One way or another, however, Japan will have to be incorporated more solidly into the key deliberative bodies of the United Nations and other multilateral institutions. Meanwhile it will make the most of smaller groups, notably the Group of Seven leading industrialized nations.

It is primarily in the political-economic arena that a healthy and well-managed U.S.-Japan alliance presents new opportunities. The two countries are now free to promote a global boom. The common agenda includes economic growth, new trade and investment opportunities, stable and diversified sources of energy and raw materials, a sustainable environment and a decent living standard for all.

Japanese officials are already exerting more leadership in the major international financial institutions, notably the World Bank and the International Monetary Fund, where they work in tandem with Americans. Japan has also urged greater international efforts to develop environmentally benign sources of energy and transportation for use around the world. Other challenges where Japanese skills and experience are making or could make a major difference include popula-

tion and health, famine relief, disaster relief, antinarcotics enforcement and refugees.

High-technology cooperation between Japan, the United States and Europe is another rich field for Japanese leadership. The Japanese government has already opened a number of projects to foreign participation in such areas as "intelligent" manufacturing, aerospace, information processing and life sciences. A number of obstacles hamper in-depth cooperation in this area, such as the problem of language, asymmetries in the public/private funding mix and the U.S. government approval process. Still there is a need for such high-visibility projects, both to take advantage of complementary strengths and to offset trade frictions. To be successful in both respects such projects must transcend academic research to engage private companies and create new markets. Over time they are likely to spur closer working relationships between high-technology companies, such as more two-way technology transfer and cross-membership on boards of directors.

Whatever global system ultimately emerges, it seems clear that the United States is still destined to lead for at least the first few decades of the 21st century. It will do so not only because of its size and resources, but also because of its inexhaustible optimism, energy and vision. As the threat of nuclear war subsides, its standing may be reduced from superpower to first among equals, and in certain categories not always even first. While the United States will remain the overall leader, its leadership style will have to change.

Along with Europe, Japan is bound to lead, too, but in a more limited way. Its political weakness and postwar sensitivities are considerable. For both political and cultural reasons Japanese leaders are slow to articulate ideas and values other than bland generalities about peace and harmony. The persistence of hidden trade barriers is a serious irritant to many nations, not just the United States. Nevertheless Japan's achievements are inspiring. As a model for overcoming poverty and defeat, creating comparative advantage and organizing society productively, the Japanese have much to offer the world.

Now that the two countries are approaching their fortieth anniversary as allies, their governments can afford to acknowledge their problems and the limitations of their partnership even while they build on each other's complementary strengths. They should recognize the very real danger of

long-term deterioration and give up the search for perfect understanding, settling instead for sensitivity to each other's weaknesses, tolerance of each other's quirks and openness to each other's needs. They should repeatedly remind their citizens that disengagement would not only fail to solve any problems but would also unravel much of what has been achieved to their own great benefit. They should build and strengthen coalitions between people and groups that have a stake in a creative, constructive U.S.-Japan relationship, not put them on the defensive. Their alliance will never be perfectly harmonious, but it could be deeper and more mature, and therefore more fruitful.

The collapse of the Soviet threat should now make it easier to nourish the domestic roots of the alliance and to define a new global agenda. The days when Tokyo and Washington could patch up their bilateral alliance by concentrating exclusively on their security relationship are gone. Paradoxically, the alliance is now far more likely to realize its potential if its main focus is not bilateral, but domestic and global.

GERMANY IN THE NEW EUROPE

Yes, Germany is becoming more assertive in foreign policy. This is all to the good for the United States.

It is not that German instincts will prove any more infallible than American instincts. Bonn will be right in some cases, such as pressing for destruction of all battlefield nuclear weapons and recognizing Slovenia and Croatia as a means to help end the fighting in Yugoslavia. It will be wrong or irritating in other cases, such as raising German interest rates to record heights at a time of world recession.

More important than the compatibility of specific German judgments—and the interests of the world's two largest exporters should, in fact, often coincide—is the general German assumption of some of the American burden of leadership in Europe. This, as much as declining military expenditures, should free Washington to get on with its own post-Cold War domestic agenda.

II

Germany's lightning unification was, in Chancellor Helmut Kohl's phrase, a catalyst for Europe. It gave urgency to west European integration as the only way to provide neighbors with leverage over the new German colossus. It combined with the plans for "1992" to revive a dynamism the continent had lost to the United States and the Soviet Union. It furthermore paved the way for the reentry of eastern Europe into Europe proper, and it clarified the eventual terms for any entry into Europe by the Russian outsider.

Unification thus promoted both European integration and trans-Atlantic comity rather than hindering them. The Federal Republic is leading the way toward the European future not only because it is finally converting its economic weight into political power, but also because it made the original conceptual leap to a post-national European identity four

Elizabeth Pond is a John D. and Catherine T. MacArthur Fellow in Central Europe and author of a forthcoming book on German unification for the Twentieth Century Fund.

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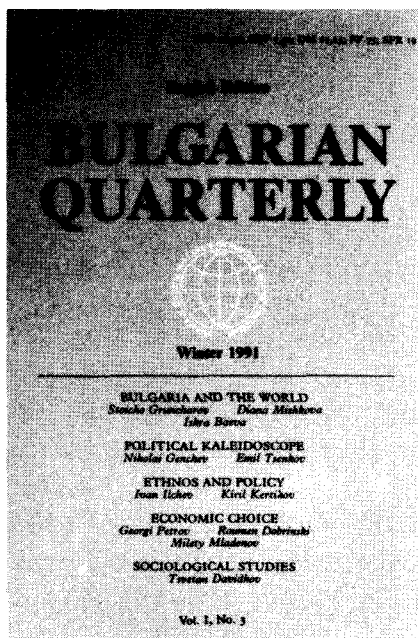
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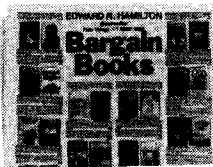
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decades ago. The Germans were forced to surrender their sovereignty and tribal patriotism in 1945; their social glue has long since passed beyond heroic chauvinism to the more humdrum—but safer—cohesion of prosperity and constitutional legitimacy. Today's policymakers in Bonn were inoculated against national hubris in their formative years, when they discovered that their parents had tolerated Hitler's industrial murder of Jews and gypsies in the name of Germany. The much more nationalistic French and English, having been spared such shame, still face the painful loss of narrow patriotism as the European Community (EC) assumes more authority.

Moreover the Germans, with considerable powers already distributed to jealous *länder* (in a way that was not artificially imposed on them by World War II victors but was an outgrowth of centuries of splintered principalities) will adapt nicely to the new regional-based dynamics of Europe 1992. Neither Paris nor London has yet reconciled itself to such decentralization. Economically, politically and intellectually, Germany is uniquely a country whose time has come in a continent whose time has come again.

In this context it makes sense for the United States to continue to give priority to its bilateral relationship with the Germans whom President Bush had in mind in early 1989 when he anointed them "partners in leadership." Events in the train of unification are, in any case, creating their own enormous pressures on Bonn to exert leadership in Europe. And while conventional wisdom presumed that the new fully sovereign Germany must necessarily flex its new leadership in "renationalization" of defense—and in rebellion against its encumbering European partners and erstwhile American patron—a strong case can now be made for a contrary thesis of intensified cooperation among the allies.

Chancellor Kohl and other older Germans in high office feel an urgent need to knit their country into an interwoven Europe before ceding their posts to a generation they fear might be less inhibited by German history and therefore less European. And many Germans, who in the past enjoyed invisible American security but felt morally superior because they did not have to dirty their own hands with fighting, may well gain more appreciation for the United States as they themselves inherit part of the old American security function.

Conversely many Americans who previously deemed Ger-

mans pusillanimous may, in the post-Cold War era, gain an appreciation of the German art of cooperative, ambiguous solutions. The United States may come to see differences with Germany and with Europe less as zero-sum clashes of interest (the view that prevailed during the Reagan administration) than as joint searches for the maximum common good (the view that has generally prevailed in the Bush administration).

Certainly the Germans have demonstrated this spirit in promoting European integration. The French and all other *realpolitiker* assumed that the Federal Republic, having achieved its desired unification, would have less need for allies and would demote them—unless Paris bound it firmly to European Monetary Union before unity occurred. Yet the Germans have so internalized positive interdependence and the negative risks of solo operations that they themselves are seeking not only monetary union but also a political union that would go far beyond any pooling of sovereignty the French or British are prepared to accept.

Similarly German habituation to the stability provided by NATO's collective defense disposes Bonn to perpetuate NATO so long as there is any risk of unpredictable events in the neighborhood. Every Bonn government has explicitly acknowledged this advantage; Yugoslavia's irrational civil war and the messy breakup of the Soviet Union have now spread recognition of this advantage more broadly among the general public. Moreover President Bush's unstinting support for unification in 1989–90 showed the Germans the benefits of maintaining an alliance with a large, distant friend who is not as burdened by European history as are Germany's neighbors. The French-German relationship will always form the core of the European Community, but the Germans will also need, for a long time to come, a less parochial counterweight to Paris and London.

III

Given this extended welcome, the United States should maintain its political engagement in Germany and Europe. The new European security task will be first to stop wars at the periphery—in the anachronistic Balkans and perhaps in the remnants of Russian empire—and then to spread the voluntary democratic west European peace eastward and southward as the EC magnet exerts its pull. With no Eurasian superpower requiring the obvious counterweight of the American super-

power in Europe, this new security task belongs primarily to the Europeans—and is so understood by them for the first time since 1945.

The tranquility of Europe is also important to the United States. The reasons that compelled Washington to intervene late in World Wars I and II are all the more compelling in our present world of greater economic, financial and informational interdependence. Today's ultimate threat of nuclear annihilation surely counsels preventive engagement to help maintain a benign political system in Europe, rather than another belated intervention after events have spun out of control. America still has an important role to play in the 1990s in ensuring Europe against remote nuclear risks and providing the kind of outside political balance the Europeans have come to rely on.

The U.S. function at this point is less existential than auxiliary, in assuring a smooth transition to a stable Europe in the new environment. But as the Soviet empire decomposes, possibly giving rise to the kind of turbulence that followed the breakup of the Austro-Hungarian and Ottoman empires, American commitment in this time of transition is still crucial for the well-being of both the United States and Europe.

The precise architecture of the new system in Europe is difficult to discern; the multiplicity of overlapping institutions blurs the lines of responsibility. The EC and NATO are clearly the dominant institutions. But there is a long list of relevant others: the Western European Union (WEU), the Council of Europe, the Conference on Security and Cooperation in Europe (CSCE), the fledgling North Atlantic Cooperation Council, the Group of Seven leading industrialized nations, the World Bank, the International Monetary Fund, the European Bank for Reconstruction and Development, the United Nations, the Organization for Economic Cooperation and Development, the European Court of Human Rights. Regional groupings, individual national governments, European and especially German businessmen, and other actors will also participate in stabilizing the new Europe.

Even before it enters the confederal European Union targeted for the end of the century, the European Community will be the central organization that all others will increasingly relate to, not only in economics but also in security. The United States should not be deceived by the agonizing birth pangs of political and monetary union—or the inability of

“Europe” to halt the bloodshed in Yugoslavia short of Serbian and Croatian exhaustion, or the German preoccupation with bolstering its new eastern regions—into thinking that the EC will lapse into its slumber of the 1970s and early 1980s.

All German policymakers and all major political parties now agree that the German future can be secured only within a uniting Europe; they will continue to press for this. All non-Germans agree that the energies of a Germany that now has a third more population than France, Britain, or Italy can be safely channeled only within the larger framework of the EC. And all west Europeans agree that they can meet environmental and terrorist challenges and migration pressures from east and south only as a cohesive unit.

Especially after German unification, then, the EC is condemned to succeed. As the Maastricht summit of last December demonstrated in writing a constitution for a European Union, the dynamic is no longer the lowest common denominator, but rather the scramble not to be left out. Even Britain will be carried along in this momentum. And even those Germans who in wake of Maastricht suddenly protested future loss of their “lovely deutsche mark” will find that Kohl has deliberately locked them into the European Currency Unit (ECU), and there is no turning back.

Responding to the new demand and to German prodding, the 12-nation EC is simultaneously “deepening” and “widening,” as the Germans already anticipated in fall 1989. Having formally committed itself to collective social and foreign, as well as economic, policy, the EC will now admit members of the European Free Trade Association in the 1990s; Czechoslovakia, Hungary and Poland, probably around the turn of the century; Slovenia and the three Baltic states probably thereafter, for a membership of 25 by the early 21st century. In the course of doubling its size, the EC will set the economic and political norms that applicants must meet in order to join the club. This means not only business, trade and tax harmonization—Poland, for one, has already adopted EC economic legislation—but also observance of human rights, protection of minorities, safeguarding of free elections and, of course, renunciation of any changes of borders by force.

The EC disposes of strong incentives and disincentives to encourage such civilized behavior in the neighborhood. Much as they insisted that post-dictatorship Spain and Portugal meet democratic criteria before being admitted to the Council of

Europe and the EC in the 1970s, so will west Europeans insist now that the east Europeans play by the rules. The sanction of withholding EC membership from recidivists should go far toward discouraging, say, reversion to the kind of praetorian rule that prevailed in eastern Europe in the 1920s and 1930s. The EC will take the lead not only in organizing Western financial aid to the east to undergird democratization—and in opening its markets, perforce, to eastern exports in lieu of opening its borders to millions of poor immigrants—but also in educating the new democrats in the difficult skills of pluralism. In all of these responses the Germans will be in the forefront.

The United States can watch these developments with equanimity. A new Germany and a more cohesive, more powerful democratic Europe that can take over some of America's security burden on the old continent is all to its advantage, whatever the short-term frustrations in facing a more-or-less single ally that is suddenly bigger and richer than the United States. The United States should therefore support European evolution and increase its direct dealings with the EC in line with progress toward political unity in the region. President Bush made the correct decisions in 1989 and 1990 in opening full diplomatic relations with the EC and in deferring to the EC the lead in dealing with the economic development of eastern Europe and the Yugoslav civil war. Washington should trust this instinct and not go back to the resistance of previous American administrations to letting Europe mature into an equal ally.

Unitary diplomacy with the EC will, of course, never fully supplant bilateral diplomacy with individual European countries, any more than bilateral diplomacy displaces direct contacts, say, between the U.S. Department of Commerce and economics ministries in European lands. Bilateral contacts will continue, not least with Germany, to be the driving force of European integration. But Washington should no longer insist that European national governments negotiate everything bilaterally and severally with Washington, no longer protest that any coordination of a single European policy prior to U.S.-European talks would constitute ganging up on the United States.

Such a divide-and-weaken approach maximized immediate American influence in the atomized Europe of the 1970s and 1980s, and it could be argued that this hectoring style was

often needed to force urgent decisions through NATO's 16 sluggish sovereign parliaments in the clear and present danger of East-West confrontation. In the past the German government often tacitly preferred this approach, since it allowed Washington to ram decisions through the alliance that Bonn actually wanted but could not itself deliver politically. As the NATO maxim had it, the Europeans loved to be led by the United States—just so long as it was in the direction the Europeans wanted to go.

Whatever functions this unequal relationship served in the past, however, it would now be much more useful to have what the United States has always said it wanted: an equal defense pillar in Europe for the trans-Atlantic bridge.

Despite their closeness the United States and the EC will of course have trade disputes that cut across common security interests. In very broad economic terms both the United States and Germany should avoid the trap that many fear in the post-Cold War era: removal of former outside restraints on West-West economic squabbles through disappearance of the overarching Soviet threat.

Especially as American export lobbies grow stronger, the temptation to indulge in all-out chicken or corn-gluten wars can presumably be avoided in national import legislation and in continuing the General Agreement on Tariffs and Trade negotiations in the 1990s. The beggar-thy-neighbor reflex may be much harder to resist after the turn of the century, however, when the ECU of a real European Monetary Union inevitably supplants the dollar as the world's main reserve currency, and the United States can no longer "tax" European and Japanese holders of its debt by inflating the dollar.

Certainly both sides of the Atlantic are aware of the dangers. It should not be beyond the wit of the Americans and Germans in particular, with their stakes of direct investment in each other's economies at \$25 billion and \$34 billion respectively, to stop playing chicken. Germany, which exports a third of its gross domestic product, and the United States, which exports more than a tenth of its larger GDP for a volume close to Germany's, should be natural allies in wanting as open a world trading system as possible. There remains, however, a problem of international trade issues being crowded off the German agenda because of Bonn's absorption in eastern reconstruction and EC institution building. But, so far, the United States has more complaints about a lack of German leadership against

French agricultural protectionism than about excessive flaunting of German weight.

IV

Before the opening of the Berlin Wall the consensus seemed to be that NATO was suffering from congenital and perhaps terminal crisis; that American and German interests in particular were bound to clash as postwar Germany and its "successor generation" came of age; that only Moscow could offer reunification to the Germans, for a price; that (in the right's formulation) Gorbachev was playing the peace and disarmament theme so cleverly that Western publics, swept up in "Gorbymania" and the fading Soviet threat, would outrace themselves to disarm and leave Moscow to dominate Europe; that (in the left's formulation) the United States could no longer impose bipolar confrontation on Europe; that the Americans would or should tire of paying for European defense and American hegemony and go home; that the Europeans would or should respond by accommodating themselves to the Soviet Union. Implicit in much of this analysis was fear that the weakness of open Western societies would prove vulnerable to the strengths of the Soviet command society.

After the opening of the Berlin Wall in November 1989, the consensual worry still maintained a kind of half-life among certain analysts. Even if NATO survived, it was thought, a newly sovereign Germany no longer dependent on American security would deem NATO a shackle "keeping the Germans down." Surely the united Germans would, in another widely used image, "hollow out" their commitment to the alliance and expel Western allied troops from their territory. Or Germany might revert to aggressive behavior and become the "Fourth Reich." Or—under the prevalent international relations theory that national function follows international form—once the opposite pole of the bipolar world vanished, the nations clustered around the American pole would inevitably fall into anarchy, "renationalization" of their defense policies and amoral shifting alliances of the nineteenth-century variety. Under unstable multipolarity, even western Europe might succumb once more to war as long suppressed ethnic conflicts exploded in the east and spread west. After all, alliances are unnatural, the reasoning went, and endure only so long as a mortal threat exists.

In part the abrupt ending of German and European division

in 1990–91 has transformed those earlier premises. In part it has exposed them as false, or at least incomplete, from the beginning. With some surprise the allied governing elites are discovering that the reports of NATO's demise were greatly exaggerated. The raw need for ready military forces able to repel any standing-start attack—NATO's nightmare for so long—has vanished. And NATO, as the only institution politically able to keep the Americans fully engaged in Europe, is too useful to too many nations to be given up lightly.

Thus, as 1990 presented NATO with a clean slate in security arrangements, Europeans reacted differently from what was anticipated. The most important player, the center-right government in Bonn, not only did not regard a continued stay in Germany by American and other allied troops as onerous, but actively desired it. So did German voters, who reelected the government two months after unification with a decisive majority and totally forgot their previous war angst.

To be sure, West German enthusiasm for America and NATO could be abnormally colored at this point by gratitude for Washington's stalwart support for unification against the French and British (and Soviets). But there probably will continue to be numerous issues in which German stakes will coincide more closely with American than with French or British interests, and Germany will value its augmented influence in European councils arising from its American connection in NATO. Indeed it is natural for Germany to want to retain NATO's military prowess and practiced political crisis management. The Atlantic alliance is the sole international organization with an integrated military command adaptable to a variety of situations. It is an existing institution that can perpetuate the American habit of political engagement in Europe—so long as the numbers of GIs in Europe decline substantially—without requiring generation of impossible new popular American support for this involvement. It is a forum the Europeans trust and understand. The Germans and the British—as well as the former Soviet republics—realize that maintaining NATO is the only way to keep the Americans in Germany, as all wish to do. And, after almost two years of balking, the French too have finally resigned themselves to the fact that the Americans will not remain in Germany as “mercenaries,” and that their price for the extension of U.S. engagement that the French also desire must be French

acceptance of NATO's role and of a continued American political voice in Europe.

Inevitably adjustment to the post-Cold War world has raised questions about how Europe might strengthen its own security "pillar." The logical solution was proposed by Chancellor Kohl and French President François Mitterrand in late 1990, then modified by the British and elaborated by WEU foreign and defense ministers in February 1991, in the heat of the Gulf War. In brief the Western European Union would be resuscitated again and become eventually both the security arm of the EC—nine of whose twelve members belong to the WEU—and the bridge to NATO. The WEU's embarrassing lack of armed forces would be rectified by "double-hatting"—assigning those European national divisions in NATO's multinational corps to WEU command for European tasks. These European mix-and-match units would wear NATO caps on occasions when American participation was important, WEU berets when European-only forces were called for. And they could include troops from France and Spain, which remain outside NATO's integrated military command but are both WEU members.

The idea grew out of WEU ad hoc coordination of west European efforts in the Persian Gulf in 1987–88 and 1990, a solution that relieved NATO of exceeding its writ in running operations outside the territory of its members—and preserved French *amour-propre* by not requiring French forces fighting in Iraq to be placed under NATO command.

Initially the Americans spurned the whole idea of setting up WEU troops under a double-hat arrangement. They certainly relished the prospect that Europeans might do more for their own defense and thus relieve the Americans. And they welcomed the WEU aegis for "out-of-area" operations by European forces otherwise assigned to NATO; that, in fact, seemed to be the main mission the United States and Britain postulated for WEU forces. The Americans did not like the notion, however, that WEU states might decide to engage in hostilities on their own, independent of the United States. What if European adventurers got in over their heads, they asked, and needed to be bailed out by the Americans? What if the Europeans, with little independent satellite intelligence and no independent airlift, then embroiled the United States in wars Washington did not want to fight?

The questions overlooked the fact that all the frictions of the

previous two decades had involved American adventures and prudent European reluctance to use military force, and not the reverse. They also ignored willing American aid to Britain in the latter's Falklands war and the liberal distribution of American intelligence information to friends and even foes in the Mideast. As the skewed perspective of the objectives dawned on American officials—and as Yugoslavia looked as if it might eventually need European peacekeeping forces—American protests faded. By the Maastricht summit, President Bush also approved the designation of the WEU as both the European “pillar” of NATO and the EC “defense identity.”

Development of a coordinated European defense capability can now relieve the United States of what it has long felt was an excessive share in the burden of maintaining security in Europe. It can facilitate any further out-of-area expeditions the allies might decide are necessary. And, in the hidden agenda, it can make available European units with U.S. logistics and intelligence that might be able to intervene in emergencies not only in the Middle East, but also in nearby eastern Europe.

V

Initially, as bipolarity ended in 1989–90, it was widely thought that the NATO system (if it survived) would apply to the Oder-Neisse line, while the Conference on Security and Cooperation in Europe (the “Helsinki process”) would apply east of there to the Urals. The NATO universe, with its practice of allied consultation and cooperation (whatever the intramural fights along the way), would constitute a family of shared values and democratic rules for working out compromises; a mutual commitment to active collective defense of the territory of all members against any outside aggression would be maintained. The CSCE universe, bringing together much more disparate nations, would be a much looser regime of collective security in which any sanctions against aggression or intimidation would have to be agreed on ad hoc—and in unanimity.

In the past two years this geographical line of demarcation has shifted eastward to the Bug River, in part because speedy Soviet dissolution removed the need for kid-glove treatment of the former superpower's former European empire, in part because the Poles, Czechs, Slovaks and Hungarians themselves refused to be shunted off to the second-class security of CSCE. Instead they have been striving for an ever closer link to the

more muscular security of NATO. That link is being provided by the new North Atlantic Cooperation Council, invented in a joint U.S.-German initiative. The Cooperation Council, while open to all the emerging European states—and the forum Boris Yeltsin chose for his bid for Russian membership in NATO—conspicuously expresses a special NATO interest in the security of the new democracies of Poland, Czechoslovakia and Hungary.

In CSCE, as in the EC (and jointly with the United States in NATO), the Germans are the movers and shapers. Foreign Minister Hans-Dietrich Genscher, after a few weeks in early 1990 in which some Washington officials feared he was trying to substitute a flabby CSCE for NATO as the basic guarantor of security in Europe, has come to view CSCE instead as an important adjunct to NATO and the EC. Its Conflict Prevention Center, authorized only days before fighting erupted in Yugoslavia last summer, has been overshadowed by U.N. and EC attempts to end the civil war there. It might still turn into a serviceable umbrella organization for any peacekeeping forces, however. And it usefully enshrines the pledges of all its members not to change international borders by force.

CSCE is, moreover, the most likely sponsor of further necessary agreements on military transparency, confidence-building measures and further cuts in conventional weapons in Europe. All are areas in which further German initiatives may be expected. And the CSCE already set the guidelines of human rights, rule of law and other forms of decent behavior that were so important in opening up Eastern Europe in the 1980s and early 1990s. The EC, with its far more stringent democratic and free-market membership norms than the minimum guidelines of the consensus-bound CSCE, is the main engine of the spread of the Western system into east-central Europe. And Germany in particular is the main economic rewarder and enforcer.

In dealing with the Commonwealth of Independent States, the West no longer faces quaint arguments over whether Gorbachev was just duping the West with his talk of reform; whether the West should “help” Gorbachev; whether glasnost was just a suave word for slick public relations; or whether Soviet agreement to German unification might constitute a German “Stavrapallo” sellout. Everyone now agrees that there are emergency shortages in major Russian cities and that the West should help the new states avoid social explosions. The

Germans may bridle at American generosity in deferring Soviet debt repayments of Western (mostly German) loans, but this quarrel is not in a league with, say, the Reagan administration's suspicion that German and other European sales of oil pipeline and compressors to Moscow a decade ago represented a betrayal of the West. Nor are there marked political differences between Washington and Bonn over the urgent need to support democratization in Poland, Czechoslovakia, Hungary and the Baltic states.

In this endeavor Germany will clearly be the leader, both financially and intellectually, both unilaterally and through the EC. Bonn is contributing half of all the international aid to the former Soviet Union and eastern Europe. Economic development of Saxony is designed to help stimulate next-door Silesia and Bohemia in a regional cooperation effort that deliberately reverses the German contempt for Slavs of a half-century ago. German investment and trade in eastern Europe and its hiring of cross-border Polish and Czech labor far exceed the economic involvement of any other Western country.

In addition German jurists are already helping the Estonians write a constitution, aiding the Hungarians in adopting the entire German civil code and sponsoring meetings of justice ministers from east European and Soviet successor states. The German Social Democratic, Christian Democratic and Liberal think tanks are sharing the techniques of political and social organization in eastern Europe as they did 15 years ago in Spain and Portugal. The more liberal German Catholic Church has some impact on the more medieval Polish and Lithuanian Catholic hierarchies—as do the German Protestants on the Latvian and Estonian Protestants. There are scores of bilateral student and teacher exchanges; training programs for business managers and local administrators; workshops for parliamentarians, legislative staff and librarians; joint history and textbook-writing projects; and city partnerships. Grass-roots Polish-German and Czech-German environmental, “friendship” and other societies are mushrooming. Riga is awash in German delegations. The Goethe Institute outposts are facilitating the flow by spreading knowledge of German language, politics, culture and counterculture. The Germans are particularly suited to help nurture democracy in eastern Europe because of their own relatively egalitarian society (by contrast to the French and British) and by their own

postwar experience in turning an authoritarian into a democratic mentality.

There is no cause for alarm here, as the French in particular have expressed it, about German cultivation of a special sphere of influence in the region. On the contrary, the United States should welcome the burst of German activity and try to match it with its own exuberant grass-roots exchanges among the Polish, Lithuanian and Ukrainian émigré communities in the United States.

VI

Is there domestic support for a constructively assertive German role in the world? The short answer is yes, since continuity is guaranteed in the virtually certain reelection of Christian Democrat Kohl in 1994. The long-term answer is also yes, since the political mood is increasingly tolerant of greater German activism. There is no sign of a public backlash, on the contemporary American pattern, against the Kohl-Genscher foreign engagement.

In narrow politics Kohl is in an enviable position. Whatever the trend in state elections this year and next, opinion polls keep showing a solid 40-percent-plus federal level of support for the conservatives, only 30-percent-plus for the Social Democrats, 10 percent for the swing-vote Liberals and 6 percent for the left countercultural Greens. The rule-of-thumb lifespan for German federal coalitions is about a decade, and the Liberals, having joined with the conservatives in 1982, would ordinarily be ready to jump back to the arms of the Social Democrats just about now.

A center-left coalition is a mathematical impossibility in the present Bundestag, however; the east German communist successor Party of Democratic Socialism would be an unacceptable coalition partner, but it holds enough seats to block a center-left majority. The PDS, elected under special regional rules for the first unified election in 1990, will fail to get over the five percent minimum in 1994, but the Greens will, in all likelihood, be back above five percent and will take over that spoiler role.

The extreme right, by contrast, will not come back above five percent to play Kohl's spoiler, barring some unforeseen economic depression. The Republikaner Party rose from nowhere to get over five percent in protest votes in local and European elections in 1989, but unification deprived them of

their subliminal nationalist appeal, and by 1990 they had split into squabbling factions; they now get only two percent in opinion polls. Nor do the well-publicized acts of hostility toward Third World foreigners by skinheads and sympathizers translate in Germany, as they do in France, into substantial political support for the extreme right.

More broadly there is wide public acceptance, in western Germany especially, of an expanded German role in the world. This starts with European affairs, which by now are regarded by all as domestic politics. German worry about absorption of the deutsche mark into the ECU is understood by the political players as dueling about the terms, not the fact, of currency union. Conservatives, Social Democrats and Liberals alike agree that German leadership within Europe, even if Bonn is everyone's "milk cow," is far more advantageous to Germans themselves than a go-it-alone Germany in a European free-for-all. All agree as well that Germany must pay to promote economic development in east-central Europe or be flooded by immigrants. German taxpayers will continue to grumble, but out of recognized self-interest they will also continue to dig into their pockets.

NATO is equally uncontroversial and continues to enjoy support by two-thirds of the western population, though less from eastern Germans unused to being members of it (or even thinking about it, except when a pollster asks). Attitudes on the related presence of American troops depend very much on the cues in survey questions. When it is linked to the planned Soviet troop withdrawal (as in the RAND-sponsored poll in late 1991), a slight majority of Germans reject continued stationing of American troops in Germany; when it is linked both to Soviet events and to maintaining stability, however (as in the USIA-sponsored poll in the middle of 1991), it wins 60 percent approval in western Germany, half that in eastern Germany.

Politically the most relevant point here is that NATO and the American forces are simply no issue now. There is no more nuclear war scare or quarrel over nuclear stationing as in the 1980s; beyond that, the Gulf War has split the old left. Therefore there is today no antiwar movement to speak of. Nor do any of the political parties object to American use of forces stationed in Germany for operations in the Middle East as some did in the 1970s. Nor does the old Social Democratic chancellor candidate and enfant terrible, Oskar Lafontaine,

now seek German withdrawal from NATO's integrated military command. Nor do the Social Democrats complain about the presence of American forces; on the contrary, they are much more apt to complain about the loss of jobs as Americans withdraw. With time the east Germans too—who are in any case too preoccupied with economic survival to pay much attention to anything as abstract as military alliances—will undoubtedly be socialized into this routine acceptance both of NATO and of the reduced American forces. Further unrest and clashes in or between Soviet successor states would accelerate this socialization.

Participation by German troops in any peacekeeping operation out of the NATO area is a more sensitive issue, of course. Even here, however, both government officials and opposition spokesmen see a consensus forming gradually, and the Bundeswehr is certainly being restructured in a way that would make rapid-reaction forces available once a political decision were made. The real key will be less the forthcoming constitutional overhaul to tidy up German unification than the acceptance of pan-European solutions to military, immigration, environment and other policy knots that, on the purely national level, would remain intractable. Moreover if the Social Democrats hesitate too long before joining the center-right consensus, the conservatives are prepared to legalize German military participation in out-of-area (outside NATO) peacemaking as well as peacekeeping operations by simple majority legislation rather than seeking the two-thirds majority now required to amend the constitution.

The best description of the public mood today would perhaps be acquiescence in, but little enthusiasm for, the domestic duty of subsidizing eastern Germany for two decades or the foreign duty of greater German activism. Kohl is widely faulted for having grossly underestimated the costs and time needed to bring east Germany up to west German levels and for not having rallied the Germans to sacrifice when the novelty of unification might have appealed to their idealism. Yet politically this failure makes no difference; there is no alternative to Kohl.

In foreign policy, despite the curious French interpretation of German strong-arming of EC recognition of Croatia (that Bonn was yielding to domestic nationalist pressures to flex German muscle), the German public could hardly care less about the Balkans, apart from wanting to see an end to the

fighting. The German in the street remains resolutely nonnationalistic.

VII

Managing Soviet collapse, German ascent and east European transition will not be easy. Preserving the congruence between democracy, prosperity and peace east of Germany will not be easy either, especially in the midst of rising expectations, world recession and pent-up nationalist animosities in the erstwhile Soviet empire. Yet the means of maintaining essential European security are at hand—those that will give positive political and economic evolution the best chance, much as America's improvised trans-Atlantic security guarantee of the late 1940s gave West Europeans the space to construct their economic and political miracles.

In this developing system of the 1990s, the two critical powers on the continent are now the United States and the German-driven European Community. They are linked in a four-decade-old Euro-Atlantic enterprise that the participants are discovering, to their surprise, is a real community and not just a frontier alliance against the wolves. The trans-Atlantic community is in its own way already post-national—not to the same degree as the EC, to be sure, but with that mutually perceived interdependence that has made NATO the longest-lived alliance in history.

Within this community the time has come to shift some of the burden of leadership, both in funding and in initiatives, to the Europeans in general and Germany-in-Europe in particular. The time has come to acknowledge that trans-Atlantic policy debates have long since gone beyond traditional clashes of monolithic national interest to become, in effect, exercises in domestic coalition-building between ever-shifting constituencies that now span the Atlantic.

In this community the Germans are being forced by circumstance to abandon their dream of remaining an apolitical Switzerland writ large. They will increasingly exercise leadership in the EC, eastern Europe, the Euro-Atlantic community and the Group of Seven.

Surely the Americans should welcome such positive assertiveness by their "partners in leadership."

Ronald Tiersky

FRANCE IN THE NEW EUROPE

From de Gaulle through Mitterrand, France saw its historic task to be one of repairing the damage of Yalta—the division of Europe into Cold War blocs. Moving “beyond Yalta,” it was said, would free Eastern Europe from communism and leave Europe as a whole free from domination by the superpower rivalry. That historic geopolitical change has now occurred—unexpectedly, astoundingly, within only a few years. And the healing of Europe’s division has now been guaranteed by the astonishing disappearance of the U.S.S.R. as a state and an empire. French long-term policy has thus been served. Yet hard dilemmas confront the French in the new Europe.

To some, France emerged a big loser among the winning Western powers. Prior to the Cold War’s passing a divided Europe and a divided Germany profited France geopolitically. France’s main postwar foreign policy stage was Western Europe, and its main dilemma was how to maintain a political edge over West Germany’s ever-growing economic influence.

Thus France supposedly had a geopolitical interest in avoiding both German unification and the end of superpower spheres of influence. In a divided Europe, built on a divided Germany, French overall influence was maximized. By extrapolation, the end of divided Europe meant for France above all else German ascension.

The consequence for the French is a rapid evaporation of France’s ability inside the European Community to be the political/diplomatic engineer of the German economic locomotive in pivotal Franco-German relations. Or worse, with the probable expansion of the EC into a larger European Union—centered geographically more in the east and north—the Franco-German relationship will be put under stress, if not completely thrown into question.

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In 1989 President François Mitterrand was initially reluctant about encouraging German unification, not as a principle, which he saw as inevitable and right, but as a practical matter—about the pace at which it was coming, the risks West German leaders created by moving so quickly and the nature of the resulting entity. To the French reluctance was added the deeper British reservations of Prime Minister Margaret Thatcher, not to mention the initial Soviet opposition of President Mikhail Gorbachev and Foreign Minister Eduard Shevardnadze. For all three, France, Britain and the Soviet Union, German unification was not on the agenda.

In contrast the Bush administration showed early and broad confidence in the political instincts of West German Chancellor Helmut Kohl, and the American public also demonstrated solid support for unification. This divergence created strains within the EC's central leadership and within the Franco-German "couple" in particular.

President Mitterrand shocked the Germans, for example, during his talks in Kiev with Gorbachev in early December 1990, from which rumors filtered out that the French leader was hoping to cooperate with the Soviets in slowing the pace of unification. Then Mitterrand, against West German wishes, went ahead with a state visit to a clearly collapsing East Germany on December 20–21, 1990. The Bonn government could only think that Mitterrand, received by the East Germans as the first Western head of state to visit, must be trying to prop up the East German regime. The visit was termed "anachronistic" by West German leaders, who viewed it as an unfriendly act.

Naturally German leaders did not appreciate Mitterrand complicating their own strategies.¹ Yet France, as any Gaullist leader would have said, has a right to its own policy. Nevertheless Kohl and Foreign Minister Hans-Dietrich Genscher were in the more delicate position. Mitterrand's behavior was, at worst, risking some measure of the trust that had been built up in the German-French EC relationship.

It goes without saying that President Mitterrand, along with Prime Minister Thatcher and other EC leaders, was seriously

¹For all these events, a good source is the memoir-diary of Kohl's former foreign policy adviser, Horst Teltschik, *329 Tagen*, Berlin: Siedler, 1991.

concerned about the political power consequences of German unification in the European equation. In addition Mitterrand wanted to keep the process of unification under control, recognizing the explosive character of the situation. While insisting repeatedly that France was “not afraid” of unification and that the Germans had the right, according to the 1975 Helsinki Final Act, to decide their own future, the French president emphasized that it would enhance future relations if Germany’s leaders carried forward the unification process in a spirit of close consultation and even some deference to the allies, bilaterally and in the “two-plus-four” talks involving the two Germanys, Britain, France, the United States and the Soviet Union.

Kohl and Genscher, for their part, achieved a strict separation between the “external” and “internal” aspects of unification, and a strict limitation (accepted by Washington, Paris and London) of what had to be decided by the Four Powers. The latter included skirting a Soviet suggestion that certain Four Power rights carry over for a transition period after unification.

Once President Mitterrand accepted the German timetable, presaging the most rapid possible unification of the two Germanys, a last point became crucial: to imbed German unification firmly in the Atlantic alliance and in the European integration process. Consequently French policy firmly supported unified Germany’s full membership in NATO. Mitterrand several times deflected suggestions by Gorbachev and Shevardnadze that unified Germany should have a “French status” in NATO—that is, holding full political membership yet remaining outside the integrated military command. Finally, to assuage a French concern that unification might lead German policy eastward and away from plans for EC monetary and political union, Kohl agreed with Mitterrand that German unification and further EC “deepening” must go together. The Germans, in turn, understood well that legitimacy for German unification required deeper EC integration, that German unification and the unification of Europe were two sides of the same coin.

As proof that Kohl and Mitterrand, after a period of friction, were again on the same wavelength, they introduced in April 1990 a joint French-German initiative to revive momentum toward EC political union. There were two purposes: to complement the economic side of the integration

process, that is, the 1992 single-market project and the plan for European Monetary Union; and to give practical assurances that German unification was not derailing European integration. It was this proposal, stimulated at the time by tensions over German unification, which turned into the Political Union Treaty initialed at Maastricht last December.

III

This kind of linkage had already been part and parcel of German policy. Kohl and Genscher consistently emphasized that German unification had to be “embedded” in European unification and that NATO, including a unified German membership and continued American military presence in Europe, was a “vital” requirement not only for American but also for German policy. Kohl, for example, emphasized repeatedly in the course of 1990 that neutrality, as Gorbachev and Shevardnadze were then suggesting, was not a price he would pay for German unification. Genscher remarked to Germany’s EC partners that if they were worried about growing German power, their best strategy was not to isolate Germany into some *sonderweg* that the Germans did not want anyway, but rather to tie up Germany in a deepened, thickened and more federalized European Community, which the Germans would happily accept because it had been their proposal all along. Unification would not change Germany’s EC and Western policies. And both Kohl and Genscher often repeated the powerful slogan that German leaders wanted a “European Germany,” not a “German Europe.”

Kohl’s overall view, as summarized by his former foreign policy adviser, Horst Teltschik, was that all “thoughts of neutrality, demilitarization and alliance or bloc-disaffiliation he described as ‘old thinking.’ Kohl founded his position in the experience of German history, that peace, stability and security in Europe had always been guaranteed when Germany—the country in the middle of Europe—had lived with all its neighbors in firm ties, with contractual equality and mutually beneficial exchanges.”²

As early as January 1988, in view of the cracks in Eastern Europe, Kohl had proposed a joint Franco-German Ostpolitik to the French. Mitterrand held back, since the Germans would

²*Ibid.*, pp. 244–5.

doubtless be the leading force and because a vigorous Franco-German Ostpolitik would cost the French excessively. As an alternative Mitterrand preferred to keep France's freedom of maneuver, even for a second-level and mainly diplomatic presence, in Eastern Europe.

One result of this French attempt to play a significant diplomatic role—without the economic and political means to be convincing—was the disastrous Prague conference on the proposed European confederation. There Czechoslovak President Václav Havel and Mitterrand apparently quarrelled bitterly. Havel was furious at Mitterrand's determined resistance to moving quickly to admit the former communist central European countries into Western institutions, especially NATO and the EC. Mitterrand instead offered the vague waiting room of his "confederation" idea, including a long association status (later Mitterrand spoke of "tens and tens of years") before east European economies would meet EC standards. This was an approach reminiscent of Mitterrand's go-slow recommendation on German unification, and may explain why many commentators, rightly according to the evidence, thought French policy was lagging during this period when others were forcing the pace.

Elsewhere in central and eastern Europe and in the former Soviet Union a similar policy could be found. There was French support for all of the prodemocracy revolutions of course, but there was also French concern about changes that would be destabilizing or simply too rapid.

In general Mitterrand's foreign policy, though it has moved case by case, has supported the maintenance of existing states over secession movements. In the most important instance, that of policy vis-à-vis the crumbling Soviet Union, this meant support right up to the end for Gorbachev and the retention of some kind of "center" against the breakup of the U.S.S.R. led by Boris Yeltsin. During the attempted putsch of August, Mitterrand had even pushed his preference for continuity to the point of a huge diplomatic blunder—an uncharacteristic error of precipitous reaction, of appearing to assume right away that the long-dreaded coup against Gorbachev was successful. On television Mitterrand called the perpetrators "the new leaders" of the Soviet Union and read from a letter he had received from one of them, Gennadi Yaneyev, to the effect that reform would continue, as if to reassure French opinion that the worst had not happened and that France had

a special diplomatic status (since the coup leaders were explaining themselves to the French leader). This was surely misjudgment masquerading as serenity.³

In the Yugoslav civil war Mitterrand's policy was to prefer integrity of the Yugoslav federation and negotiation among the republics. This contrasted sharply with the German push for immediate recognition of self-declared Slovenian and Croatian independence. Some observers argued, plausibly but unconvincingly, that the operative factor was in some fuzzy historical sense the traditional French bias toward "centralism." Another argument was that French policy was dictated by an old Quai d'Orsay preference for Serbia and anti-German coalition maneuvering, dating from World Wars I and II.

French policy was not this kind of woolly anachronism, but rather a calculation that in the long run the principle of national self-determination must be given limits before it becomes self-destructive. It did not make sense, in terms of peace and development, to encourage the emergence of a whole host of economically unviable, politically and militarily threatened states. It is a strategy of geopolitical prudence to limit civil wars and prop up stability inside the east European powder keg. The French approach might be mistaken, but rather than nostalgic it is at least forward-looking to the new dangers of the post-Cold War era.

Immediately after Maastricht in December 1991, however, two events suddenly signaled a new German assertiveness, the one a monetary decision, the other a German *alleingang* on the Yugoslav imbroglio.

First, the Bundesbank abruptly raised German interest rates to their highest level in 30 years. The German central bank, by law independent from government influence, acted for domestic economic reasons (German inflation, at 4–5 percent, was double the French rate at the time, reflecting both higher than expected costs of unification and union wage demands), but of course all partners in the European Monetary System (EMS) were immediately and sharply affected. The "deutsche

³Later, when Gorbachev's book, *The Coup*, appeared, there was a similar flap. In at least one edition Gorbachev wrote of his disappointment, which he said he still remembered painfully, that Mitterrand did not telephone him as soon as possible after his liberation, as opposed to George Bush's quick reaction. In other language editions this reference did not appear. In a fence-mending meeting with Mitterrand at the latter's country home following the Middle East peace talks' opening in Madrid, Gorbachev unconvincingly denied that he had ever written such a comment.

mark zone”—including governments inside and outside the system’s “snake” of currency ranges—followed the German interest-rate lead immediately. The Bank of France also raised interest rates, reluctantly, following the German initiative for the second time in a few months; whereas French policy for a year had been to break free of the need to emulate Bundesbank policy—to create, through low inflation, a “strong franc” no longer a deutsche-mark zone currency.

The French and other governments were critical of the Bundesbank’s nationalist unilateralism, while defenders of the German measure argued that outsiders failed to appreciate how dangerous German inflation had become. In any case those EC governments that planned to relax monetary and fiscal policy to pull their respective economies out of recession were put under unwelcome pressure by the unilateral German decision and then whipsawed between the German move upward and the Federal Reserve’s lowering of the U.S. discount rate to 3.5 percent, the lowest level in decades.

Second, Chancellor Kohl, concerned about looking weak at home, decided his government could now—after Maastricht—afford to take a strong, even if unpopular, lead to do something to stop the bloody fighting in Yugoslavia. Foreign Minister Genscher, in a divisive EC Council of Foreign Ministers debate, forced diplomatic recognition of Croatia and Slovenia on several recalcitrant EC allies, among them France, and in the process rebuffed American and U.N. preferences for a prior ceasefire and, if necessary, deployment of a peacekeeping force. The strong-arm tactics of German diplomacy, threatening its EC partners with a go-it-alone decision, amounted to an unprecedented postwar German policy sortie.⁴ Then Germany shortcircuited the Council of Ministers’ compromise resolution (which had a January 15 deadline for recognition if the EC’s conditions had been met) in order to announce recognition by Christmas, as Chancellor Kohl had earlier promised the Croats and Slovenes. Germany thus stood by its initial position that the EC had not been very effective and that recognition would pressure the Serbs, perhaps stopping the killing earlier. The German diplomatic fig leaf was to

⁴French Foreign Minister Roland Dumas summed up Germany’s partners’ attitude by saying, “The attitude of unilateral recognition could be damaging for the Community. . . . It would be prejudicial for Europe as a whole.” Many commentators noted the irony of Germany’s adopting at Maastricht the goal of a common foreign policy, then taking such a unilateral attitude in the first post-Maastricht crisis.

separate recognition from its actual implementation, which was put off to the agreed January 15 date. No one was fooled, but reactions were mixed, with many observers, including some Americans who had been critical of Germany in the past, commending Germany's decisiveness and new leadership role. *Der Spiegel*, the leading German newsweekly, pointed out: "It was the first time since 1949 that Bonn has taken a unilateral action in foreign policy."⁵

Did this mean that a "Fourth Reich" was in the making? Not likely, if one is talking literally about some sort of authoritarian-minded German zone in Europe, run from Berlin with an accumulation of suspicious, damaging ambitions. But if one means a Germany with time working in its favor and that is growing stronger, then, as a high German official sympathetic to foreign worries told me, "the Fourth Reich is coming unless others, first of all France and the United States, do something about it." The right strategy for this new version of containment, indeed suggested by the Germans themselves, must be to thrice bind German strength: into the European Community, the Atlantic alliance and the all-European Conference on Security and Cooperation in Europe (CSCE) frameworks. An "ordinary" Germany will be strong, and should be. But Germany need not be hegemonic. The German and French leaders have been remarkably united and effective at the origin of most important initiatives in EC forward movement.⁶ Old worries about Germany have not entirely dissipated, but no one can believe that forty years of Federal Republic history have not created a modern Western political culture, including as in France and elsewhere, a too-often apolitical or apathetic youth, or that all the sturdy safeguards in the new German system are about to spring loose.

Nevertheless there are legitimate concerns about the rise of German political power. France in particular must play a significant role in balancing Germany and what will be an unavoidable tendency toward the establishment of a German sphere of influence in the complex framework of the new European arena. For example, Genscher has mounted a campaign for EC ties and association agreements with the new republics in the Commonwealth of Independent States. This is all the more important for France in that "Europe," meaning

⁵*Der Spiegel*, Jan. 6, 1992, p. 22.

⁶Axel Krause, *Inside the New Europe*, New York: HarperCollins, 1991.

both the EC and Europe writ large, is France's stage, where France can act "in the front rank" and, through the Franco-German couple and other multiplier coalitions, maintain a world role through the coming European Union.

IV

Or is Mitterrand's policy narrowly nationalist, a kind of Florentine calculation of his own—that is, France's—power interest? Mitterrand, for all his habits and moments of pettiness, is undoubtedly a statesman. He summarized his broad view, extemporaneously, in his 1990 Bastille Day interview on French television:

I would like to tell you what my plan, my *grand projet*, is. It is to turn the whole of Europe into one space, . . . a single and vast market and, at the same time, constant and structural links established among all the European countries. This is why I have talked about a confederation. . . . I would like the Community of the 12 to strive for its own economic, monetary and political entity. . . . I would like to see a strong nucleus capable of making political decisions collectively. This is the Community. Within the Community and Europe, I would like to see France—we are working at it, and it is not easy—become a model of economic development and social cohesion. That is my plan.

This is genuine Mitterrand, a long-term view—vague yet plausible—of the concentric circles of French policy for Europe: the Community within the confederation and, though not mentioned specifically, the Franco-German axis at the center.

The problem is that this conception remains the French frame of reference even though conditions have meantime changed radically in Europe—even though it is clear to everyone, including the French, that new EC members are likely to emerge fairly quickly. The Germans, by contrast, without wanting to damage close relations with their French partners, are already reasoning in terms of a larger community.

Was Maastricht a success for French policy? Like every government, the French won their specific rounds, including even a few against the Germans. France led the fight against extensive powers for the European parliament and against awarding the unified Germans 18 new parliamentary seats. The Germans made concessions to everyone and, though it may not have "won" any single big point at Maastricht, Germany emerged strengthened overall in that German uni-

fication was legitimized and Germany's new strength was cloaked in integration.

The two central Maastricht advances for the French were the agreement on monetary union and the beginnings of a European security and defense policy. Both involved remarkable French and German concessions on national sovereignty. By accepting a single European currency, by 1999 at the latest, Germany sacrificed the deutsche mark on the altar of Europeanism. In agreeing with the Germans prior to Maastricht to an integrated military command for a French-German military entity pledged to the Western European Union (WEU), France's Gaullist obsession with maintaining a strictly national defense was also sacrificed. At Maastricht the reference to an eventual European military force seemed to concern conventional defense only. But in January President Mitterrand volunteered, in an obviously premeditated declaration, that France's nuclear force itself would inevitably become part of the debate about a European defense. The trade amounted to German abandonment of monetary sovereignty for French abandonment of military sovereignty. This Franco-German understanding was the keystone of the entire Maastricht accord, a vision of full political union to complete a vision of full economic and monetary union.

France's primary gain was EC commitment to monetary union. Paris achieved two historically stunning goals: adoption of a single European currency and creation of a European central bank. The European Currency Unit is to replace national currencies sometime between 1997 and 1999, while the EuroFed will take form within a transition structure, a so-called European Monetary Institute, during the second phase of monetary union beginning in 1994.

Paradoxically, the French want monetary union as their chance to regain some control over their own monetary policy. In the European Monetary System, in place since 1979, French interest rates have been obliged by financial markets to follow Bundesbank decisions on German rates. With a single currency, however, the French will have a voice in "pooled sovereignty" EuroFed decisions on interest rates, reached by an international board of directors. The French wanted this so much that in the final Maastricht negotiation President Mitterrand himself proposed a mechanism to make the launching of a single currency automatic in 1999 if it is not decided in 1997. Apart from an unlikely British opt-out, the number of

countries to join will depend on their meeting a certain number of so-called convergence criteria (low inflation rates, interest rates, budget-deficit and public-debt levels). At the present moment, with Germany suffering the burdens of unification, France would meet the criteria but Germany would not!

The French also scored points in the adoption of a modest beginning of social policy legislation, including Community-wide labor laws. A controversial British veto on putting this in the EMU treaty, however, forced the other 11 governments to make a special outside agreement on social policy. The French argument, ideologically inspired by social democracy but also by recognition that labor must benefit from integration, was that economic and political union should not go forward without providing a "social," or worker-oriented dimension to "Europe." At Maastricht the decision was made to adopt a joint foreign and security policy, beyond the informal European political cooperation forum that has existed for years. But, mainly at British insistence, the move from unanimity to qualified majority voting—which would be the key to a pooling of sovereignty in foreign and security policy—was limited to implementation. Another proviso was added on specifying that the council must decide by unanimous vote which foreign policy actions should be decided by majority vote.

On defense the Maastricht summit followed up agreements of the important November 1991 NATO summit. There the Bush administration finally agreed, after some rigorous debate, that it would not object to elevating the nine-nation WEU to a formal connection with the European Community, meaning that such a move would not be taken as anti-NATO. The British, who had earlier echoed American concerns about the WEU's becoming a European caucus within NATO, now signed on to the principle of an eventual European defense.

Yet the commitment to have a common defense policy, with EC decisions executed by the WEU, does not yet provide for a European military force. France and Germany, on the other hand, have been cooperating for several years (with ups and downs) to produce a Franco-German military force, and as early as 1988 Chancellor Kohl himself endorsed the idea of an eventual "European army." An initial 5,000-man binational brigade has struggled for several years to work out its numerous problems, even though the mixing of nationalities there occurs at the lowest levels, that is, at those easiest to work out.

Overall, multinational fighting forces seem likely to be political crowd-pleasers more than effective fighting units, whereas an integrated WEU command and standardization policies (in coordination with NATO) would be of clear military efficiency.

Just prior to Maastricht in another Franco-German joint initiative, Mitterrand and Kohl announced that the brigade would be expanded to a corps-sized element, open as the Maastricht treaty specifies to any WEU member. If the corps is ultimately attached, as planned, to the WEU as its military force, French troops would be permanently placed for the first time under an integrated, nonnational command. Thus the post-Gaullist French are willing to do for a European force what they refuse to do for NATO. Or, to put it another way, the French have signaled their willingness to pool military sovereignty with a European force, as part of a larger pooling of aspects of sovereignty in the European Union.

In any case there is little necessary contradiction between NATO and the EC-WEU, or at least little need to choose for at least several years, and no European government, the French very much included, wants to see the U.S. military presence removed. Defense Minister Pierre Joxe has even announced that the French, without rejoining NATO's integrated command, are going to increase their participation in NATO's military affairs by attending the meetings of the Military Committee and the Defense Planning Committee. This French step forward—a quid pro quo for the American acceptance of a WEU attached to the EC—indicates that everyone's goal is to create compatible NATO/WEU structures.

Yet the new European security problems are anything but solved. NATO, even if it remains the overall background European guarantee, is not the answer to the real post-Cold War security problems in Europe. It is at best a limited solution because of "out of area" constraints but even more because American administrations will not want to get involved in land wars, especially civil wars, on the European continent. The point of a WEU military contingent would be to implement any European Union defense policy decisions, in particular to have a force that could act in Europe outside the NATO area (remembering that NATO is a defensive alliance that reacts only to attack on a member state). But what exactly would have been the mission, one that could have been accepted politically, of an EC military force in the Yugoslav civil war?

In any event a much higher and sustained degree of

European political union will be necessary before a military force to defend it, or to intervene elsewhere, would be possible or justified. For the meantime it is worth pointing out that European states are certainly not without military recourse in the unlikely event of border defense or a need for intervention.

Beyond this, the question of a European defense leads sooner or later to a discussion of pooling nuclear deterrence, hitherto a Gaullist taboo. On January 10, 1992, at a national forum on the results of Maastricht, President Mitterrand surprised French opinion by hinting that the doctrine and strategy of *force de frappe* could be ripe for revision: "The beginnings of a common defense raise problems that have not yet been resolved and which will have to be resolved. I am thinking in particular of nuclear weapons." He said of the British and French forces that "they have a clear doctrine for their national defense. Is it possible to imagine a European doctrine? That question will very quickly become one of the major issues in the construction of a European defense." In principle the answer is that France's nuclear umbrella could indeed be raised over the entire Community, in a kind of European extended deterrence, one that would keep control in French hands. A great reexamination of the French defense consensus will thus apparently take place. Its content may surprise some who thought the only answer about France is that *plus ça change, plus c'est la même chose*.

V

Mitterrand believes that his greatest legacy will be the making of "Europe." As he has said, "France is our home, Europe is our destiny." In the shadow of de Gaulle's legacy, this is statesmanship. Yet in France EC integration is not yet a trigger of great political mobilization. This may change in the next year, as the Maastricht treaties come up for parliamentary ratification, but moreso over the next decade.

Who will lead the new Europe? The answer thus far is Germany. Over the longer term that may change. It may be that neither Germany nor France will do so; both will have leading roles, in different ways and in a shifting pattern of coalitions and problems.

Is the Franco-German alliance likely to survive? No doubt.

It is not surprising that there have been tensions and misunderstandings between the two, but rather what is sur-

prising is that overall French-German cooperation has held up so well. The fact remains that each country is the other's most important partner. Even if the United States remains Germany's key security ally, and even if the geopolitical center of the European Community moves eastward, building the French-German relationship is, as one high German official put it, the most important task for each country's diplomacy in the period ahead. Broadly speaking, the two countries together embody most of the contrasting characteristics of the other EC countries: North/South, industrial/agricultural, Protestant/Catholic and so forth. So where France and Germany can agree, others can usually accept. France, or *le fait français*, to use a Gaullist term, has been in a way the point of reference in the Community for Spain, Italy, Portugal, Greece and, to some extent, even Belgium. And in an enlarged Community, countries such as Sweden and Norway, and especially Poland, would see France as a natural ally in dealings with Germany and *le fait allemand* for historical reasons not yet out of mind.

French leadership, given German unification and the new German assertiveness, obviously is not likely to be stronger in the next few years than it has been in the Mitterrand period generally. Rather, the question is whether it can continue as strong as before.

So much depends on the president. Mitterrand, at 75 and in the third year of his second seven-year term, is in effect a lame duck. Moreover his *modus operandi* has always been to prefer the waiting game, to play for the longer term, to let others agitate themselves and defeat rivals, leaving himself to pick up the pieces and to close out adversaries. And he has been more successful than many observers are willing to admit. Now, however, Mitterrand no longer has so much time, but he has a knack for turning situations around. Indeed he has announced that he will this year propose several constitutional reforms, one of them concerning the length of the presidential term. If the term is shortened, to five or six years, he may (though he would not be constitutionally obliged) choose the noble exit and resign—bringing on an earlier transition. Moreover his Socialist Party is lagging in the polls, and the 1993 parliamentary elections seem at this point likely to produce either a conservative majority or some heterogeneous realignment, perhaps involving a large ecologist group, which would make strong government unlikely. Mitterrand surely would not relish ending his tenure with another French

political "cohabitation," which either gives over most of the president's powers to the prime minister or at least reduces the president's freedom to maneuver.

VI

Is France for all that a "loser" in the end of the Cold War? France is not so much a loser as one who pays a price in Europe's evolution "beyond Yalta."⁷ There are also gains and opportunities for France arising from European integration.

The French dilemma in power terms is not zero-sum but that of finding the best, or least bad, alternative. For geopolitical reasons—relative industrial might, relative population weight and dynamism—the strength of *la France seule* was always in danger, even in a divided Europe. The French search for influence, rank and grandeur was increasingly perceived as an obvious mismatch between the goal and French means. De Gaulle was French grandeur and rank. With time it becomes less and less imperative to measure French presidents against the General.⁸

On the other hand, France in the new Europe may well continue to be "only" the second-ranking power. But France in the new Europe will be relatively stronger and more prosperous than it would have been over the long term in the old Europe.

VII

European integration has often been underestimated. To-day it is easy to be overenthusiastic, to jump to conclusions in the wake of Maastricht.

What has been built in the EC, plus the new plans, constitutes a partial transformation of sovereignty, of the European nation-state in the modern age. What is required in understanding international relations is a readiness to rethink the geopolitical unity of national power. Sovereignty can be broken into parts, parts of sovereignty can be pooled.

The future of the nation-state needs to be debated again.

⁷In the same sense, Lech Wałęsa feared that Poland "would pay the price" for the disappearance of the Berlin Wall, because West German policy and economic aid would naturally concentrate on the former East Germany. Horst Teltschik, Kohl's adviser, writes in his recent memoir that the German reply to the Polish leader sounded thin, "because at bottom I knew that he was right." Teltschik, *op. cit.*

⁸See Ronald Tiersky, "Mitterrand, France, and Europe," *French Politics and Society*, vol. 9, no. 1, Winter 1991, pp. 9–25.

Nationalism did not defeat European integration but merely stalled it. European integration is not destroying states but comforting them. European nations will not disappear even if European integration goes deeper. The nation-state as an entity can be broken apart, and both parts of the term can evolve independently. Nations, or peoples, will persist even as they change through modernization and immigration. States will adapt to survive—some of their functions reassumed at the international level, some at regional and local levels.

Europe seems once again a leading edge of political development. Even if an integrated European Union were to become merely a new, larger geopolitical player, its internal structure would reveal one possible evolution of the international system.

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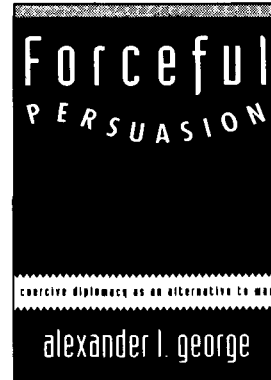
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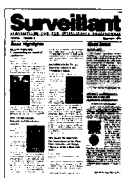
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EL SALVADOR'S NEGOTIATED REVOLUTION

The war in El Salvador is over. On January 16, 1992, in Mexico City's ornate Chapultepec Castle the government of President Alfredo Cristiani and the rebel Farabundo Martí National Liberation Front (FMLN) formally signed a comprehensive peace treaty, putting an end to 12 years of conflict.

As 1992 began, the scene of America's most prolonged military involvement since Vietnam presented images unimaginable just a few months before. In Mexico City, after unexpectedly signing the peace agreement in person, President Cristiani strode across the podium to shake hands with all five FMLN commanders as participants on both sides cried openly. In El Salvador a sea of FMLN flags filled San Salvador's Civic Plaza in front of the Metropolitan Cathedral, where the army once massacred political dissidents; the cathedral itself was draped with an enormous banner of the assassinated Archbishop Oscar Arnulfo Romero. A ceremony held to observe the commencement of the formal ceasefire was especially poignant: army officers and rebel commanders stood together at attention to sing the Salvadoran anthem on a dais decorated with the flags of El Salvador, the ruling Nationalist Republican Alliance (ARENA) and the FMLN. The rival commandants then accompanied President Cristiani to light an eternal flame in commemoration of the more than 75,000 Salvadorans who died in the tiny country's war.

Such high emotion has been accompanied by progress on implementing the accords that, among other reforms, would drastically reduce the army, demobilize the guerrillas, dismantle the repressive security apparatus, create a new police force and, for the first time, allow all Salvadorans to participate openly in the political life of their nation. Already, in advance of an expected "purge" of human rights violators, the Salvadoran armed forces have reassigned two dozen ranking officers, including several linked to the November 1989 murders of

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six Jesuit priests. The National Assembly has passed an amnesty paving the way for the return of thousands of FMLN combatants, but leaving the door open to try human rights violators on both sides. Rival troops have been confined to areas under U.N. supervision, the army is being trimmed and the Cristiani government has announced a large-scale plan for reconstruction.

But ending the war does not necessarily mean winning the peace. Reactionaries and revanchists remain, key issues have been postponed rather than resolved, and fear and uncertainty can be expected to persist, at least until El Salvador's March 1994 presidential elections. What matters now is that each side gradually moderate the demands of its followers, marginalize extremists and continue the process of compromise that has brought them this far.

Despite the difficulties lying ahead, the Salvadoran accord is a watershed. It represents a genuine compromise: the left renouncing its aspiration to seize the state by force and impose radical economic reforms; the right relinquishing its historical control and violent opposition to change. Such compromise was made possible by a combination of several factors: a military stalemate; increased flexibility on both sides brought about by momentous events in El Salvador and the world; and the presence of a respected neutral arbiter in the United Nations.

These factors also influenced the Bush administration and Congress. The war's end was in part made possible by a gradual yet decisive shift in U.S. foreign policy—away from the military-based strategy of the Reagan years toward unequivocal support for a negotiated solution.

II

"We are involved in a war and somebody has to win," wrote ultrarightist Colonel Sigfrido Ochoa in 1987. "I never heard of a war that was a draw." But as early as 1984, despite confident predictions from commanders on both sides of impending victory, the war in El Salvador was precisely that—a draw.

This stalemate consisted of a set of mutually reinforcing vetoes.¹ The Reagan administration was committed to the

¹This argument first appeared in Terry Lynn Karl, "After La Palma: The Prospects for Democratization in El Salvador," *World Policy Journal*, Spring 1985.

defeat of a communist revolution on its watch, which ruled out a military victory for the FMLN. Congress, however, refused to condone either an open alliance with the violent ultraright or intervention by U.S. troops, which ruled out both the full restoration of the old Salvadoran regime and the FMLN's total defeat. Finally the FMLN demonstrated that it was too strong to be defeated by the Salvadoran military alone or excluded from the consolidation of a new order. In sum El Salvador faced gridlock in a set of international and domestic circumstances that prevented either an authoritarian or a revolutionary outcome.

These interlocking vetoes took time to construct. When rightist officers attempted to block land and other reforms by taking control of a progressive military coup in October 1979, they were confident they could determine the shape of El Salvador's future polity, as they had in the past. In attempting to exclude popular movements on the left from political participation, they unleashed one of the most ferocious repressions in Latin American history.

But the right failed to count on the ability of the opposition to form a viable army of its own and win widespread international support. In October 1980 a coalition of five armed communist revolutionary groups formed the Farabundo Martí National Liberation Front. Three months later it was strong enough to launch a "final offensive" that, though unsuccessful, was the first real demonstration of its military strength. In partnership with civilian allies, it also succeeded in establishing itself as "a representative political force" in the eyes of Mexico and France, which called for negotiations between the two sides as early as 1981. By 1983 the rebels were actually winning the war.

The Reagan administration weighed in heavily. It increased military aid already granted by President Carter and sought to shift U.S. support from the centrist Christian Democratic Party to an open alliance with the ultraright. Amid public and congressional opposition, the administration then blocked the growing international groundswell for negotiations by supporting a combination of "low intensity" warfare with the high-profile promotion of elections—goals not as easily opposed.

Initially this approach appeared successful. Backed by a new consensus in Congress supporting elections instead of negotiations, Reagan policymakers promoted the drafting of

a new constitution in 1983, poured \$1.8 million into El Salvador's 1984 presidential elections to guarantee the victory of Christian Democrat José Napoleón Duarte and then used the moderate image of Duarte's presidency to provide up to \$1.2 million a day to continue the war against the FMLN.

But that success was illusory. U.S aid turned the Salvadoran army into a more potent force and artificially bolstered a deteriorating economy. Yet assistance could neither improve the government's ability to redress the genuine grievances that had led to the outbreak of war nor neutralize support for the rebel program. The 1983 constitution, for example, blocked land reform after less than 17 percent of the population had become beneficiaries. Instead aid fueled corruption without providing leverage over the army's behavior. Despite repeated high-level warnings of U.S. aid cuts throughout the 1980s, by 1990 Salvadoran armed forces still had a human rights record that, in the words of a Pentagon-commissioned study, "no truly democratic and just society could tolerate."²

The Reagan administration's strategy backed the FMLN into a diplomatic corner over elections, but it also removed incentives to negotiations and prolonged the war. Without the United States on board, dialogue failed repeatedly in 1984, 1986 and 1987. In each case San Salvador insisted that the FMLN disarm, accept amnesty and enter the existing constitutional order, whose legitimacy it defended. The FMLN, on the other hand, refused to recognize a system that would not guarantee its safe participation. It called for "power sharing" in a provisional government that would arrange new elections, reorganize the military, abolish the 1983 constitution and establish new political rules of the game. The rebels contended that elections held in the context of widespread human rights violations were undemocratic, so they alternated between boycotting and sabotaging them. As the war dragged on, talks foundered on precisely those issues.

Stalemate took its toll. Not only were tens of thousands killed and one-quarter of the population displaced by 1989, but the economy lay in shambles. Coffee production fell by

²Benjamin C. Schwarz, "American Counterinsurgency Doctrine and El Salvador: The Frustrations of Reform and the Illusion of Nation Building," Santa Monica (CA): National Defense Research Institute, RAND Corporation, 1991, p. 23.

more than a third over the decade; per capita gross domestic product plunged to its 1975 level. The impact was especially great on the poor: real minimum wages in 1989 were 35.6 percent of their 1980 level. Not surprisingly, by September 1987, national opinion polls showed that an overwhelming 83.3 percent of the population supported an end to the war through a negotiated settlement.

III

The FMLN's November 11, 1989 military offensive, El Salvador's "Tet," was the turning point on the road to negotiations. The replacement of the ideological Reagan team with a more pragmatic Bush administration, the electoral victory of ARENA's Alfredo Cristiani and the fall of the Berlin Wall were also important. More than anything else, however, that offensive and the army's subsequent murder of six Jesuit priests drove home the point that a prolonged and inconclusive struggle was less desirable than a political settlement.

Most on the left had already learned this lesson. Well before the collapse of the Soviet bloc, in 1987 FMLN leader Joaquín Villalobos recognized "a strategic equilibrium" in the military conflict. With no revolutionary triumph in sight and popular opinion favoring peace, independent groups in the opposition argued for a negotiated solution, declaring that "a military solution demanding another six years of national bloodletting is not acceptable."³

Latin American governments strongly counseled negotiations during a rebel tour of the continent in 1988. Then the Soviet Union decided to halt arms shipments to Nicaragua's Sandinista government in early 1989. Those events, in FMLN leader Salvador Samayoa's words, "knocked the revolutionary perspective off balance." Rebel leaders began to distance themselves from their faith in socialist revolution and called instead for pluralist democracy. "The FMLN does not fear elections," wrote Villalobos in 1989. "Under fair conditions the majority of Salvadorans would opt for revolutionary change."⁴ This self-reassessment led to a peace initiative in January 1989 in which the FMLN dropped its insistence on power-sharing

³Ignacio Ellacuría, *Estudios Centroamericano*, editorial, April 1987.

⁴Villalobos, "A Democratic Revolution for El Salvador," *Foreign Policy*, Spring 1989, p. 118. For more on the transformation of FMLN thinking, see James LeMoyné, "Out of the Jungle," *The New York Times Magazine*, Feb. 9, 1992.

before its participation in future elections. This striking departure from its past stance broke the political impasse with the government.

But progress on the right had not proceeded at the same pace or with the same unity. On one side, President Cristiani and his supporters were aware that El Salvador had become ungovernable, that peace was necessary to rebuild the economy and that ARENA would eventually suffer the same fate as the flagging Christian Democrats unless it moderated its platform and struck some type of bargain with the rebels. Moreover business leaders believed that Cristiani, as a respected member of their own class, would defend their interests. They thus backed his 1989 inaugural address that responded to the rebel initiative by calling for immediate and unconditional dialogue.

But some elements of ARENA and most military officers sought to block any move toward negotiations, and initially there was insufficient pressure from the United States to persuade them otherwise. The high command of the armed forces declared that its "organic structure" was not subject to negotiations and refused to consider military reform. Intransigence was met with intransigence. After a series of political assassinations by both the left and right, and the army's October 31, 1989, bombing of the National Federation of Salvadoran Workers Union (FENASTRAS) headquarters, in which ten people were killed, negotiations held in Mexico City and Costa Rica collapsed.

The November 1989 FMLN offensive changed the balance between hard-liners and soft-liners on both sides, but especially on the right. The offensive demonstrated to the left that it did not have enough support for a widespread popular uprising. But on the right, the rebel occupation of homes in the wealthy Escalón district galvanized recalcitrant Salvadoran businessmen to support negotiations. El Salvador's economic elites—fearful that the army could no longer protect their homes, that officers had become involved in criminal activities and that their government was becoming an international pariah—began to desert the armed forces they once sustained.⁵

⁵Salvadoran businessmen worried about a kidnap-for-profit ring that operated with impunity under the direction of some military officers and rightist civilians. After April 1990, when a judge dismissed charges against six defendants, these kidnappings resurfaced.

In the United States images of Jesuit priests slain by members of the U.S.-trained Atlacatl Brigade, of the army's bombing of poor neighborhoods and of the FMLN's careful evacuation of U.S. military personnel from San Salvador's Sheraton Hotel undermined the alliance with the Salvadoran military. What died with the Jesuit priests was a foreign policy consensus based on the twin premises that the army had successfully contained the FMLN and that democracy was being constructed. Believing that the armed forces had become an open liability on both counts, Congress changed the terms of the debate.

In early 1990 House Democrats established a task force on El Salvador chaired by Representative Joseph Moakley (D-Mass.). Moakley vigorously pursued an investigation of the Jesuit murders and ultimately charged that members of the army's high command were directly involved. Congress debated whether to cut military aid entirely or simply withhold it in a manner designed to bring both sides to the bargaining table. Regardless of which position would triumph, it was suddenly clear that the gravy train of aid to El Salvador's armed forces was slowing and would soon stop.

The Bush administration was thus caught in a dilemma. Without aid it could not continue to pursue the war, yet it had become politically impossible to ask for renewed aid under the same terms. Moreover, when the December 1989 U.S. invasion of Panama and the February 1990 victory of Violetta Barrios de Chamorro in Nicaragua removed even the appearance of a regional threat, the administration lost what rationale remained for its El Salvador policy. Anxious to maintain congressional relations and to diminish the salience of Central America on the foreign policy agenda—given the momentous changes in Europe—the administration worked with President Cristiani and his allies to isolate military hard-liners and strengthen support for negotiations.

"We believe this is the year to end the war through a negotiated settlement which guarantees safe political space for all Salvadorans," Secretary of State James A. Baker testified before Congress on February 1, 1990. By finally dropping the notion of the FMLN's military defeat, Baker's words marked a decisive reversal of U.S. policy. The stage was set for a political settlement.

"Negotiations are built brick by brick," U.N. mediator Alvaro de Soto was fond of saying during the two-year peace process.⁶ The cornerstone of negotiations was formally laid in Geneva on April 4, 1990, when U.N. Secretary General Javier Pérez de Cuéllar announced that he would oversee a political settlement. But the FMLN had initiated contact with the United Nations even before then, during its November 1989 offensive.

In early December the FMLN's Salvador Samayoa and Ana Guadalupe Martinez met with de Soto in Montreal to request a greater U.N. role in the peace process and to give assurances that the FMLN would abide by a settlement. A flurry of diplomatic activity followed: former Costa Rican President Oscar Arias joined with U.S. policymakers to urge President Cristiani to accept the FMLN overture; meanwhile Central American presidents formally invited the United Nations to mediate in the region.

The initial distance between the two sides was great. Above all the FMLN wanted reform of the armed forces. Its demands included the removal of officers involved in human rights abuses, the separation of the three security forces—the National Guard, Treasury Police and National Police—from the military command structure, a reduced army and integration of some rebel troops in the remaining force. The FMLN also demanded formation of a new police force, judicial reforms that would end impunity and provide guarantees of human rights and civil liberties, and a role for international verification teams.

Finally the FMLN insisted on important changes in the electoral system, including the registration of nearly three million eligible voters. This demand had special political implications. ARENA's 1989 presidential victory had come from merely 25 percent of eligible voters. A massive registration drive thus promised to alter voter patterns substantially by the 1994 elections. Confident that its recent offensive had strengthened its hand at the negotiating table, the FMLN also

⁶This account of the negotiations is based on interviews with the participants, documents and working papers from the talks, reports from *El Salvador on Line* and *Central America Newspak*, as well as Ricardo Córdova Macías, "El Salvador: Las Negociaciones de Paz Bajo La Mediación de Las Naciones Unidas," presented at a seminar of FLACSO of Guatemala and the Friedrich Ebert Foundation, June 1991.

announced it would indefinitely suspend sabotage against public transportation and businesses as a gesture of goodwill.

The government was confident as well. Persuaded that the Sandinista defeat in Nicaragua's February 1990 elections meant the loss of the FMLN's closest ally and a substantial weakening of the rebel military position, and secure that its own control over the Legislative Assembly and Supreme Court was sufficient to reject unwanted initiatives, it agreed for the first time to outside mediation. But government participation was predicated on maintaining the 1983 constitution, which made adopting economic or political reforms extremely difficult. This stipulation reassured the right. The right, however, did not initially realize the importance of a negotiating forum that placed the FMLN in a position of parity with the government—an error it could never rectify.

In April 1990 in Geneva and May in Caracas both sides quickly established a two-phased process: negotiations first on broad-ranging political issues, then on a ceasefire. This represented an important change in the government's negotiating stance since it had previously insisted upon a ceasefire prior to negotiating reforms. The parties also agreed to form a "Group of Friends," including Mexico, Colombia, Venezuela and Spain, who would provide assistance to either side. Finally negotiators acquiesced to the formation of an *Interpartidaria*, which incorporated the country's nine political parties and could be called on to review electoral and judicial reforms.

These initial talks were deceptively easy, and the deep divisions that had led to war soon surfaced. From June 1990 to April 1991 talks deadlocked over the issue that had thwarted the 1989 negotiations and that de Soto called "the most difficult item on the agenda": reform of the armed forces. During this period the army eventually agreed to reduce its size, transfer supervision of the police to the Ministry of the Interior and dismantle its widely feared civil defense patrols. But it flatly refused to permit a purge of the officer corps of egregious human rights violators, to discuss the issue of military impunity or to integrate its forces with those of the FMLN.

As talks dragged on, both sides only toughened their stances. The FMLN eventually called for the complete abolition of the armed forces, as Costa Rica had done in 1948. "There are only three choices," Villalobos contended in summer 1990. "The two armies disappear; the two exist and become institu-

tionalized; or one army disarms the other. . . . The last is only possible by military means.”⁷ For its part the army declared that its existence was not negotiable and began to backtrack on its previously conceded size reduction.

The talks were sustained in the meantime by a series of smaller agreements. A partial accord on human rights was reached in July 1990 in San José, Costa Rica, that “was literally pulled out of a hat” by de Soto in order to maintain some sense of momentum. Initially opposed by the FMLN, which had insisted on military reforms before striking other agreements, the accord established a U.N. human rights verification mission in El Salvador to investigate abuses and defend civil liberties.

That much-hailed agreement, however, was ultimately less significant to the overall peace progress than a little-noticed consensus reached in October 1990 in the seventh session in Mexico City. In the context of their stalemated talks, both sides agreed to “place greater emphasis on the active role of the [U.N.] secretary general’s representative and his role as intermediary.” This changed de Soto from merely a facilitator of dialogue to a mediator and permitted the U.N. team to put forward proposals to either side. As a result a partial blueprint for compromise on the armed forces issue began to emerge by the end of 1990.

But progress on military reform depended more on external forces than the quality of U.N. proposals. Only steady pressure from outside could overcome the intense resistance of the military, which repeatedly toughened its stance every time pressure appeared to let up. The U.S. Congress reduced military aid in October 1990 by 50 percent and threatened to cut the rest unless the Jesuits’ murderers were brought to justice. For the first time Salvadoran officers understood they could no longer rely on the United States, and they thus began to negotiate more seriously. But when President Bush restored aid in early 1991 after the FMLN downed a helicopter, killing three U.S. servicemen on board, the military once again believed it could escape reform. One Salvadoran army spokesman boasted: “The vote of confidence the Congress had taken

⁷Villalobos, “A Salvadoran Solution Must Be Based on Salvadoran Reality,” *El Salvador Perspectives*, Sept. 17, 1990.

away from the armed forces has been restored.”⁸ As a result negotiations bogged down once again. Anonymous State Department criticism of de Soto in *The New York Times* on February 1 further derailed talks, despite Secretary Baker’s assurances that the remarks were “unofficial and not authorized.” The impression that the United States might be distancing itself from the U.N. negotiations was not overcome until Baker formally joined the Soviet foreign minister in expressing strong support for the U.N. efforts.

Fundamental disagreement over constitutional reform exacerbated the deadlock. If permanent agreements were to be reached on limiting the military or reforming the electoral or judicial systems, the 1983 constitution would have to be amended. ARENA, however, flatly refused to change article 248, which stipulated that any amendment had to be ratified by two consecutive National Assemblies. Altering this restrictive provision for constitutional change, the party believed, would leave open the door to agrarian reform.

Both sides finally settled on a formula of specific constitutional amendments for specific reforms, including those affecting the armed forces. Despite extremist threats from the right against those who “trampled on the constitution,” the combined influence of the European Community, the Group of Friends, the five Central American presidents, the U.S. Congress, the Bush administration and last-minute phone calls by the U.S. ambassador eventually guaranteed passage of the amendments. On April 29, 1991, the ARENA-dominated National Assembly voted to modify 35 of 274 articles of the 1983 constitution—the first time a Salvadoran constitution had ever been amended. This breakthrough proved to be the first and, ultimately, most significant of the negotiating process. “We would not have continued had this fallen through,” said one FMLN negotiator. “It would have been over.”

V

The April accords were the first substantive agreements in years of sporadic peace talks between the government and the guerrillas. The reforms limited the scope and power of the armed forces, restricted their mission to the defense of El Salvador’s borders rather than the maintenance of public

⁸Thomas Long, “Salvador Aid Harms Peace Bid, Critics Say,” *The Miami Herald*, Jan. 19, 1991, p. 11A.

order, narrowed the jurisdiction of military courts and created a national police force under civilian rather than military control. In amendments agreed upon by the *Interpartidaria*, the accord also changed the manner of selecting Supreme Court justices, established an electoral tribunal and gave political parties a greater voice in electoral organization and registration of voters. Finally the reforms created a "Truth Commission" comprised of three prominent jurists, all foreigners, to be chosen by U.N. Secretary General Pérez de Cuéllar and whose task was to investigate the most serious human rights abuses of the war.⁹

The accords represented the first time ARENA had consciously "underutilized" its power to support unwanted reforms that it had the legislative strength to block. Not surprisingly, reaction was sharp inside the armed forces. Death squad threats abounded and rumors swept the country that a military coup would be spearheaded by air force officers and instigated by retired General Juan Rafael Bustillo. As army negotiators frantically held meetings with lower level officers opposed to "the violation to our sovereignty," Cristiani reassured troops that "dissolution of the armed forces is not on the table with the FMLN," and the United States announced a multimillion-dollar assistance plan to help Salvadoran soldiers return to civilian life.

Critical issues like the ceasefire and the purging of the officer corps remained on the table, however, and talks deadlocked once again after the April accords. Government representatives—assailed by the military's sense that they were "surrendering everything" without in return securing the disarming of the FMLN—refused to accept further changes in the armed forces prior to a ceasefire and rejected any plan based on integrating rebel forces into the military. The FMLN, on the other hand, would not agree to a ceasefire without a prior final agreement on military reform or sufficient guarantees for its own safety.

At meetings in New York in September 1991 U.N. negoti-

⁹Pérez de Cuéllar eventually appointed three prominent jurists: former Colombian President Belisario Betancur; former Venezuelan Foreign Minister Reinald Figueredo; and president of the Inter-American Institute for Human Rights, Thomas Buergenthal. They chose to begin with eight well-known cases: the 1985 Zona Rosa killings; the assassination, in 1980, of Archbishop Romero; in 1989, of rightist Francisco Peccorini Letona and Minister of the President Jose Antonio Rodriguez Porth; in 1990, of leftists Hector Oqueli and Gilda Flores, as well as the murders of several other elected officials; the 1989 bombing of FENASTRAS; and the 1989 massacre of the six Jesuits, their housekeeper and her daughter.

ators designed a new formula to overcome the impasse. U.N. proposals added several critical features to meet the objections of the FMLN. They created an ad hoc commission of three independent Salvadoran citizens to evaluate members of the armed forces on the basis of the soldiers' human rights records and professional competence and to rid the army of individuals found deficient. They permitted FMLN combatants to participate in a new national police force in exchange for withdrawing the FMLN's demand for integration into the armed forces. They obligated the government to enforce and accelerate implementation of existing agrarian reform legislation while establishing procedures to legalize tenancy in conflictive zones. Finally, the proposals also established a broadly representative National Commission for the Consolidation of Peace (COPAZ), whose main task was to draft legislation on negotiated agreements and monitor its implementation once a ceasefire had begun.

Once again, however, international pressure was needed for the proposals' eventual acceptance. In August 1991 Democrats in Congress demonstrated that they had majority support for aid cuts and tough conditions on assistance to El Salvador with or without the support of the Bush administration. Realizing that aid was finally blocked, the administration began to take a significantly more active role in supporting the negotiations. At the U.S.-Soviet summit, Presidents Bush and Gorbachev issued a joint statement backing the peace process, and both countries subsequently called for Pérez de Cuéllar to become directly involved in the U.N. talks. The Bush administration also urged President Cristiani to attend personally the New York meetings. As last-minute decisions were being made to reduce the army by 50 percent and to work out the details of a ceasefire, the Group of Friends, the European Community and the United States all pressed for compromise.

Inside El Salvador an unlikely tacit alliance emerged between ARENA and the FMLN to overcome widespread skepticism about the prospects for peace and the opposition of hard-liners. Even Roberto D'Aubuisson Arrieta, a former army major accused in the 1980 assassination of Archbishop Romero, spent his last months of life, before succumbing to cancer, striving to restrain the violent right wing he had once armed and organized. Rebel commanders also sought to moderate their own hard-liners so as to appeal to a broader postwar electoral constituency. Given each side's stake in the

peace agreements and the mounting intensity of international pressure, the army—hardest hit by the final accords—in the end could only acquiesce. “The military must subordinate itself to the executive branch,” argued Sigfrido Ochoa, a former colonel known for leading military revolts against civilian authority in the past. “A coup would be insane.”

The New York accords thus became the second breakthrough of the El Salvador dialogue, representing significant compromise on both sides. The government agreed to purge the officer corps, incorporate some former rebels into the police and implement a more reformist agrarian policy. The FMLN agreed to drop its demands for broader socioeconomic reforms and participation in the army, and instead accepted COPAZ and the United Nations as guarantors of its security. Agreements on other subsequent issues moved rapidly throughout the fall, culminating in the signing of a preliminary accord at midnight on December 31, 1991—a dramatic farewell gift to outgoing U.N. Secretary General Pérez de Cuéllar.

VI

In what might be considered the hallmark of a successful negotiation, both sides believe they have won. Continuous negotiations over the past two years have given each side a strong stake in the final agreement. The negotiations themselves have established a pattern of mutual “underutilization” of power and created a powerful momentum that should keep the process moving forward after the formalities have been concluded. The tight timetable for reforming the armed forces and disarming the FMLN has already created logistical difficulties in meeting deadlines, but it is advantageous in that it rapidly incapacitates precisely those forces most capable of unraveling the peace.

Each side can plausibly claim a victory because the compromise is a genuine one. For the first time in Salvadoran history comprehensive reforms to establish a full-fledged democracy were negotiated across the entire political spectrum. Moreover this process of consultation is becoming institutionalized. The formation of COPAZ, a mechanism for reaching policy consensus through what Salvadorans call “concertation,” has placed real, if informal, limitations on the exercise of executive power. In the epitome of political engineering, its ten mem-

bers are divided equally between conservatives and center-leftists, and its decisions are made by majority rule.

COPAZ, in turn, has created numerous other mechanisms for consensus-building during these fragile moments of transition. There are, for example, new task forces to deal with the two most sensitive issues of the day: the formation of a new National Civilian Police and the supervision of land tenure disputes in the country's war zones. These include one representative from the government, the FMLN and each of the six leading political parties. As these bodies make policy and resolve conflicts, they expand the political community committed to the accords and encourage the habit of compromise begun in the peace negotiations. In effect they embody a qualitatively new method of democratic governance for El Salvador.

Still there are clear signs of trouble ahead. In the short run, settlements between contending parties tend to be more fragile than those based on a decisive victory by one side, although their long-run prospects may be far more promising. This fragility is most apparent in the socioeconomic arena, where the accords on land tenancy are weakest and least developed. Task forces may be able to facilitate the resolution of disputes between peasant squatters and property owners, or between workers and factory owners, but the representatives in these commissions must be able to restrain their followers and convince them to abide by the settlements.

The potential for provoking a new cycle of polarization still exists. For example, the FENASTRAS-led February 10 walkout by 5,000 employees at the ADOC shoe company demanding union recognition and higher wages was followed by the factory's shutdown and threats of other closings by the National Association of Private Enterprise. Several trade union leaders have been murdered since the signing of the accord, and human rights violations continue unabated. Business leaders have threatened to boycott economic task forces unless takeovers by land-hungry peasants are stopped. These incidents exemplify the difficulties of exerting control over respective constituencies, especially where popular demands have long been suppressed.

External assistance can make the difference between an environment defined by polarization or concertation. El Salvador will require an estimated \$1 billion to recover from the war and implement the peace agreements. The government

and the FMLN have met regularly to develop a blueprint for reconstruction. The plan thus far targets immediate relief to former zones of conflict, assistance to the thousands of ex-combatants from both sides who will be thrust into civilian life (including offers of university scholarships for officers on both sides), the extension of health and educational services to rural municipalities, the creation of a "Land Bank" to accelerate the formal transfer of land to squatters in rebel-controlled zones and the restoration of infrastructure. Lack of funds in the Land Bank have already proven to be a serious set-back to meeting the treaty's goal that all ownership disputes in war zones be cleared up by August.

Alongside promises of \$55 million from the European Community and \$120 million from the Inter-American Development Bank, the Bush administration has already pledged \$250 million for the reconstruction of El Salvador. It is considering extension of Temporary Protected Status for Salvadorans living in the United States, whose remittances are the largest source of foreign exchange in their homeland. In a departure from past practices, members of Congress have urged that further U.S. aid be channeled through the United Nations and other multilateral agencies "so that it [does not] grant our imprimatur to any political party or grouping." In another sign of the changing times the U.S. Agency for International Development has promised to coordinate with the government of El Salvador to ensure that its allocations are "consistent with decisions resulting from consultations with the FMLN on the National Recovery Plan."

El Salvador's success demonstrates how the end of the Cold War has created new opportunities for the United States to craft a qualitatively different approach to policy in Latin America. By delinking strategic concerns from local political consequences, the United States altered its traditional opposition to radical movements and distanced itself from past efforts to seek a military victory over the FMLN. This shift created more space for Salvadorans to negotiate what may be the foundations of a long-term social peace.

Future policy for dealing with regional conflicts can benefit from the experience of El Salvador. First, American policy assumed that low-intensity warfare plus reform would overcome armed resistance. This flawed assumption led the United States into an alliance with reactionaries who were opposed to the very reforms necessary to neutralize the insurgency. Poli-

cymakers believed that U.S. aid created leverage to force through these reforms, but leverage, as Salvadoran military officers well understood, only works when the United States is willing to use it. Only after the end of the Cold War and the murder of the Jesuits was Congress ready to cut aid. El Salvador illustrates an important contradiction in low-intensity warfare doctrine: the use of American leverage is only feasible where policy goals are relatively unimportant, but that is precisely where it is not in the interests of the United States to wage war in the first place.

Second, regular elections alone will not guarantee democracy. Especially in the early years of the war, policymakers showed an appalling disregard for the violation of human rights and the exclusion of democratic left parties from the political arena. They failed to understand that regularly scheduled elections cannot channel conflicts in a democratic manner unless they are coupled with effective civilian control over the military and enforcement of the rule of law. A more even-handed policy in the future would insist upon holding elections and respecting civil and human rights for all citizens regardless of their political persuasion.

Finally, multilateralism, especially under the auspices of an international organization, is more conducive to settlements than unilateralism. In the 1980s overtures from Mexican and French authorities, the Contadora Group and Costa Rica's President Arias were distinctly unwelcome to the United States. The Bush administration's decision to support U.N.-sponsored talks and the involvement of third countries was essential for bringing a conclusion to the civil war. A multilateral approach helped to mobilize outside pressure on both sides. The United Nations ensured a strict impartiality during the negotiations and in the subsequent verification process, something that both the Cristiani government and the FMLN deemed critical in reaching the accord.

In short, El Salvador suggests that the United States should learn what Salvadorans are already learning: in regional conflicts the deliberate underutilization of power can be most conducive to a successful outcome.

In the case of El Salvador, great power intervention was disproportionately expensive in human suffering and treasure when compared to the potential security gain. In 1981 U.S. military estimates put the price of defeating the Salvadoran rebels at \$300 million over five years, a forecast the Reagan

administration rejected as overly optimistic. The peace that finally resulted a decade later cost an estimated \$6 billion, the displacement of one-quarter of the Salvadoran population and the lives of 75,000 Salvadorans and 12 Americans. As the United States seeks to define new policy directions, Central America demonstrates that support for multilateral negotiations can be more effective and less costly than the unilateral use of force. El Salvador, thus, may move from its unfortunate status as a testing ground for low-intensity warfare to become an important model for conflict resolution in a post-Cold War world.

INDIA AFTER NONALIGNMENT

India has cut a sorry figure in recent times. It is ailing internally, wracked by political turmoil, social ferment and economic stagnation. By the end of 1989, after five years in power, the Rajiv Gandhi government had achieved the dubious distinction of being on bad terms with all its neighbors. The successor minority National Front government (1989–90), led by V. P. Singh, managed to destroy Indian society more effectively than any enemy could have dared to hope, by pitting Indian against Indian. And the following transitory government of Chandra Shekhar floundered and flip-flopped embarrassingly in trying to respond to the Persian Gulf crisis. In the process it succeeded in alienating both Baghdad and Washington without winning any friends.

Not many outsiders would shed tears at the sight of a friendless and forlorn India. Indians might receive more sympathy if, instead of forever blaming others, they accepted responsibility for the consequences of their own actions in both domestic and foreign policy. A good beginning would be to recognize that the new revolutionary international times present India with a stark choice. It can persist with an inward-looking policy that marginalizes the country and slides it inexorably into increasing international irrelevance. Or it can take a good hard look at itself and at other former developing countries that have achieved success essentially by dint of their own efforts, and then chart a radically new passage to a brighter India.

It is for India to choose between the comforting familiarity of the old order with its corollary of economic incoherence and international insignificance, or the challenge of exploiting the opportunities opening up in the new world order. The latter

choice would entail abandoning the bunker mentality induced by forty years of the Cold War.¹

II

A growing and vibrant economy for India requires a radical reorientation of policy away from controls imposed by a heavily interventionist state. Four decades of state-guided development have given India slow growth, rising unemployment and growing dependence on imported capital goods and technology. In international economic exchanges India's policy failures are reflected in a falling share of world exports, a depreciating currency and an inability to export sophisticated manufactures.

The catalyst for a new economic philosophy for India must be the realization that planned economic development has proven unable to improve its citizens' living standards and similarly unable to maintain global competition with the Western system of market economics. India's new economic order will have to rest on three planks: deregulation, liberalization and reduction in government expenditures in defense spending, salaries and subsidies. The combination of democratic populism and bureaucratic elitism has given India the worst of both worlds and anchored it firmly to a Third World status. To lift itself out of the Third World and into the ranks of the First, India needs to establish international investor credibility by unleashing market forces and behaving in a fiscally responsible manner at home.

There was some justification for the philosophy of economic development adopted by India at independence. Keynesian interventionism had triumphed against the adversities of the Great Depression, and the Marshall Plan had reinforced faith in the visible hand of government. India's economy grew three times as fast in the 1950s and 1960s as during the British Raj, and faster than the rate of British growth during its comparable stage of development in the eighteenth and nineteenth centuries. The public sector was instrumental in transforming an exploited plantation economy into a vibrant and diversified industrial power in remarkably short time.

More recent results, however, include economic stagnation, structural rigidity and backwardness, desperate infusions of

¹Prem Shankar Jha, "Risk of Swimming against the Tide," *Hindu Weekly*, Feb. 9, 1991, p. 9.

international capital to stave off defaults and the persistence of poverty and inequality. Although market forces were allowed to play a greater role in India in the 1980s, the country still has a substantially regulated economy. By 1991 years of budgetary indiscipline by successive governments had brought India's economy to the brink. Before the International Monetary Fund (IMF) came to the rescue with an emergency transfusion of capital, foreign exchange reserves had fallen in January 1991 to a mere two weeks' worth of imports. Persistent current account deficits saw foreign debt climb to more than \$70 billion, with a third of export earnings going to debt servicing. For the 1991–92 fiscal year the budget deficit is projected to equal almost 8.5 percent of gross domestic product.²

The government of P. V. Narasimha Rao, which came to power after the assassination of Rajiv Gandhi during elections in May 1991, announced liberalization measures and a new industrial policy that by Indian standards were quite radical. With an eye to standard-bearers of the socialist tradition within the Congress Party, the prime minister denied that he was jettisoning the public sector entirely, that the policy represented a departure from Nehruvian socialism or that it was externally dictated. The reforms, however, are neither as rapid nor as extensive as the situation requires.

In launching the new economic policy the Rao government emphasized the need to shed any inferiority complex and squeamishness in seeking inflows of foreign capital for investment. The balance-of-payments crisis of 1991, coupled with the dramatic worldwide trend toward market reforms, convinced many Indians that their country had little alternative to modernizing its industrial and export structure and entering the world economy. At a time when other countries were actively pursuing the infusion of new technology, India's tightly regulated regime perpetuated a noncompetitive environment. Like their former Soviet colleagues, Indian planners were mesmerized by investment targets rather than efficiencies. The collapse of the centrally planned economies of eastern Europe and the Soviet Union—which took one-fourth of India's exports—has made the international economic environment even frostier for India.

It is time therefore to jettison socialist slogans, to dethrone

²Figures from *The Economist*, March 9, 1991, p. 20. The July 1991 budget set a target of reducing the fiscal deficit to 6.5 percent of GDP.

the state from the commanding heights of the economy, to let loose the price mechanism among the sheltered world of Indian businesses and to subject the Indian economy to the competitive pressures of market forces at home and abroad. The state could provide the indispensable legal context for a stable market, and the private sector could provide the growth and jobs.

If the stifling regulatory regime could be lifted and the dead hand of the state removed, India could then exploit its superb base for rapid and substantial industrial expansion. The country has an enormous pool of sophisticated scientists and technicians and an untapped reservoir of entrepreneurial talent. The policies of self-reliance followed by Jawaharlal Nehru and his successors have provided India with the capacity to grow quickly. The future could yet be vibrant and dynamic, if free market policies are given a chance. If they are, then outsiders would do well to remember that India is bigger than the established (Taiwan, Hong Kong, South Korea and Singapore) and emerging (Malaysia, Thailand and Indonesia) dragons of northeast and southeast Asia combined.

III

A fresh beginning in India's foreign policy must start with the country's strongest neighbor in south Asia. Relations between India and Pakistan have been characterized by a peculiar dualism: official relations are based on a permanent state of paranoia and a zero-sum mentality; yet ordinary people continue to recall past contacts with nostalgia and to hanker for closer cultural relations today. Religious differences notwithstanding, there is an underlying integration that unites the people of northern India with those of Pakistan.

Possibilities for conflict between India and Pakistan existed from the beginning. One of the central concerns of Indian foreign policy was to stress Asian solidarity; the ideology that created Pakistan, however, emphasized profound and irreconcilable differences between Asians. Both sought pan-national unity and identity, but competitively—India in Asianism, Pakistan in Islam. Pakistan has been ruled by the military for most of its history; India has been a functioning democracy almost without interruption.

The fact of secular democracy in a neighboring country often seemed threatening to Pakistani military rulers. They were reluctant to ease travel restrictions for fear their own

citizens would be infected by radical democratic sentiments. Similarly they were unhappy with Indian radio and television programs, easily received in Pakistan, which stressed cultural bonds between the two countries and promoted the benefits of democracy.

Territorial and ancillary disputes between India and Pakistan stem directly from the 1948 partition: Which of the two was to be considered the successor state to British India? Kashmir was—and is—the major bone of contention, still a symbol of the Indo-Pakistani conflict.³ India is the status quo power in the Kashmir dispute, in control of the strategically and emotionally vital valley; Pakistan is the irredentist power, dissatisfied with the status quo but lacking the means to overturn it.

Hostility between India and Pakistan deepened during the 1980s, contrary to international trends toward cooperation and reconciliation. Pakistan had recovered from its defeat by India in 1971, regained confidence in dealing with its neighbor as an equal and showed the ability to exploit windows of opportunity to embarrass and press India; for the calm in India-Pakistan relations in the 1970s had been based on a superior-subordinate relationship rather than on a Pakistani relinquishment of long-held claims.

The Pakistani regime of Muhammed Zia ul-Haq consolidated its hold on power and brought some stability and order to domestic politics. By contrast a number of different separatist movements and insurgencies sprang up and intensified within India, leading to an apparent crisis of governability. Regionally India was embroiled in disputes of varying intensity with Bangladesh, Nepal and Sri Lanka. Internationally the Soviet invasion of Afghanistan and the Vietnamese invasion of Cambodia had a dual effect on India-Pakistan relations. For Pakistan it meant elevation to the status of a frontline state in the superpower rivalry, and hence increased economic aid, military supplies and diplomatic support from the West and the Arab and Islamic blocs. India by contrast was put on the defensive in seeking to explain its continuing close ties to Moscow, Phnom Penh and Kabul.

For domestic as well as bilateral reasons India continued to oppose—and Pakistan to favor—the prospect of a fundamen-

³For a good short overview of the dispute since its inception, see Sumit Ganguly, "Avoiding War in Kashmir," *Foreign Affairs*, Winter 1990/91, pp. 57–73.

talist Islamic regime in Kabul after the Soviet withdrawal. The latent convergence of interest between India and the United States on this point has been reinforced by the breakup of the former Soviet Union. Pakistan wants to establish closer ties with the six Muslim republics of the former Soviet Union, but these central Asian republics fear the rise of Islamic fundamentalism within their borders as well as in the vicinity. For this reason, in early 1992 Pakistan finally ceased supplying weapons to the Afghan rebels and instead backed the U.N. peace plan for Afghanistan. At the same time nationalistic ferment in the former Soviet Union has also strengthened separatist sentiment in adjacent Kashmir, to the point where events could easily get out of control. This is why Pakistan thwarted a march by Kashmiri separatists across the international ceasefire line in February 1992; a few militants killed by Pakistani troops was preferable to another war with India.

The biggest obstacle to peace in Kashmir is not an insurgency armed and financed by Islamabad, but a policy vacuum in Delhi. The history of Indian control over Kashmir since 1948 has left several harmful legacies for the country as a whole. Indians take rightful pride in being the world's largest democracy, but the forcible occupation of Kashmir has damaged the meaning and exercise of democracy. Democratic institutions have been corrupted in Kashmir by repeated vote-rigging and a refusal by the central government in Delhi to accept the province being ruled by anything but a pliant administration. Indian operations in Kashmir in the last two years have been dogged by allegations of police and army brutality. Feeding on earlier allegations leveled at the Indian peacekeeping forces in Sri Lanka, they have served to tarnish the image of the Indian security forces. Whether the charges are eventually substantiated is less important internationally than the fact that they are widely reported in the Western press.⁴

The attempt to retain Kashmir within the Indian union has undermined the meaning and operation of federalism as well. Authorities in Delhi have shown little respect for the wishes of the people of Kashmir. Moreover, by giving special status to Kashmir, the Indian constitution discriminated against other states and fueled demands for matching grants of special

⁴See, for example, Barbara Crossette, "India Moves Against Kashmir Rebels," *The New York Times*, April 7, 1991.

status. The effort to integrate Kashmir into the Indian mainstream has been a costly drain on the Indian exchequer: the central government has poured far more money into the province than it gains from it.⁵

In the past two years the moral, political, economic and international costs of India's Kashmir policy have been only too apparent. The uprising in Kashmir in 1990 saw a near-complete paralysis of the state administration. Initial attempts to treat the uprising simply as a law-and-order problem by the imposition of curfews and strong-arm tactics by police, paramilitary and military personnel were intended to intimidate and coerce the separatists. Instead they produced the opposite effect of strengthening separatist sentiment and recruiting a broader spectrum of adherents to the cause of liberating Kashmir from Indian control.

India has four options in regard to Kashmir. First, it could seek to invade and annex the part of Kashmir occupied by Pakistan. This is impractical. International condemnation of India and support for Pakistan would be massive and decisive. Nor could India exercise "normal" control over a large and hostile Kashmiri population indefinitely. India has enough insurgency and terrorist problems of its own without taking on more.

The second option is to maintain the status quo. This is to persist in a demonstrably unsatisfactory situation. The status quo option will simply eat away at the fabric of Indian society, economy and polity.

The third option is to submit the Kashmir dispute to international adjudication or arbitration. By taking their conflict to the World Court and abiding by its verdict, India and Pakistan would do much for the cause of achieving a world in which international relations were based on law. This would set an invaluable precedent for resolving all of India's bilateral disputes with smaller and larger neighbors alike and allow India to reclaim the high moral ground in world affairs.

The fourth option is to withdraw troops from Kashmir, stop treating the problem as a law-and-order issue and tackle the political roots of conflict: let the people of Kashmir decide

⁵A retired Indian army officer cites intelligence reports suggesting that some of the central government money sent to Kashmir ended up in the hands of the secessionist Jammu and Kashmir Liberation Front; J. K. Dutt, "Options in Kashmir," *Statesman Weekly*, July 13, 1991, p. 12.

their own fate in an honorable plebiscite. If they wish to be independent or to join Pakistan, then so be it. A resolution on the basis of self-determination would reinforce India's democratic institutions and principles, strengthen its federal structure and practices and close a financial drain. It would ease the communal tensions internally between Muslims and Hindus. An unequivocal act of self-determination in Kashmir, combined with a proclamation of the supremacy of India's secular laws and institutions over religious laws in areas such as divorce and maintenance support, would do much to defuse the Hindu backlash that threatens to destroy tolerance and secularism in the country.

In short an honorable democratic solution to Kashmir would strengthen the Indian state, underline its political values and cement the cohesiveness of Indian society.

There would also be external benefits. A popular or juridical solution would shed a major liability in courting relations with Arab and other Islamic states; eliminate the most potent source of tension in relations with Pakistan; remove the basis for an anti-India security cooperation between China and Pakistan; rid India of its biggest international embarrassment; undermine the basis for a strategic partnership between Pakistan and the United States, and so remove a perennial irritant in Indo-U.S. relations.

IV

If the Kashmir dispute could be resolved, India's regional role would acquire enhanced credibility. India has a national outlook in economic terms, but it has an international outlook in political terms. It has long sought a global leadership role; nonalignment was a foreign policy strategy to this end. But India lacks a coherent strategy for an integrated regional role.

India's neighbors have tended to view it as overarmed, overweening and hegemonical. Anxious to project itself on the world stage, India has appeared irritated at regional obstacles in its path to the status of a world power. In a remarkable tribute to a fatally flawed foreign policy, India finds itself without a network of useful friendships in its own region. Commentators contrast India's supercilious attitude to regional neighbors with Indonesia's finesse in handling smaller neighbors in southeast Asia. Similarly India's potential lies first

and foremost in its neighborhood, but instead of realizing this potential India has frightened all its neighbors.

Indian foreign policy has been similarly myopic in neglecting friendships in the Middle East. Efforts to counter Pakistan's influence among the Islamic countries of the Arab world have failed to bear fruit—India's only real friend in the Middle East has been Iraq. Similarly the one genuine friendship with a southeast Asian country, namely Vietnam, was no less of a diplomatic liability in the 1980s.

Of greater bilateral, regional and international import is the India-China relationship. If in India's relations with Pakistan there is much that unites them, India and China have little in common except a long and disputed border. On the Kashmir dispute the Indian case is strong, and the Pakistani case stronger still. On the Sino-Indian border dispute, the Indian case may be weak, but the Chinese case is still weaker. Since the 1962 war, three obstacles have inhibited normalization of China-India relations: the Soviet factor, Tibet and the border dispute.

With the collapse of communism and the dissolution of the Soviet Union, the Soviet factor has been transformed from an impediment into a spur to improving Sino-Indian relations. The end of the Cold War and the simultaneous improvement of Moscow's relations with Beijing and Washington dissipates the geostrategic community of interest between India and Russia and threatens to leave India internationally isolated. Delhi's own hesitant probes toward a rapprochement with Beijing used to arouse suspicion and unease in Moscow; they now produce smiles of encouragement. China in turn has become more receptive to Indian overtures, for the closeness of the Russian relationship is no longer viewed as a threat to Chinese security interests.

After months of maneuvering by both sides, Li Peng was able to pay a six-day visit to India in December—the first Chinese prime minister to do so since the 1962 war. The Chinese leader said during the visit that neither country wished to see the boundary dispute remain an obstacle to the development of bilateral relations. China and India signed three agreements: one on the opening of consular offices in Bombay and Shanghai, a second on space cooperation and a third on border trade.

The Tibet obstacle, although not easily soluble, is a manageable problem. Both China and India are committed to pre-

venting sentiments over Tibet from damaging their broader relationship. This was evident when Indian police used uncharacteristic force in dealing with Tibetan demonstrators protesting the Chinese prime minister's visit. In the joint communiqué China expressed concern about the activities of Tibetans living in India, while India reiterated its position that Tibet was a part of China. As one leading newspaper put it in an editorial, the red carpet of welcome for the Chinese prime minister was not stained by expressions of dissent over China's misdemeanors in Tibet.⁶

The most serious and intractable obstacle remains the border dispute. While India's approach to the border conflict is historical, China's is strategic. India finds its whole relationship with China still frozen in the time warp of the 1962 war. A democratic solution to the border dispute is inapplicable because of the sparse population in the inhospitable regions under dispute. A judicial settlement could not cope adequately with the differences in historical and strategic approaches by India and China.

China's negotiating position is based on the premise that there is a genuine territorial dispute arising out of conflicting interpretations of the authenticity of British Indian claims in the era of imperialism. The benefits to India of a broad compromise are obvious. A settled border with China would facilitate the stabilization of the troubled northeastern region in India's domestic politics and reduce opportunities for mischief in its external relations with Bhutan and Nepal. It would also ease the task of securing Pakistani agreement to convert the line of control in Kashmir into an international border, thereby resolving India's most serious foreign policy problem. Yet influential Indians continue to make any accommodation difficult by insisting that the Chinese proposals "will only legitimize aggression or illegal occupation of another nation's territory."⁷

⁶*The Statesman*, Dec. 16, 1991.

⁷Major General S. N. Antia (ret.), "Talking with Beijing: India Being Led up the Garden Path?" *Statesman Weekly*, Sept. 29, 1984, p. 11.

Since the Second World War the most successful bilateral relationships for India and the Soviet Union had been with each other.⁸ Relations between Moscow and Delhi had been dynamic, stable and resilient. The dissolution of the Soviet Union, however, raises important questions.

The Soviet breakup destroyed India's most important source of defense supplies, took away a major export market, left India more vulnerable to hostile resolutions at the United Nations, introduced fresh instabilities in its northern neighborhood and brought new competitors for foreign aid. The net result is to make links with the West more attractive to India. For example, a high-level U.S. military delegation held talks with Indian counterparts in Delhi in January 1992 and agreed to programs of reciprocal training and participation in regional conferences and seminars.

Efforts will nonetheless continue to preserve friendly ties with the Commonwealth of Independent States. Indian Foreign Minister Madhav Singh Solanki visited Russia last November. India and Russia finalized a new friendship treaty on January 15, 1992, and signed memoranda of understanding on trade and supplies of defense and power generation equipment. President Boris Yeltsin has agreed to visit India, and Delhi agreed to grant 32 billion rupees of credit to Russia to pay for Indian goods as well as 150 million rupees in humanitarian assistance. India has also moved aggressively to establish political ties (the 12 Commonwealth states were granted formal recognition by India on December 16, 1991), military contracts (Ukrainian enterprises are fulfilling long-term agreements between Delhi and Moscow) and economic agreements (a joint venture for building personal computers in Uzbekistan) with the newly independent republics. Last November the Indian deputy commerce minister said that rupee settlements in India's trade with the Commonwealth states would terminate in 1994–95. After that date India intends to build its economic relations with the sovereign republics on principles of a market economy.

The intimacy of the Indo-Soviet relationship has historically been based on conjunctions of military, economic and political

⁸See Ramesh Thakur and Carlyle A. Thayer, *Soviet Relations with India and Vietnam*, Delhi, London and New York: Oxford University Press, Macmillan and St. Martin's Press, 1992.

interests. Moscow showed itself receptive to India's desire for self-reliance. Licensed production enabled India to develop its own arms industry to the point of being about two-thirds self-sufficient.

Yet the Indo-Soviet military relationship was not cost-free for either country. The ready availability of Soviet weaponry actually inhibited development of an indigenous arms industry; successive governments took the easy Soviet option instead of the cost-ineffective path to arms autarky. The sale of arms to India under bilateral repayment arrangements also exacted a significant opportunity cost on the Soviet Union in the form of hard-currency earnings foregone. Arms transfers lead to dependencies; they also create networks of commitments and interests that tie the prestige and credibility of the donor to the fate of client regimes. Recipients can initiate wars without advance clearance from superpower patrons. For the latter to then withhold support is to risk losing years of investment in the client regime and losing influence globally as a reliable patron.

During the 1991 Gulf War Moscow failed to come to the assistance of a Third World client; it was prepared to stand on the sidelines and watch the Iraqi military machine be destroyed. One of the major attractions of receiving weapons from the Soviet Union had been its reliability as a defense supplier, particularly when war had broken out. National security policymakers in Delhi will need to assess the implications of Soviet behavior in the Gulf War for the other major recipients of Soviet weapons and adjust patterns of sourcing defense supplies accordingly.

The Indo-Soviet economic relationship, too, has been transformed. From an Indian perspective the Soviet economic link opened up direct trade contacts with the U.S.S.R., secured goods and industrial raw materials against rupee payments, enabled imports to be used as a means of increasing the range of exports, stabilized prices of traditional exports, facilitated the expansion of nontraditional exports and permitted the purchase of military equipment without the payment of hard currency and against trade surpluses. Externally it helped achieve the goals of export diversification in both goods and markets while conserving scarce foreign exchange reserves.

From the Soviet perspective economic links with India were important because the latter was a source of significant amounts of raw and processed commodities, some machinery

and some consumer products. India was also regarded as a reliable partner in economic cooperation, never having defaulted on credit repayments and rarely seeking their deferral. Indo-Soviet cooperation ensured the long-term improvement of the productive capacities of Indian factories and increased their outputs, enabled Indian personnel to master new technology and permitted reliable Soviet acquisition, on soft terms, of familiar machinery and equipment needed for the development of the Soviet economy. India provided the Soviet Union with a back door to acquiring hard-currency products. Without expending any foreign exchange the Soviet Union had been able to purchase goods with high foreign exchange content, such as Japanese-licensed electronic products.

The Indian connection was also useful to the Soviet Union in pursuing goals of eroding Western influence in Asia, containing Chinese influence and establishing its own presence in order to lend credence to claims of being an Asian and a global power. These Soviet goals dovetailed neatly with Indian objectives. They are now largely irrelevant.

The dramatic changes sweeping across eastern Europe and the new Commonwealth states undermine the basis of the Indo-Soviet economic relationship by promoting an integration of the east European and former Soviet economies with the West. Political changes in Russia have also left Indian foreign policy adrift on rough seas. In failing to back Yeltsin's resistance to the August coup, India failed to side with the winners, to endorse principles of democracy and human rights and to endear itself to Western governments who matter even more in the new world order.

Both India and Russia are struggling to achieve economic success by means of a mixed but market-oriented liberalizing economy functioning within a multiethnic, multiparty competitive federal democracy. And because the new Russian government has established good working relations with both China and the United States, India too can seek to improve bilateral relations with those countries without fear of potentially damaging consequences for its relationship with the former Soviet state.

The United States, Europe and Japan are now better placed than Russia to assist India. In the past a strategic friendship with the Soviet Union that did not incur a strategic enmity with the United States gave India the best of both worlds. Now

Delhi must deal with the breakup of the Soviet Union and the resulting emergence of an essentially new world order.

VI

Indians are unclear about what the “new world order” means in practice. Some worry that it could even be a cloak for a more intolerable Pax Americana: the eagle spreading its wings. Indians were impressed that the Gulf War was prosecuted through the United Nations, but they are not entirely confident that this will always be the model for U.S. military intervention abroad. Before the Gulf War the new world order was to have encompassed a series of interlocking global partnerships: between America, on the one hand, and a united Germany-led Europe and Japan, on the other. The lackluster performance of Germany and Japan in the gulf crisis, however, raised questions about their role.

India could be even more worried about the prospect of the United States and Russia colluding to impose a joint hegemonism upon the rest of the world. The Gulf War showed that when Washington and Moscow find common ground, New Delhi must either go along or risk being isolated. That war suggested two policy lessons for India: that Russian support for friends and allies can no longer be taken for granted, and that America can mobilize impressive diplomatic resources as well as being an unchallengeable economic and military power. Prudence suggests therefore that countries with strong ties to Russia would be well advised to undertake discreet bridge-building with the United States.

Discretion has not always been a strong suit of those in charge of Indian foreign policy. The sacrosanct status of nonalignment, with an attendant dose of anti-Americanism, was apparent during the Gulf War. The Shekhar government initially permitted refueling of U.S. aircraft in Bombay on their way to the gulf, provoking a storm of protest about violating India's nonaligned credentials, and the permission was rescinded. After the 1991 general election the Rao government took note of India's own economic woes, of even worse Soviet economic ills, the dissolution of the Soviet grip on eastern Europe, the Soviet Union's breakup and America's enhanced global importance—and concluded that a major improvement in Indo-American relations was required.

The end of the Cold War means an end to rival client regimes by the two superpowers in various parts of the world.

This should induce greater caution in both India and Pakistan, and encourage bilateral conflict management. It also puts both countries under greater international scrutiny in regard to their nuclear programs. Simultaneously, both countries will become competitors in the search for infusions of foreign capital and technology. The emergence of a number of impoverished Commonwealth and east European states has meant that there are more and more countries competing for a finite pool of foreign aid. The enhanced leverage of aid donors in the post-Cold War era should produce reductions in Indian and Pakistani defense budgets, greater attention to market-driven economic programs and hopefully even wider appreciation of complementary interests.

The late 1980s had already witnessed an improvement of the political climate between India and the United States. The reinterpretation of India's role in south Asia was helped by U.S. perceptions of Rajiv Gandhi as being more liberal in his economic policy, and by a reassessment of India as an independent power that could be a force for stability in a troubled region. Thus the United States openly approved India's role in Sri Lanka and the Maldives, and Washington's approval was noted with satisfaction in Delhi. A Defense Department official was quoted as saying that the United States had advised Pakistan on the inadvisability of supporting Kashmiri militants.⁹ Indeed U.S. and Soviet interests in Kashmir merged on two crucial points in the 1990 crisis: both agreed on the need to preserve the peace and on the wisdom of a bilateral settlement of problems between India and Pakistan.

The end of the Cold War will have another odd impact on the foundations of Indo-U.S. relations. Analysts as well as officials underestimated the extent to which there was a doctrinal underpinning to the cool relations between Delhi and Washington. For more than four decades, a policy of containment helped to sustain an unprecedented interventionist approach to world affairs by the United States. The end of the Cold War may not necessarily see America return to its traditional isolationism, but containment will no longer provide the ideological underpinning for its global policy. Active involvement in international relations will need to be pursued on some other basis. On the other side, nonalignment in

⁹*The New York Times*, June 17, 1990.

India's foreign policy was the doctrinal antidote to the U.S. policy of containment. The end of the Cold War means that nonalignment joins containment in fading into obsolescence.

Thus, whatever new principle underpins Indian foreign policy, the prospect of America and India being at odds over doctrine are considerably diminished. If India turns toward regionalism, the other major international trend in recent times, it would also bring Indian foreign policy into harmony with the new principles of U.S. foreign policy.

The process of an emerging new political alignment was evident when Washington dropped its objections to the sale of a Cray supercomputer to India. The United States also helped India to get \$1.8 billion in credits, going out of its way to smooth things over with the IMF. To help meet increased costs of importing oil in the wake of the Iraqi invasion of Kuwait, India was hoping to receive about \$400 million from the IMF's Contingency and Compensatory Financing Facility. With a good word from Washington, Delhi in fact received \$1 billion, and was the first developing country to get a loan from this source. India was given another \$777 million as standby credit, negotiated in the remarkably short time of six weeks. In November 1991 the IMF approved another \$2.2 billion standby loan arrangement, and in December the World Bank cleared a \$900 million credit and loan package.

U.S. reluctance to transfer sensitive technology may fade, as commercial calculations will replace security considerations as the chief criterion in deciding each case. The one area in which this will not happen without a clarification of Indian intentions is nuclear technology.

Both India and Pakistan are assumed to have nuclear weapons capacity. India has militantly refused to sign the Nuclear Nonproliferation Treaty (NPT) and has plans to install 10,000 megawatts of nuclear power generating capacity. Its space and rocket technology can be converted to ballistic missile delivery capabilities, and a series of pronouncements and exhortations from authoritative and nonofficial sources on the advisability of proceeding with the nuclear option seem to indicate that the political climate is being created for nuclear weapons acquisition.

That nuclearization would enhance India's security with regard to China and Pakistan remains a contested proposition domestically. The acquisition of nuclear weapons by India would also seriously aggravate its relations with virtually all the

other states of the south Asian region, which are suspicious enough of the motives and policies of a nonnuclear India. The regional security environment would deteriorate greatly, accompanied by a rise in the levels of fear and distrust. In the meantime there have been two sets of international developments that should moderate India's historical suspicion of the NPT. In 1991 France and China agreed to join the NPT regime, thereby bringing all known nuclear weapons powers within the fold. Second, the superpowers have at long last begun to fulfill their part of the NPT bargain in the Intermediate-range Nuclear Forces treaties and the Strategic Arms Reductions Talks, and more recently in the reciprocal cycle of unilateral nuclear cuts announced by President Bush and former President Gorbachev.

Nonalignment, like the policy of containment, is in a state of terminal fatigue and irrelevance. The alternative, however, does not force India into the role of supplicant. The Gulf War demonstrated America's dominance in international affairs, but it also showed the limits to the exercise of unilateral power by America. Political and economic realities have brought about strategic retrenchments all around the world, a call for greater burden-sharing and the promotion of regional management of regional conflicts. What Washington seeks is not global hegemony but global and regional stability resting on interlocking balances of power. In a new world order there could be a reciprocal underpinning of a global order centered on America and a south Asian balance based on India.

VII

In a memorable speech ushering in India's independence, Jawaharlal Nehru said: "A moment comes, which comes but rarely in history, when we step out from the old to the new, when an age ends."¹⁰ The age of the Cold War has ended. Will India remain a prisoner of the past? Or will the times bring forth a leader bold and visionary enough to break the ideological straitjacket insulating Indian domestic and foreign policy from the freshness and vitality flowing across Europe?

Perhaps only a sense of shock can infuse India with the necessary urgency to change to a radically more productive domestic policy and a dramatically more cooperative policy in

¹⁰Jawaharlal Nehru, *India's Foreign Policy: Selected Speeches*, New Delhi: Government of India, Publications Division, 1961, p. 13.

its bilateral, regional and international relations. The socialist legacies of the Nehru era are anachronistic impediments to India's realizing its full potential as a major and dynamic economic power. The conflict with Pakistan is an unnecessary nuisance, that with China a major handicap. Friendship with Russia is a wasting asset if not backed by corrective economic and diplomatic surgery. Claims to leadership of the Third World and the nonaligned movement substituted the mesmerism of numbers at the United Nations for the real world of political, military and economic clout. It was a status bereft of a useful network of operational relationships.

Nothing better illustrated the bankruptcy of Indian foreign policy than its confused responses to the gulf crisis. It could hardly have been in the country's interest to find itself bracketed with Cuba and Yemen in the Security Council. In allowing sympathy for Saddam Hussein and antipathy toward America to guide policy, Delhi adopted a course of action that was blind and self-defeating. Had Iraq succeeded, the consequences for India and other Third World countries would have been far more calamitous than for America and the industrialized world. Instead of helping to shape the new world order, India risked being shunned as an outcast.

India has generally seen itself as a world power in the making, and conducted its regional and international relations on this basis. The result has been insignificance abroad, suspicion in the region and turbulence at home. It would be better advised to reverse the process. Stability and prosperity at home and in the region will enhance its international status and give credibility to its claims to global leadership.

India needs American capital and technology; the United States could exploit the vast Indian market potential with a consumer ethic and infrastructure well poised to take off at speed. Given its size and resources an India firmly integrated into the world financial markets would be a major boost to international capitalism. And for too long have India and America allowed transient irritants to undermine an underlying harmony of interests between the two pluralist and federal democracies. The world's most powerful and most populous democracies should be allies, not antagonists.

Adnan Abu Odeh

TWO CAPITALS IN AN UNDIVIDED JERUSALEM

The long-awaited Middle East peace process has begun, and the parties, through direct negotiations, have started their pursuit of a settlement to the Arab-Israeli conflict and the Palestinian question. In their letter of invitation the cosponsors, the United States and the Soviet Union, stated that they “are prepared to assist the parties to achieve a just, lasting and comprehensive peace settlement, through direct negotiations . . . based on U.N. Security Council resolutions 242 and 338.” The internationally accepted formula for the application of these two long-standing resolutions is “land for peace.”

Between 1948, the year of Israel’s establishment, and the war of 1967, when the Israeli army occupied all of mandate Palestine and other Arab territories belonging to Egypt and Syria, the Arab-Israeli conflict was viewed as being composed of three major issues: mutual recognition of the parties involved; the status of Jerusalem; and the right of repatriation or compensation for Palestinian refugees. Bipolarization was at its peak, and unfortunately there were no serious international efforts at solving the conflict. It was hoped that after the legitimate rights of the Palestinian people, including the refugees, were addressed, the Arabs would recognize the Jewish state, and peace treaties would ultimately be signed. After the 1967 war the U.N. Security Council passed resolution 242 as the basis for solving the conflict: Israel would return land it occupied in 1967 in return for peace and recognition. However, with its own interpretation of resolution 242, which I regard as self-serving, Israel’s occupation was prolonged, its attitudes hardened and it introduced other factors that further complicated the conflict. Chief among these was the incessant practice of building Jewish settlements in the occupied territories, thus disrupting the cardinal formula of “land for peace” and intensifying the Palestinian

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national identity, which made the Palestinian people look for a solution beyond resolution 242.

What is now required is a genuine effort to avoid entanglement in details and discussion of peripheral issues. I propose that we proceed to the heart of the matter.

II

The future status of Jerusalem has long been regarded as the most intractable of issues in the Arab-Israeli conflict: it is controversial, emotional and intricate. The parties to the conflict have long agreed, at least tacitly, to defer settlement of Jerusalem to a later phase in the peace process. The Arabs hold that they have a right to reclaim their lands seized in the 1967 war, East Jerusalem as well as the surrounding West Bank. The government of Israel asserts its right to Greater Jerusalem undivided, including those new areas built out beyond the city center into the West Bank after the 1967 war. The world community never acquiesced in the division of the city in 1948 or its annexation by one side in 1967.

I would like to propose for consideration that the problem of Jerusalem be addressed now, and not deferred until later. I argue, contrary to the prevailing attitudes, that with the ongoing peace negotiations this is the most propitious time to introduce constructive concepts. The approach described here builds upon a concept of Jerusalem that flows from analysis and diagnosis of the competing claims over a city that all consider holy and that addresses all the parties' declared positions.

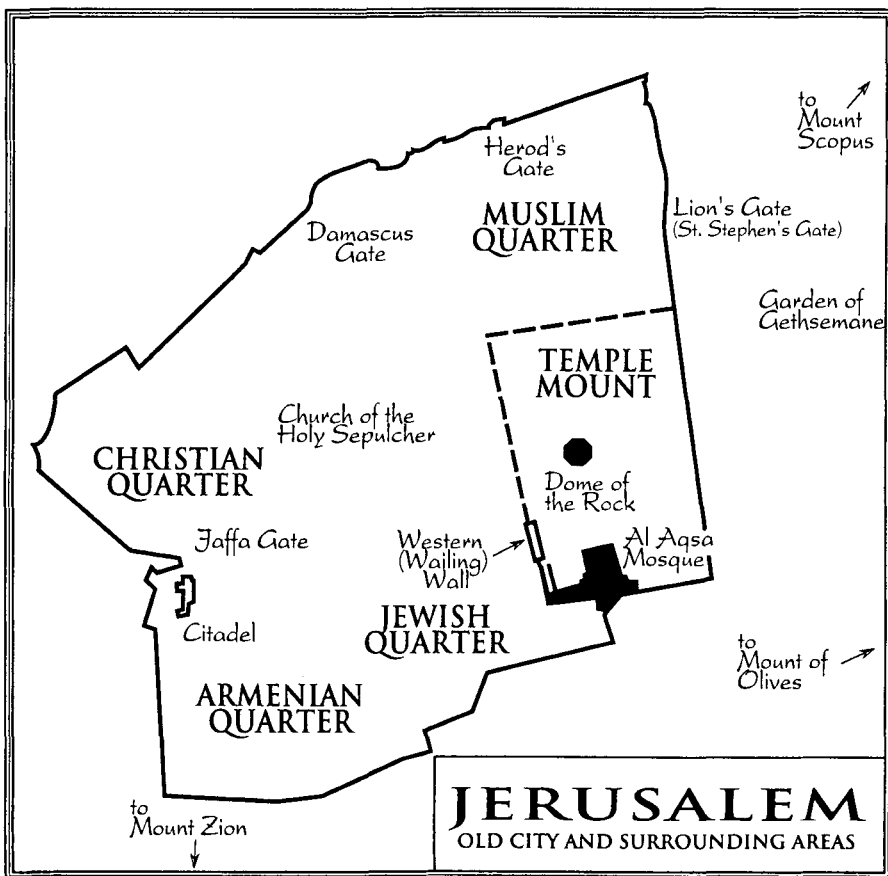
We start from the simple fact that Jerusalem has both Arab and Jewish inhabitants. Arabs (Muslims and Christians) and Jews are equally bound to Jerusalem with the same intensity for the same reasons: religious attachment, historical attachment and political attachment.

In 1967, within weeks of the conquest of the West Bank, Israel expressed its devotion to Jerusalem by annexing the Arab part of the city that forms an integral part of the West Bank. Ever since, Israel has proclaimed that Jerusalem will remain the undivided capital of Israel and that it will never compromise on the eastern, Arab, part of the city. For their part, the Arabs and virtually all of the outside world affirm that resolution 242 applies to East Jerusalem no less than it does to the West Bank and the rest of the occupied territories. The position of the United States is that the final status of East

Jerusalem, though the Security Council resolution applies, should be decided through negotiations and that Jerusalem should remain undivided.

What precisely is this Jerusalem that Israelis, Arabs and the world community are talking about? Is it the Jerusalem of 1850, of 1910, 1948, 1967 or of 1992? Like other important cities Jerusalem is a living entity that has grown over time, both through natural progress and prosperity and as a result of an increase in its population. What Israelis consider Greater Jerusalem now comprises an area about one-fifth of the occupied West Bank.

My first point, therefore, is to draw a distinction between the ancient walled city and the areas outside the walls. Is every hectare now called Jerusalem to be considered holy? Does



every hectare annexed to the city, due to natural growth, thus become holy?

In its essence the holiness of Jerusalem is an attribute of the holy places themselves. As a conceptual matter it is reassuring to note that the main holy places of three religions are clearly marked, distinct and known: the Church of the Holy Sepulcher for Christians, the Wailing Wall for Jews, and the Dome of the Rock and Al Aqsa Mosque for Muslims. All three shrines are located within the ancient walled city. Around these shrines have grown up over the years quarters inhabited by the followers of each religion, all believers in one God. Thus within the walled city we have the Christian (and Armenian) Quarter, the Jewish Quarter and the Muslim Quarter. Each quarter contains buildings inhabited and used by the followers of each religion, and each quarter has cultural characteristics separate and distinct from the others.

Over time a shade and degree of holiness has been extended to these quarters of the walled city surrounding the shrines themselves. Beyond that, however, it is stretching the point to call "holy" every building, every neighborhood and every street corner that has been built up around the walled city, extending out many kilometers in some directions. When Jerusalem is called a holy city, this can only mean the walled city where the holy places are located and their immediate surroundings inhabited for centuries by believers.

It can be argued that the holiness of the walled city is God-given, for the existence of the houses of God associated with the three monotheistic religions. We must distinguish between the God-given holy areas and those added to the city in response to population growth and the decisions of successive government acts.

For example, in 1933 the British High Commissioner expanded the city limits; this did not expand the areas of God-given holiness. The same holds true for other extensions of the city limits by the municipality of Arab Jerusalem in 1955 and by Israel in 1980. It is hard to find either religious or historical justification for a refusal to compromise on the areas of Arab Jerusalem that lie outside the walled old city but still within present municipal boundaries.

Direct negotiations between Israel and the Arab side began on the basis of U.N. Security Council resolution 242, which declares inadmissible the acquisition of territory by war. I propose to maintain a distinction between the areas that were

made holy by God and those incorporated into Jerusalem by man. The essential dispute about Jerusalem concerns not the modern secular city—restaurants, nightclubs and apartment blocks, the King David and Intercontinental hotels—but rather the ancient walled city.

It is fortunate for the solution of the problem of Jerusalem, at least conceptually, that the city has three names: Al Quds in Arabic, Yerushalaim in Hebrew, and Jerusalem as it is known to the rest of the world. Here is the first component of my conceptual framework.

The walled city, the true and holy Jerusalem, would belong to no single nation or religion. Rather, it would belong to the whole world and to the three religions: Muslim, Christian and Jewish. Thus no state would have political sovereignty over it, so that Jerusalem would remain a spiritual basin, as it was originally founded and universally conceived.

My second component concerns the urban areas that stretch beyond the ancient walls to the east, northeast and southeast, the Arab part of the city. These would be called Al Quds, the name used by Arabs and Muslims.

The third component concerns the urban areas that stretch beyond the walls to the west, northwest and southwest. These would be called Yerushalaim, the name used by Jews.

The Palestinian flag would be raised in Al Quds and the Israeli flag would fly over Yerushalaim. Over the walled city of Jerusalem, however, no flags would fly, for the sacred shrines would be the symbol of the city's God-given holiness and spiritual significance to all believers in one God, belonging not to this state or that.

The holy walled city of Jerusalem would be open to all; Muslims, Christians and Jews must not be separated from their holy shrines, from which they all derive their cultural and religious identities. It would be governed by a council representing the highest Muslim, Christian and Jewish religious authorities. Each authority would be responsible for running and maintaining the holy sites of its faith and participating on equal footing in the administration of "Jerusalem."

As far as political identity is concerned, the Arabs would be Palestinian nationals and vote for their national institutions. The Jews would be Israelis and vote, as now, in their national elections. Administrative details of the spiritual city of Jerusalem would be left to creative minds in negotiations. As for the Jewish settlements in Al Quds, they would be subject to the

same solution reached for the other settlements in the occupied territories.

In the Arab mind (Muslims and Christians alike), Al Quds would extend as far as their own holy sites in the walled city. Yerushalaim, to the Jews, would stretch as far as their holy sites inside the old city. In other words the Dome of the Rock, Al Aqsa Mosque and the Holy Sepulcher, both the Muslim and Christian surrounding quarters within the walled city and the Arab community at large outside the walls would form one uninterrupted entity, linked geographically and demographically. On the other hand the Wailing Wall, the Jewish Quarter surrounding it and the Israeli community at large outside the walls, linked geographically and demographically, would likewise form one uninterrupted entity. Thus Jews and Arabs (Muslims and Christians) alike would not lose the city so holy to them; the Arabs would not lose Al Quds, the Jews would keep Yerushalaim as the undivided capital of Israel and the world would be assured that Jerusalem was not being assimilated into either.

I offer this proposal to refute the view that the problem of Jerusalem is too complex to be addressed. In this framework the issue of Jerusalem would be resolved not only as a symbol of peace but also as an embodiment of its essence—assuming, of course, that the parties negotiate in good faith in a quest for a balanced, just and desirable peace based on U.N. Security Council resolution 242.

RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

Andrew J. Pierre

THE END OF HISTORY AND THE LAST MAN. By Francis Fukuyama. New York: Free Press, 1992, 400 pp. \$24.95.

The most intriguing aspect of this best seller is that its author is a former official of the State Department's policy planning staff, a RAND Corporation analyst and a Harvard Ph.D. in Soviet foreign policy. The causal relationship is not clear between this experience and the controversial thesis that liberal democracy as a system of government has emerged fully victorious over other philosophies such as fascism, communism and socialism. The notion that "history" has reached its end with the emergence of liberal democracy owes much to the ideas of Hegel and, more particularly, an obscure French interpreter of his named Alexandre Kojève. But one wonders how this "feel good" thesis is viewed in Asia, Africa and Latin America, where liberal democracies are often fragile at best and where basic human needs are not being met. Even in Western terms this provocative tract seems more attuned to the self-congratulatory 1980s than the problematic years ahead. Yet whatever one's response, we are indebted to Fukuyama for such an ambitious work of political philosophy, more typical of the European intellectual tradition than our own, and look forward to his next thoughts—beyond the "last man."

ECLIPSE OF EMPIRE. By D. A. Low. New York: Cambridge University Press, 1991, 375 pp. \$54.50.

The Smuts Professor of the History of the British Commonwealth at Cambridge has written a series of learned and evocative essays on the end of empire, especially in Asia and Africa. This contributed to establishing a quite new international system in which power was dispersed to over 100 nations. England's contraction was not without difficulties, but the British genius led to an overall result that left viable states. Today's global change is quite different, but there are interesting points of comparison, and this work serves as a useful reminder that new world orders are indeed sequential.

RIGHT v. MIGHT: INTERNATIONAL LAW AND THE USE OF FORCE. By Louis Henkin and others. New York: Council on Foreign Relations Press, 1991, 200 pp. \$14.95 (paper).

This timely second edition of the highly successful 1989 book has a new chapter by David Scheffer (which lengthens the volume by more than 50 percent) and a new afterword by John Temple Swing, who dissects masterfully the unilateral U.S. invasion of Panama and the multilateral response to Iraq's aggression against Kuwait. The first is seen as corrosive of international law, the second (albeit with reservations) as legitimate collective security. Most significant is the suggestion that in the aftermath of

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the Gulf War there may be broad support in the new world order for multilateral military enforcement of international law.

CODE OF PEACE: ETHICS AND SECURITY IN THE WORLD OF WARLORD STATES. By Dorothy V. Jones. Chicago: University of Chicago Press, 1991, 208 pp. \$24.95.

This refreshingly optimistic discourse argues that the progressive development of international law has brought about an underlying code of ethics that enjoys broad support in the world community. By focusing on declarations and legal instruments since the First World War, rather than actual state behavior, Jones has somewhat stacked her case. Nevertheless she is correct that international standards—such as the sovereign equality of states, self-determination, nonintervention and respect for human rights—are now universally accepted. Two new principles—an equitable international economic order and protection of the environment—are seen as now having broad but not yet universal agreement.

SECESSION: THE MORALITY OF POLITICAL DIVORCE FROM FORT SUMTER TO LITHUANIA AND QUEBEC. By Allen Buchanan. Boulder (CO): Westview Press, 1991, 174 pp. \$38.50 (paper, \$14.95).

The secession of Croatia and Slovenia, the breakup of the Soviet Union, and who knows what other imminent disintegrations, make a study of “political divorce” most opportune. This is an intriguing book, but because of its limitations, it serves mainly to whet the interest. Written by a professor of philosophy, it presents a highly original discourse on the morality of secession. The moral case for secession based on such goals as protecting liberty and furthering diversity are weighed against other aims such as protecting majority rule and preventing anarchy: the secessionists win. When, however, the author strays into the constitutional dimension of the right to secede, the analysis is far more shaky.

THE THIRD WAVE: DEMOCRATIZATION IN THE LATE TWENTIETH CENTURY. By Samuel P. Huntington. Norman: University of Oklahoma Press, 1991, 384 pp. \$24.95.

Samuel P. Huntington has provided some of the best conceptual analysis of contemporary political science and this work is yet another in that tradition. Here he analyzes the transition to democracy of some thirty countries, mainly in Asia and Latin America, in the period before the democratic revolutions in eastern Europe and the former Soviet Union. Mindful that democratization may not last—indeed he discusses past reversals—Huntington presents “guidelines for democratizers” in dealing with and overturning authoritarian regimes. This is, however, less a “how to” book than a magnificent explanation of the political, economic, social and cultural roots of the democratic process—a political philosophy that appears to have entered a growth period.

General: Military, Technological and Scientific

Gregory F. Treverton

INSIDE THE NEW EUROPE. By Axel Krause. New York: HarperCollins, 1991, 356 pp. \$25.00.

From "Nippophobia" to Fortress Europe to the Single Market: the European Community's progress over the last decade has been little short of stunning. Krause, a reporter and editor for *The International Herald Tribune*, combines a focus on the underlying economics that drive the process with easy-to-read prose, enriched by anecdotes about how the change has affected Europeans in the street. His book frames the challenges that lie ahead—widening to include new members in western Europe and stretching eastward. Its last chapter, visions of the year 2000 by four European leaders, is inadvertent testimony to the looming question for the United States: none of the visions, save that of Margaret Thatcher, has much of a role for America.

ON STRATEGY II: A CRITICAL ANALYSIS OF THE GULF WAR. By Harry G. Summers, Jr. New York: Dell, 1992, 302 pp. \$4.99 (paper).

People, military, government: Clausewitz's trinity is Summers' frame for assessing the Gulf War, as it was for his acclaimed and controversial critique of Vietnam. For him, a decorated veteran of both Korea and Vietnam, the Persian Gulf success was stunning: clear and constant goals; a quick, massive offensive in place of Vietnam's slow squeeze; reserves committed, not held aside lest calling them up be the tripwire to domestic opposition; and for the military, successes produced by unity of command, maneuver and combined arms—successes based on lessons the military had never entirely forgotten, Vietnam notwithstanding. His watchwords for the future are as provocative as his assessment of the war: talk of multilateral approaches is misplaced; the United States requires the strategic offensive of a unipolar power.

THE NATURE AND PRACTICE OF FLEXIBLE RESPONSE: NATO STRATEGY AND THEATER NUCLEAR FORCES SINCE 1967. By Ivo H. Daalder. New York: Columbia University Press, 1991, 411 pp. \$45.00.

Events of the last two years have all but ended NATO's nuclear predicament—how to frighten Soviet leaders enough without scaring its own citizens too much—and so the time is ripe for taking stock. Daalder's richly documented and cleanly written history will stand as definitive until more documents are released. He breaks some new ground—about, for instance, the "mininukes" debate of the early 1970s—brings together strands of the story told in parts elsewhere, and does it all with a lucid understanding of the strategic differences that drove alliance members apart and the political stakes that pushed them together.

DECISIONS FOR DEFENSE: PROSPECTS FOR A NEW ORDER. By William W. Kaufmann and John D. Steinbruner. Washington: Brookings, 1991, 78 pp. \$9.95 (paper).

Rapid change makes defense planning a moving target, and this pamphlet by two veteran Pentagon-watchers helps keep the target in view. For them the Pentagon's post-Iraq five-year plan to cut U.S. forces by a quarter (but spending by somewhat less) was too conservative, too nuclear and too enamored of high-technology birds in the bush at the expense of weapons in hand. They propose several cheaper options that still share the administration's cautious presumption that, for all the change, international politics has not been revolutionized. They conclude by relaxing that presumption to outline a cooperative security option, one based on the

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premise that “the participating military organizations are all on the same side.”

AMERIKANER IN DEUTSCHLAND: GRUNDLAGEN UND BEDINGUNGEN DER TRANSATLANTISCHEN SICHERHEIT. Edited by Dieter Mahncke. Bonn: Bouvier, 1991, 638 pp. DM 58.00.

UNTERAUSSCHLUS DER ÖFFENTLICHKEIT? DIE DEUTSCHEN IN DER GOLFALLIANZ. By Michael J. Inacker. Bonn: Bouvier, 1991, 185 pp.

These books look at the military roles of America in Germany and of Germany beyond. Mahncke's volume is an encyclopedic review of the factors bearing on the presence of American troops in Germany. Its authors—for example, Peter Stratmann, Gerhard Wettig, Thomas Kielinger and Josef Joffe, generally supportive of a reduced but continuing presence—are a “Who's Who” of German strategists. Inacker chronicles the Gulf War from Germany's perspective, seeking to explain both Germany's considerable supporting role and why that role was not enough. A conservative analyst who left the defense ministry just before the war to report for the influential Bonn weekly, *Rheinischer Merkur*, he argues for a rethinking of both German and EC security roles—an argument made stronger by the EC's parlous straits over Yugoslavia.

TELLER'S WAR: THE TOP-SECRET STORY BEHIND THE STAR WARS DECEPTION. By William J. Broad. New York: Simon and Schuster, 1992, 350 pp. \$25.00.

So SDI was Teller's fault after all! Thus Broad, the distinguished science reporter for *The New York Times*, argues in this vivid and disturbing tale of private phantoms and public purposes. He portrays Teller as more and more isolated from his scientific peers but desperate for one last accomplishment, one that might balance history's scales for his having sired the H-bomb. And so he oversold the Strategic Defense Initiative and, in particular, the promise of X-ray lasers. In doing so, Broad argues, he not only deceived presidents but squandered money and scientific resources and, not least, actually set back more practical antimissile systems like the Patriot.

INFORMING INTELLIGENCE: INTELLIGENCE FOR A NEW CENTURY. By Angelo Codevilla. New York: Free Press, 1992, 471 pp. \$24.95.

The author, who served on the Senate intelligence committee, is a spear-thrower from the political right, but some of the spears are on the mark. His book is part primer, part history and part polemic. It is a little scattered, and he finds it hard to wrench the analysis into the 1990s from his preoccupations of the 1970s—Soviet missiles and defenses against them. But American intelligence *has* become bureaucratic—for reasons good and bad. Its satellites are technical marvels, but it never managed more than a handful of spies in Russia. Its analysts are dedicated and thoughtful, despite Codevilla's shots at the CIA “old boys,” but the tracks of all that work on postwar American foreign policy are meager. His prescription is unassailable—it comes down to “a few very good people”—but, alas, probably not in the end very helpful.

WINNING THE NEXT WAR: INNOVATION AND THE MODERN MILITARY. By Stephen Peter Rosen. Ithaca (NY): Cornell University Press, 1991, 275 pp. \$33.00.

What makes for innovations in war-making? The answers of this careful study, based primarily on American military experiences this century, run refreshingly against intuition: innovation seems easier in peacetime than war, for the fog of the latter covers all; it is no harder during periods of budgetary austerity than in flusher times; it is neither much connected to better intelligence about would-be foes nor much influenced by civilian leaders or thinkers. Those answers bear heeding now that the United States can no longer afford to build everything and then see what works.

THE POLITICAL ECONOMY OF NATIONAL SECURITY: A GLOBAL PERSPECTIVE. By Ethan Barnaby Kapstein. Columbia: University of South Carolina Press, 1991, 252 pp. \$39.95.

BEYOND GUNS AND BUTTER: RECAPTURING AMERICA'S ECONOMIC MOMENTUM AFTER A MILITARY DECADE. By Glenn R. Pascall and Robert D. Lamson. McLean (VA): Brassey's, 1991, 169 pp. \$23.95.

Kapstein's introduction to defense and the economy is spare and sophisticated, fruitfully "global" in two senses: its comparisons with other industrial countries help us understand American practice; it recognizes that defense does not function within a closed national economy, but rather is "an integral part of the world economy." Pascall and Lamson, both rich in private-sector experience and one a former director of Business Executives for National Security, readably frame the presence of defense in the national economy, enlivened by examples like the FSX controversy. Their own bipartisan consensus opposes trying to run an industrial policy from the Pentagon. Instead they return to basic reforms, like revamping procurement, that seemed in the "too hard" box two years ago but may not be now.

MAKERS OF NUCLEAR STRATEGY. Edited by John Baylis and John Garnett. New York: St. Martin's, 1992, 206 pp. \$45.00.

This is a charming idea (at an uncharming price)—the works of Brodie, Kahn, Schelling and company reviewed in chapters by Howard, de Rose, Freedman and their contemporaries. It reminds one again how much clear thinking on nuclear weapons Bernard Brodie packed into a few paragraphs early in the atomic era. The editors tend to belittle nuclear strategy as a period piece, too realist and too rational, but we'll see.

General: Economic and Social

William Diebold, Jr.

BANKS, BORROWERS, AND THE ESTABLISHMENT: A REVISIONIST ACCOUNT OF THE INTERNATIONAL DEBT CRISIS. By Karin Lissakers. New York: Basic Books, 1991, 308 pp. \$23.00.

"The lesson to be drawn from the history of sovereign lending is not that governments always pay but that sooner or later their creditors will settle for less than 100 cents on the dollar." How this result has now come about after banks lent heavily without remembering the experience of the 1930s

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is well described in this lively book. A close observer of bank behavior from the time she studied the recycling of petrodollars for a Senate committee in the 1970s, Lissakers of Columbia University buttresses her analysis (which some bankers will reject) with a rich mosaic of facts and quotations that makes the story sprightly as well as clear.

WORLD POWER AND WORLD MONEY. By Andrew Walter. New York: St. Martin's, 1991, 273 pp. \$55.00.

Drawing on both history and economic analysis, this excellent book presents a formidable challenge to the widely held idea that international monetary stability depends on the political hegemony of a country that manages the system. An Oxford don who recently worked for J. P. Morgan, Walker describes a "financial revolution" that has created a degree of international integration not allowed for in the Bretton Woods system but offering future possibilities of improved cooperation among a number of financial centers.

IRON TRIANGLES AND REVOLVING DOORS: CASES IN U.S. FOREIGN ECONOMIC POLICYMAKING. By Raymond Vernon, Debora L. Spar and Glenn Tobin. New York: Praeger, 1991, 184 pp. \$42.95 (paper, \$17.95).

Good case studies usually make interesting reading for those who were not actually there. This book is no exception in its accounts of five quite different episodes: the negotiation of the Canadian-American Free Trade Agreement; setting the terms of codevelopment of the FSX fighter with Japan; the adoption of the Brady plan for dealing with international debt; the handling of the Toshiba violations of export controls; and the working out of an international agreement about banking capital. Drawing on these studies, a much larger literature and his own experience, Vernon writes an enlightening analysis of some of the characteristics of foreign economic policymaking and its differences from what is done in other fields.

INTERNATIONAL ADJUSTMENT AND FINANCING: THE LESSONS OF 1985–1991. Edited by C. Fred Bergsten. Washington: Institute for International Economics, 1992, 350 pp. \$34.95 (paper, \$24.95).

From what must have been a lively conference built around some solid papers on the international adjustments of the American, German and Japanese economies in the late 1980s, several leading economists draw conclusions about which lines of analysis have stood up. For example, Stephen Marris explains why there was no "hard landing," such as he predicted; Paul Krugman says that exchange rates have worked as mainstream economists said they would; Peter Kenen suggests that there has been too much refinement of models instead of letting data suggest new ideas.

HIGH-TECH MANEUVERS: INDUSTRIAL POLICY LESSONS OF HDTV. By Cynthia A. Beltz. Washington: American Enterprise Institute Press, 1991, 144 pp. \$29.75.

This book's strong argument against government aid to the development of an American high-definition television (HDTV) industry is based largely on analyses of concrete economic and technological factors. Familiar general arguments against "industrial policy" also permeate the writing.

The author takes a rather optimistic view about how well the United States will make out even though Japan and the European Community are taking measures intended to give them advantages. A particularly valuable aspect of the book is its demonstration of what a wide range of factors, especially in technology, have to be closely studied to reach reasonable conclusions.

A GENERAL EQUILIBRIUM ANALYSIS OF U.S. FOREIGN TRADE POLICY. By Jaime de Melo and David Tarr. Cambridge (MA): MIT Press, 1992, 289 pp. \$40.00.

Although the methods of analysis make this no book for the general reader, the clear conclusions are of interest to all. These concern the costs to the American economy of restraints on imports of automobiles, textiles and steel, the effects on jobs of removing them and the extent to which these measures benefit foreigners. Convenient comparisons with other studies also help make this a valuable book, unless you reject its assumptions.

PATHWAYS FROM THE PERIPHERY: THE POLITICS OF GROWTH IN THE NEWLY INDUSTRIALIZING COUNTRIES. By Stephan Haggard. Ithaca (NY): Cornell University Press, 1990, 276 pp. \$37.50 (paper, \$12.95).

Dissatisfied with the broad theories often applied to developing countries and aware that the popular distinction between export-oriented and import-substituting growth explains only some things, Haggard of Harvard digs out the multiple factors that have shaped the industrialization of Korea, Taiwan, Singapore and Hong Kong, and comments more briefly on Mexico and Brazil. He does a first-rate job of taking apart the complex machinery of economics and politics but, not surprisingly, cannot put everything back together again in new sets of theories that cover all these countries. Still, through the process of anatomization, he has made progress and produced a most interesting book.

AUTHORITY AND ACADEMIC SCRIBBLERS: THE ROLE OF RESEARCH IN EAST ASIAN POLICY REFORM. Edited by Sylvia Ostry. San Francisco: ICS Press, 1991, 181 pp. \$12.95 (paper).

These essays on eight countries throw only a little light on the book's potentially interesting subject, but the editor makes good use of her own experience to suggest some criteria and conclusions.

RUBLES AND DOLLARS: STRATEGIES FOR DOING BUSINESS IN THE SOVIET UNION. Edited by James L. Hecht. New York: HarperCollins, 1991, 289 pp. \$35.00.

Many passages from this book could be cited to show how difficult, uncertain and often unrewarding it can be to try to do business in the former Soviet Union. Yet the editor—who, like a number of the contributors, has business experience and some firsthand knowledge of the country—reaches surprisingly upbeat conclusions, especially for joint ventures. His rationale for acquiring “detailed knowledge” and exhibiting “enormous patience and a willingness to take risks” emphasizes that the size of the market (if it is not too broken up) makes success in Russia and the other republics a valuable asset for the global strategy of companies looking

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for benefits broader than quick profits. He also wants the U.S. government to help both American businesses and the Russians.

WHAT IS TO BE DONE? PROPOSALS FOR THE SOVIET TRANSITION TO THE MARKET. Edited by Merton J. Peck and Thomas J. Richardson. New Haven: Yale University Press, 1992, 220 pp. \$28.00 (paper, \$12.00).

THE ORDER OF ECONOMIC LIBERALIZATION: FINANCIAL CONTROL IN THE TRANSITION TO A MARKET ECONOMY. By Ronald I. McKinnon. Baltimore: Johns Hopkins University Press, 1991, 200 pp. \$28.00.

Although events in the former Soviet Union outrun the flow of advice from the West, the best studies remain at least partially relevant. In the first of these volumes several first-rate economists distill the results of a large conference organized by the International Institute for Applied Systems Analysis in Vienna. They insist that success in bringing about the transition to a market system requires simultaneous action to free prices, stimulate competition, stabilize the supply of money and finance and provide some protection against the costs of unemployment. McKinnon of Stanford argues instead that balancing the budget, installing a valid tax system and reforming banking should come before liberalization, even if they take some time.

WESTERN TRADE PRESSURE ON THE SOVIET UNION. By David W. Hunter. New York: St. Martin's, 1991, 163 pp. \$45.00.

This volume makes some sensible points about the way economic sanctions could have marginal effects on Soviet policy. Its usefulness, however, is somewhat circumscribed by the fact that it deals almost entirely with what is now history.

CURRENCY CONVERTIBILITY IN EASTERN EUROPE. Edited by John Williamson. Washington: Institute for International Economics, 1991, 461 pp. \$39.95 (paper, \$28.95).

Should convertibility be brought about at one blow or gradually? Is it a precondition of sound general policies or one of their objectives? Should all the steps be worked out in advance or should action be adapted to changing circumstances? Must convertibility be accompanied by general liberalization or is protection justified during a transitional period? Should countries act unilaterally or in agreement with others? Almost all possible answers to these questions have advocates among the economists from East and West whose views are set out in this interesting volume. In addition the situation of each of the east European countries is examined by some of their academics and officials.

U.S.-EC RELATIONS IN THE POST-COLD WAR ERA. By René Schwok. Boulder (CO): Westview Press, 1991, 257 pp. \$34.95 (paper).

Within a framework of broad political, security and historical considerations, René Schwok, a Swiss, provides a most useful assessment of the possibilities of conflict and agreement between the European Community and the United States over a number of current or imminent economic issues.

POLITICAL POWER AND SOCIAL CHANGE: THE UNITED STATES FACES A UNITED EUROPE. Edited by Norman Ornstein and Mark Perlman. Washington: AEI Press, 1991, 190 pp. \$28.75.

The best of the papers in this loose collection concern demographic changes in Europe, the representation of business interests in Brussels and the national capitals, and some possible implications of American federalism for European integration.

THE POLITICAL ECONOMY OF INTERNATIONAL ORGANIZATIONS: A PUBLIC CHOICE APPROACH. By Roland Vaubel and Thomas D. Willett. Boulder (CO): Westview Press, 1991, 311 pp. \$59.95.

The "public choice approach" seems to mean different things to different adherents. It is at its best when it stresses realistic observation and attention to detail. Those who do not belong to any of its schools of thought will find the studies of individual organizations more rewarding than the methodological essays.

DIFFIDENCE AND AMBITION: THE INTELLECTUAL SOURCES OF U.S. FOREIGN POLICY. By Carlo Maria Santoro. Boulder (CO): Westview Press, 1991, 316 pp. \$57.50.

The War and Peace Studies of the Council on Foreign Relations have a key place in this Italian professor and diplomat's learned and original study of how Americans came to see the consequences of the changed position of their country during and after World War II. The original Italian edition was reviewed in *Foreign Affairs*, Summer 1987.

THE CIA AND THE MARSHALL PLAN. By Sallie Pisani. Lawrence: University Press of Kansas, 1991, 188 pp. \$25.00.

From archives and interviews this book culls some interesting facts about more or less covert activities in the immediate postwar period, mainly concerning propaganda and psychological warfare in Europe. Unfortunately the material is not used as well as it could be, because of weak and sometimes unfocused analyses that attempt to cover too many subjects (including the history of intervention and biographies of some of the author's sources).

POLITICS AND POLICY MAKING IN DEVELOPING COUNTRIES. Edited by Gerald M. Meier. San Francisco: ICS Press, 1991, 369 pp. \$14.95 (paper).

Although it seems late in the day for development economists to try to start looking systematically at political factors that affect their work, a number of the contributors to this conference volume have produced some interesting observations and formulations.

EARTH IN THE BALANCE: ECOLOGY AND THE HUMAN SPIRIT. By Senator Al Gore. Boston: Houghton Mifflin, 1992, 368 pp. \$22.95.

Global ecological trends are signaling to policymakers and citizens worldwide the need for a more enlightened understanding of human interaction with the environment. Gore provides a compelling case for this position. In an overview that flows from local to global issues, subjects range from the history of climate in human civilization and the implications of climate changes to the significance of old growth forests and the destruction of the Aral Sea. As a leading political player on many of these

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issues, Gore's politics figure prominently in his arguments, and his conclusion—that the United States should initiate an environmental Marshall Plan—is clearly the blueprint for Gore's own environmental political agenda. Nonetheless, his detailed proposals are interesting and thoughtful, and his thesis that current thinking about environmental problems requires greater foresight and vision remains convincing. Emily D. Pelton

The United States

Gaddis Smith

GEORGE BUSH'S WAR. By Jean Edward Smith. New York: Henry Holt, 1992, 308 pp. \$24.95.

MR. BUSH'S WAR. By Stephen R. Graubard. New York: Hill & Wang, 1992, 192 pp. \$19.95.

The official celebratory explanation of every American war is challenged sooner or later by "revisionist" politicians, commentators and historians. These two books are the first wave of Gulf War revisionism. They both focus on President Bush in the months leading up to the entry of American forces into combat, not on the war itself, and both are unremittingly critical, seeing the president acting for narrow political advantage, misleading public and Congress, and threatening the democratic safeguards against folly that are embedded in the American constitutional process. Smith's book is the more carefully researched; Graubard's the more passionate.

A PREPONDERANCE OF POWER: NATIONAL SECURITY, THE TRUMAN ADMINISTRATION, AND THE COLD WAR. By Melvyn P. Leffler. Stanford (CA): Stanford University Press, 1992, 689 pp. \$29.95.

This massive distillation of the perceptions and policy prescriptions of the national security establishment of the Truman years can be seen as a scholar's elaboration of Dean Acheson's concept of "the Creation." It is policy history based on years of exhaustive research in government archives and private papers, but not diplomatic history because no non-American primary sources are used. Leffler's judgment on Truman's men and their work is favorable: they were sometimes very wise, nearly always prudent (as is the man who wears belt and suspenders), and foolish primarily in overvaluing the strategic importance of peripheral areas. Acheson would agree. The apt title is taken from a 1952 argument of Paul Nitze that "to seek less than preponderant power would be to opt for defeat." That was the real American meaning of the oft-proclaimed admiration for policies based on "balance of power" principles. The Soviet view was similar, though their capacity to achieve such a condition for themselves was feeble.

THE UNITED STATES AND THE END OF THE COLD WAR: IMPLICATIONS, RECONSIDERATIONS, PROVOCATIONS. By John Lewis Gaddis. New York: Oxford, 1992, 371 pp. \$24.95.

The author has few peers in his ability to use archivally based historical research to illuminate the present and suggest directions for the future. As a leading "post-revisionist" during the 1980s he moved beyond the debate over whether the United States or the Soviet Union bore principal guilt for

the Cold War to note how the two had created a "long peace" (at least outside of the Third World). The essays in this book, written over the last seven years, further explore why great power war did not occur. The conclusion offers qualified hope that the disincentives to war that grew between the great powers can be extended to the rest of the world.

ENTERING NEW WORLDS: THE MEMOIRS OF A PRIVATE MAN IN PUBLIC LIFE. By Max M. Kampelman. New York: HarperCollins, 1991, 402 pp. \$25.00.

This engaging and thoughtful autobiography makes clear how a commitment to human rights unifies the experience of a man who was a pacifist and conscientious objector in World War II, a longtime aide and admirer of Hubert Humphrey, and both a human rights diplomat and nuclear arms negotiator in the Reagan administration. The chapters on dealing with Soviet counterparts are particularly interesting.

THE SAMSON OPTION: ISRAEL'S NUCLEAR ARSENAL AND AMERICAN FOREIGN POLICY. By Seymour M. Hersh. New York: Random House, 1991, 356 pp. \$23.00.

This fascinating work of investigative history sifts hard fact from the decade's rumors and half-confirmed reports about Israel's nuclear weapons program. The result is a convincing description of nuclear capacity sought from the very beginning of the new state and achieved while Americans pretended ignorance or provided indirect assistance. Hersh argues that it is virtually certain that Israel received accelerated aid from the United States during the 1973 Yom Kippur War by "nuclear blackmail," i.e., threatening to use nuclear weapons against the Arab foes.

NIXON: RUIN AND RECOVERY, 1973-1990. By Stephen E. Ambrose. New York: Simon & Schuster, 1991, 667 pp. \$27.50.

The third volume of an impressive biography begins with President Nixon's reelection in November 1972 and devotes 445 pages to the events leading to resignation in August 1974. The remaining third of the book traces Nixon's subsequent career as author and commentator on international affairs. While in no way condoning Nixon's egregious behavior during Watergate, the author praises his plans for economic reform at home. "Because Nixon resigned, what the country got was not the Nixon Revolution but the Reagan Revolution. It got massive, unbelievable deficits. It got Iran-contra. It got the savings and loans scandals. It got millions of homeless, and gross favoritism for the rich. . . . When Nixon resigned, we lost more than we gained."

DEADLINE: A MEMOIR. By James Reston. New York: Random House, 1991, 525 pp. \$25.00.

Here is a collection of essays, portraits and reflections rather than sustained autobiography by a Washington journalist second only to Walter Lippmann in prolonged influence in this century. The book is wonderful reading, perceptive about the successes and failures of American government, indignant about those who violated the best ideals of the nation, candid and often very funny. For example, of Clark Clifford: "I never had the impression that he allowed his easy access to the White House to interfere with the success of his legal practice."

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UNDER FIRE: AN AMERICAN STORY. By Oliver L. North, with William Novak. New York: HarperCollins, 1991, 446 pp. \$25.00.

This memoir conveys the characteristics of the author's public testimony during the Iran-contra affairs: patriotic, unreflective, insensitive to ambiguity, cloyingly self-righteous, contemptuous of Congress, a body that he believes has no constitutional "right to limit the president's authority to carry out foreign policy." North, while steadfast in his admiration for Ronald Reagan, criticizes the former president for poor judgment and lack of understanding. There is no significant new information.

THE TRIUMPH & TRAGEDY OF LYNDON JOHNSON: THE WHITE HOUSE YEARS. By Joseph A. Califano, Jr. New York: Simon & Schuster, 1991, 399 pp. \$25.00.

Califano was President Johnson's special assistant for domestic affairs. This excellent volume combines eyewitness memory with extensive research in the archives of the Johnson Library. It underlines and documents Johnson's passion and skill for achieving domestic reform and his inability to find a way out of the trap of Vietnam. Chapters on the assassinations of Martin Luther King and Robert Kennedy are particularly moving.

THE DEMOCRACY TRAP: PERILS OF THE POST-COLD WAR WORLD. By Graham E. Fuller. New York: Dutton, 1991, 285 pp. \$20.00.

This is an extended discussion keyed to Winston Churchill's famous remark that "democracy is the worst form of government except all those other forms that have been tried from time to time." The author, who served many years in the U.S. foreign service and CIA, fears that democracy may not be able to adjust to the strains of race, economic inequality and moral uncertainty. There is an especially good chapter on democracy and ecology. On the one hand there could arise an environmental totalitarianism as antithetical to democracy as Marxism. On the other hand: "Democracy and free enterprise must never become synonymous with a helpless hedonism, global neglect and isolation from the needs of the growing have-nots of the world."

THE NEW SUPERPOWERS: GERMANY, JAPAN, THE U.S., AND THE NEW WORLD ORDER. By Jeffrey T. Bergner. New York: St. Martin's, 1991, 262 pp. \$22.95.

This readable discussion of the future argues that Germany is the principal beneficiary of the dissolution of the Soviet Union, that emulation of the United States has disappeared as a trait in enormously powerful Japan, but that neither Germans nor Japanese know how they will use their new status and power. The author seeks to raise questions rather than offer dogmatic answers. He is not confident that the United States will undertake the domestic reforms necessary for retaining a high level of international influence.

YEARS OF DISCORD: AMERICAN POLITICS AND SOCIETY, 1961–1974. By John Morton Blum. New York: Norton, 1991, 530 pp. \$25.00.

The years from John Kennedy's inauguration to Richard Nixon's resignation were among the most politically tortured in American history—encompassing assassinations, racial discord, ambitious programs of social welfare, Vietnam and organized challenges to authority, Watergate and the

crisis of the presidency. This careful, detailed narrative is equally useful for general reading or classroom. The theme of the book and the era is the failure of liberal prescriptions to resolve conflicts successfully at home and abroad. The focus is on national leaders, on what they thought and why, on character and its absence, on the reasons for success and failure.

THE FIRST DOMINO: EISENHOWER, THE MILITARY, AND AMERICA'S INTERVENTION IN VIETNAM. By James R. Arnold. New York: Morrow, 1991, 444 pp. \$25.00.

President Eisenhower is often praised as the leader who kept the United States out of a combat role in Vietnam. Admitted. But Arnold shows how Eisenhower made the decisions, especially in the "watershed year" 1955 after Dien Bien Phu, which led to the American war under Kennedy and Johnson. Eisenhower did not oppose American military involvement in principle; rather his prudence told him conditions in the 1950s were not right.

The Western Hemisphere

Abraham F. Lowenthal

SHAPING THE POLITICAL ARENA: CRITICAL JUNCTURES, THE LABOR MOVEMENT AND REGIME DYNAMICS IN LATIN AMERICA. By Ruth Berins Collier and David Collier. Princeton (NJ): Princeton University Press, 1991, 877 pp. \$75.00 (paper, \$19.95).

This book is a disciplined, paired comparison of the eight Latin American countries with the longest history of urban commercial and industrial development—Brazil and Chile, Mexico and Venezuela, Uruguay and Colombia, Argentina and Peru. The authors show how and why state and party responses to the emergence of an organized working class have been crucial in shaping political coalitions, party systems, patterns of stability or conflict and the broad contours of regimes and their changes. The argument is complex yet clear, the analysis systematic yet nuanced. The focus is on autonomous political variables within particular socioeconomic contexts, the treatment of which is lengthy but rewarding. Disappointing, however, is the only brief nod toward speculation about the analysis' implications for understanding contemporary Latin America and its likely future. Overall, a path-breaking volume.

EL TIEMPO DE LA LEGITIMIDAD: ELECCIONES, AUTORITARISMO Y DEMOCRACIA EN MEXICO. By Juan Molinar Horeasitas. Mexico: Cal Y Cerlna, 1991, 265 pp.

From 1920 to 1988 Mexico held 15 presidential elections, elected 500 senators and governors, 6,000 federal deputies and thousands of municipal officers. Yet Mexican elections have never been carefully studied or analyzed; they have been mostly uncompetitive and always aimed at reinforcing the political hold of the governing party in an essentially authoritarian system. But Molinar shows that Mexican elections have long been significant, despite manipulation and "alchemy," and he suggests why they are becoming ever more important aspects of Mexico's political system. Molinar argues that the authority of Mexico's ruling party is based primarily on resignation, not legitimacy. Mexico's current rulers, he says,

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now face a dilemma: the only way they can build credibility and legitimacy for the political system is by losing elections. An innovative and important study.

HOPE AND FRUSTRATION: INTERVIEWS WITH LEADERS OF MEXICO'S POLITICAL OPPOSITION. Edited by Carlos B. Gil. Wilmington (DE): SR Books, 1991, 272 pp. \$40.00 (paper, \$13.95).

In-depth interviews with six of the most important opposition figures in Mexican politics, including Cuauhtemoc Cardenas, whose impressive showing in the 1988 presidential election galvanized the ruling PRI into significant internal reforms. An introductory essay by the editor speculates on how the opposition is mobilizing Mexican-Americans in the United States as part of its efforts to widen political space within Mexico.

VIOLENCE IN COLOMBIA: THE CONTEMPORARY CRISIS IN HISTORICAL PERSPECTIVE. Edited by Charles Bergquist, Ricardo Penaranda and Gonzalo Sanchez. Wilmington (DE): SR Books, 1992, 353 pp. \$45.00 (paper, \$14.95).

Twelve authors, most of them Colombian, analyze the deadly drug-related violence wracking Colombia in the 1980s and 1990s and relate it directly to longstanding conflicts in the country. "Looking at the national evolution as a whole, one sees a predominance of forms of armed confrontation over civilized, political forms of interaction. This armed confrontation has advanced the process of national disintegration and fostered the steady deterioration of the narrow confines of Colombian democracy." A sobering review.

ARGENTINA'S DIRTY WAR: AN INTELLECTUAL BIOGRAPHY. By Donald Hodges. Austin (TX): University of Texas, 1991, 387 pp. \$37.50.

In the mid-1970s Argentina experienced a deadly struggle between two well-organized urban guerrilla movements and a highly repressive Argentine military counterinsurgency effort. No holds were barred in the military campaign to root out not only the guerrilla leadership but all considered sympathetic to the insurgents, including trade union organizers, teachers, lawyers, journalists and psychiatrists. The author uses interviews and clandestine documents to illuminate a dark chapter in Argentina's history.

CENTRAL AMERICA AND THE UNITED STATES: THE SEARCH FOR STABILITY. By Thomas M. Leonard. Athens (GA): University of Georgia, 1991, 245 pp. \$35.00 (paper, \$15.00).

This basic text analyzes the U.S. record in Central America during three periods: independence to the construction of the Panama Canal (1829–1903); the opening of the canal to after the Second World War; and the contemporary period. In the first period the U.S. government was less interested in Central America than were private U.S. entrepreneurs. In the second, strategic considerations dominated U.S. policies. Finally, ideological concerns have dominated U.S. policy since World War II. In all three periods, however, Washington sought "stability" on the isthmus. The next phase in U.S.-Central American relations is far from clear.

THE BATTLE FOR GUATEMALA: REBELS, DEATH SQUADS, AND U.S. POWER. By Susanne Jonas. Boulder (CO): Westview Press, 1991, 288 pp. \$42.00 (paper, \$16.95).

Guatemala is a land of natural beauty but man-made ugliness: some 200,000 deaths from political and civic violence in the past generation, about 85 percent of the population living in poverty, deep ethnic and class divisions, massive local conflicts and repeated cycles of revolutionary and counterrevolutionary terrorism. Jonas, perhaps the most persistent and passionate U.S. analyst of contemporary Guatemala, presents a structural analysis of Guatemala's turbulence that weaves together the internal and external influences that account for Guatemala's bloody history and clouded prospects.

CANADA AND THE UNITED STATES IN THE 1990s: AN EMERGING PARTNERSHIP. By William C. Winegard and others. Washington: Brassey's (for the Institute for Foreign Policy Analysis), 1991, 96 pp.

Brief, useful reports on the state of U.S.-Canadian relations in the realms of science and technology, environment, trade and defense. The potentially transcendent importance of Quebec separatism is noted but not explored. The best chapter, by John E. Carroll, reviews the shifting position of the two governments on transboundary environmental issues.

Gaddis Smith.

Western Europe

Fritz Stern

THE NEW EUROPEAN COMMUNITY. Edited by Robert O. Keohane and Stanley Hoffmann. Boulder (CO): Westview Press, 1991, 208 pp. \$49.95 (paper, \$14.95).

EUROPEAN COMMUNITY: THE BUILDING OF A UNION. By John Pinder. New York: Oxford, 1991, 284 pp. \$47.00 (paper, \$13.95).

In the first volume, first-rate observers and participants provide a highly useful account of the changes that have taken place in the European Community, largely in the context of the Single European Act. Separate essays describe, *inter alia*, the EC Council, the "democratic gap" (for example, the degree to which "pooled sovereignty" has diminished accountability) and the European Court of Justice. Peter Ludlow's chapter on the European Commission and its role under Jacques Delors in giving European institutions a strong new impetus is particularly valuable. Introductory efforts to find theories to account for new realities are a bit cumbersome. The John Pinder volume is a concise and valuable short history of the Community, with a prescription for a "neo-federalist" future.

ROBERT BOOTHBY: A PORTRAIT OF CHURCHILL'S ALLY. By Robert Rhodes James. New York: Viking, 1991, 476 pp. \$22.95.

An experienced biographer, chosen by Boothby himself, has written a remarkably successful life of a British politician and public figure. Boothby, with his zest for power and love, intermittently achieved and lost both. An anti-appeaser, a Tory critic of his own party and, for 35 years, the lover of Harold Macmillan's wife (an anguished affair that the British press at the time ignored and that the author handles with discreet candor), Boothby had a knack for trouble and great resiliency. A man of strong opinions, he warned in 1959 that American public-relations operators in politics had as their "sole object . . . to dilute truth with propaganda. . . . The lie on the lips

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then becomes the lie in the soul." An absorbing book that does not need—or fully justify—the commercially appealing subtitle.

THE LESSONS OF HISTORY. By Michael Howard. New Haven (CT): Yale University Press, 1991, 217 pp. \$27.50.

Essays by the former Regius Professor of Modern History at Oxford, now at Yale, who has written some of the most brilliant studies of military history, always embedded in the general history and culture of a given time and endowed with a deeply informed empathy. These elegant essays, many of which deal with the conflicts, military and ideological, of our century are marked by wisdom and insight and have, by intent, an immediate relevance for anyone pondering the political problems of the present. Howard has a very clear view of the historian's task, and this, too, is explicated and exemplified in these pages.

THE PEOPLE'S PEACE: BRITISH HISTORY, 1945–1989. By Kenneth O. Morgan. New York: Oxford, 1990, 558 pp. \$29.95.

A well-known British historian gives an excellent account of political life since the seeming triumph of 1945. In a fair assessment of mood, achievements and failures, Morgan, impatient with legends and acerbic in style, emphasizes some overlooked successes such as the relatively graceful end of Empire. He is judicious about Mrs. Thatcher's radical changes, but a final verdict is unambiguous and disturbing: "The beleaguered ranks of social workers and investigators of the 1980s documented a society more unsettled, more helpless and to some degree more violent than at any period since the century began."

SOUL OF THE AGE: SELECTED LETTERS OF HERMANN HESSE, 1891–1962. New York: Farrar, Straus & Giroux, 1991, 347 pp. \$25.00.

These letters of the German-Swiss writer express deep private thoughts and feelings but also contain incisive comments on the political-intellectual storms of the time, on World War I, which from the beginning he thought appalling, on the great ideological conflicts and the intellectuals' culpabilities, and on the Nazi regime. To his friend Thomas Mann he wrote in 1950: "I speak gratefully to you, not as the emissary of a nation, but as a loner whose real fatherland, like yours, is still being created." A fine selection, a splendid source.

LEGACIES AND AMBIGUITIES: POSTWAR FICTION AND CULTURE IN WEST GERMANY AND JAPAN. Edited by Ernestine Schlant and J. Thomas Rimer. Washington: Woodrow Wilson Center, 1991, 323 pp. \$35.00 (paper, \$13.95).

A highly ambitious attempt by major scholars and writers to analyze how postwar West German and Japanese writers, principally novelists, dealt with the traumatic pasts of their respective countries. The responses, especially in Germany, changed over time. While the comparisons of the two cultures remain implicit in most instances, these essays confirm the basic premise of the conference that occasioned these papers: it is in fiction that we often find the deeper meaning of political and psychological realities. Readable, informative and suggestive.

*The Soviet Union and Eastern Europe**Robert Legvold*

STALIN: BREAKER OF NATIONS. By Robert Conquest. New York: Viking, 1991, 346 pp. \$25.00.

A graceful, evocative and compact biography, written by a long-time student of this man and his heroic, sad, too often awful times. Neither in explaining Stalin nor in probing the "ism" to which he gave rise does the book break fundamentally new ground. But it does incorporate new material from recent years into what is the most readable and accessible portrait available of a figure who still haunts his tortured land.

KATYN: THE UNTOLD STORY OF STALIN'S POLISH MASSACRE. By Allen Paul. New York: Scribner's, 1991, 381 pp. \$24.95.

For five weeks in April and May 1940, Stalin's NKVD cruelly but carefully executed one by one 15,000 officers of the Polish army in the Katyn Forest, not far from Smolensk. Paul does much more than recount how and why this was done. Through the stories of three families who lost fathers, sons or brothers in the massacre, he provides an immensely full and human picture of what it was like when the Soviet and German occupiers swept into eastern Poland at the start of the war. He also has a good deal to say about the less-than-glorious high politics of the Katyn tragedy among Churchill, Roosevelt and Stalin.

FOR A NEW RUSSIA. By Anatoly Sobchak. New York: The Free Press, 1992, 191 pp. \$22.95.

St. Petersburg's prominent liberal mayor, Anatoly Sobchak, dictated these notes to a Moscow journalist sometime before mid-December 1990. He tacks on an interesting though largely unconnected chapter on his movements during the failed August 1991 putsch. Most of the book, however, deals with his experiences in the first years of newly invented parliamentary politics, 1989-90. The general reader will be charmed by vignettes featuring Gorbachev, Yeltsin, Sakharov and Ligachev. The specialist will find useful inside information on several key events during these two important years.

THE AUGUST COUP: THE TRUTH AND THE LESSONS. By Mikhail Gorbachev. New York: HarperCollins, 1991, 127 pp. \$18.00.

The book jacket says "the story the world has been waiting to hear, an unprecedented achievement," but this rather overstates it. Other than proving how nimble major Soviet figures have become in producing a potboiler, it is not clear what purpose this account serves. It does not provide insight into the events themselves. It does add a detail or two to the story Gorbachev had earlier told of his captivity in the Crimea, and these few pages are worth reading. Whether, in the end, in its stilted, injured reflections, it adds to our knowledge of the man himself is something for the historians to sort out.

WHAT WENT WRONG WITH PERESTROIKA. By Marshall I. Goldman. New York: Norton, 1991, 258 pp. \$19.95.

There is a brief prologue and an equally brief epilogue on the August events but, as the author underscores, long before this drama he was

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already wrestling with the question of “why such a noble program had come to such a sorry end.” For the general reader Goldman serves up a sweeping but succinct analysis of the reasons Gorbachev launched perestroika and why things did not work out as he might have wished.

THE ACCIDENTAL PROLETARIAT. By Walter D. Connor. Princeton (NJ): Princeton University Press, 1991, 374 pp. \$39.50.

Whether the national leader be Gorbachev or Yeltsin, Kravchuk or the others, he will have to care about the working class—its character, mood, inclinations and approach to politics. In this scholarly and readable study, one of America’s leading political sociologists offers the most in-depth exploration of any in the last two decades of what has happened over time to the worker’s social, economic and political condition. The Soviet legacy promises to be heavy for the new successor states, and Connor’s book provides an excellent idea of what that will mean in this important sphere.

REBUILDING RUSSIA. By Aleksandr Solzhenitsyn. New York: Farrar, Straus and Giroux, 1991, 119 pp. \$14.95.

History has outdone Solzhenitsyn. He wanted Russia to be free of its imperial encumbrances in Central Asia, the Transcaucasus and the Baltic, and his wish has been granted. But the Russia he wanted to “rebuild” included Ukraine and Belarus. The thought that they might become independent—a “cruel partition,” as he called it in summer 1990 when he wrote this prayer to Russians, “Great” and “Little”—could only come “from the darkening of minds brought on by the communist years.” The essay’s real merit is in Solzhenitsyn’s touching and didactic exploration of democracy’s essence and pitfalls, presented like a gift to innocent Russian compatriots.

THE TURN: FROM THE COLD WAR TO THE NEW ERA. By Don Oberdorfer. New York: Poseidon Press, 1991, 514 pp. \$25.00.

Oberdorfer explains how U.S. and Soviet leaders got from the bitter, recriminatory relationship of 1983 to the new world of 1990. We will have to wait until the archives and diaries are opened to get a better version. Oberdorfer is master of the extended journalistic inquiry into events behind major news stories, a talent he turns to the careful reconstruction of developments between and within leaderships during these remarkable years. Interviews with a wide array of players on both sides, including 13 with George Shultz, form the book’s backbone.

ROMANIA: THE ENTANGLED REVOLUTION. By Nestor Ratesh. New York: Praeger Publishers, 1991, 179 pp. \$39.95 (paper, \$12.95).

Enough time has passed that we can stop marveling at the east European revolutions of 1989 and begin studying them. This is one of the first sustained efforts to piece together the tangled events leading to the demise of the Ceaușescu regime in December and the story of the confusing and disappointing transition that followed. Ratesh, a Romanian who emigrated in 1973, is former head of Radio Free Europe’s Romanian Broadcasting Department.

TWILIGHT OF EMPIRE: INSIDE THE CRUMBLING SOVIET BLOC. By Robert Cullen. New York: The Atlantic Monthly Press, 1991, 320 pp. \$21.95.

This is a collection of *New Yorker*-style articles, capturing the texture of change on the spot in Romania, Moscow, Latvia, Lithuania, Armenia and Azerbaijan, based on travels in these areas from late summer 1989 through 1990. Cullen works from the detail in the stories of particular individuals to make larger points about the history through which their societies were passing. The results are engaging.

AFTER THE FALL: THE PURSUIT OF DEMOCRACY IN CENTRAL EUROPE. By Jeffrey Goldfarb. New York: Basic Books, 1992, 256 pp. \$23.00.

The author describes his book as a "theoretical reflection upon the revolutionary developments coming after the fall of communism." It is more a weave of his own encounters with memorable figures from the pre-1989 opposition, mostly Polish, and thoughtful commentary on what it has taken to destroy the totalitarian order in eastern Europe. He is someone who believes not in the end of history nor the victory of liberal capitalism, but in the end of ideology as a feasible and essential basis for building democracy (and not only in the East).

EAST CENTRAL EUROPE FROM REFORM TO TRANSFORMATION. By Judy Batt. New York: Council on Foreign Relations Press, 1991, 129 pp. \$14.95.

REMAKING THE BALKANS. By Christopher Cviic. New York: Council on Foreign Relations Press, 1991. 113 pp. \$14.95.

Both are studies by the Royal Institute of International Affairs—one concentrates on Poland, Hungary and Czechoslovakia, the other, on the former socialist countries of the Balkans, particularly Yugoslavia. Each is a concise, clear comment on developments in the region since the collapse of socialism. Batt, an academic, focuses more tightly on the events leading to the transformation, including the role of Gorbachev, and on political trends since—particularly an emerging competitive political environment and the politics of economic reform. Cviic, a journalist, applies a broader historical brush, featuring the ethnic diversity of the region.

THE GREAT CHALLENGE: NATIONALITIES AND THE BOLSHEVIK STATE 1917–1930. By Helene Carrere d'Encausse. New York: Holmes & Meier, 1991, 262 pp. \$34.95.

Published first in French in 1987, this book has even greater immediacy and relevance today. To understand what the disintegration of the imperial Soviet state means, one must understand what the creation was in the first place. No one has posed this history in a form more useful for that purpose than Carrere d'Encausse. While specialists will quarrel with some of its parts, none should dispute the strength, lucidity and pungency of her argument.

RUSSIA BEYOND COMMUNISM. By Vladislav Krasnov. Boulder (CO): Westview Press, 1991, 355 pp.

This is a Russian voice on Russian voices. Krasnov, now on the faculty at the Monterey Institute of International Studies, is devoted to Solzhenitsyn and features him in this effort to introduce to an American audience the various "liberal" nationalist Russian views that have slowly been emerging as an alternative to communism. The book scarcely covers all the intellec-

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tual and cultural bases, but for outsiders who have no notion of what has been happening to the Russian—as opposed to the Soviet—political mind in recent years, this is a valuable starting point.

LA RECONCILIATION SOVIETO-YOUGOSLAVE 1954–1958: ILLUSIONS ET DESILLUSIONS DE TITO. By Pierre Maurer. Cousset (Fribourg): Editions DelVal, 1991, 474 pp.

The story of Khrushchev's "trip to Canossa" (Belgrade) in 1955 and its consequences has been told before, but never in such rich (sometimes overstuffed) detail nor with such a full and intelligent discussion of all the relevant factors in Soviet-Yugoslav relations and the potential redefinition of the world communist movement during those critical years, which saw the Hungarian revolution, the Moscow conference of communist parties, the 7th Congress of the Yugoslav party and the emerging role of China. Not least of the elements in the equation was the personal factor, illustrated in Maurer's brilliant description of the continuing comradely fencing match in which Tito and Khrushchev each tried to make of the "reconciliation" something the other did not want it to be, especially as it would affect the east European satellites. The author had access to the Yugoslav archives; the Soviet side awaits further elucidation. John C. Campbell

HOW WE SURVIVED COMMUNISM AND EVEN LAUGHED. By Slavenka Drakulić. New York: Norton, 1992, 189 pp. \$22.95.

For Western readers, the trials of shopping, cooking, dressing and cleaning house in the east European countries are scarcely news and are not always consistently riveting. Perhaps too much of this Yugoslav journalist's book is taken up with matters of soup, soap and stockings, but she has some interesting things to say about the irrelevance of issues like feminism and ecology to east European women, of the discrepancies between their ideas about the West and the reality they find there, of the lasting imprint on their mentality of communist ideology and the experience of deprivation. The tone throughout is interrogative and more than a little world-weary. Lucy Despard

The Middle East

William B. Quandt

THE SHAH AND I: THE CONFIDENTIAL DIARY OF IRAN'S ROYAL COURT, 1969–77. By Asadollah Alam. Introduced and edited by Alinaqi Alikhani. New York: St. Martin's, 1992, 549 pp. \$24.95.

This book is must reading for anyone interested in the shah's Iran. More than that, anyone who ever dealt with the shah in the ten years before his fall will want to rush to the index to see what the shah said about them to the head of the royal court, Asadollah Alam. Many will be embarrassed and worse. The diary is filled with insights concerning the shah, his character, the court's stifling atmosphere, forebodings of the revolution to come, the relationship with Israel and hints of illegal involvement with the 1972 Nixon reelection campaign. Ironically, Alam seems to have genuinely admired the shah, but his diary will do nothing to salvage his patron's historical reputation. Instead we see a vain, insecure, ill-tempered despot through the eyes of one of his closest advisers. Not a pretty picture.

THE LAST OPTION: AFTER NASSER, ARAFAT AND SADDAM HUSSEIN. By David Kimche. New York: Scribner's, 1992, 336 pp. \$24.95.

At his best the author, a veteran Israeli spy-diplomat, is provocative and insightful in his reinterpretations of recent Middle East developments. Especially on Lebanon and the Iran-contra affair, he sheds some new light. But this is far from a scholarly account. Footnotes are rare and sources are used selectively, sometimes inaccurately. Often the author implies that he has unique sources and insights that allow him to read the minds of his protagonists. Many minor inaccuracies suggest hasty writing and careless editing. Kimche has his heroes—Kissinger, Dayan, Sadat, Bashir Gemayel—and his villains—Brezhnev, State Department bureaucrats, the Egyptian Foreign Ministry, Carter's Middle East team, Weinberger, Arafat. His charge that Brezhnev planned both the 1967 and 1973 wars, as well as the withdrawal of Soviet advisers in 1972, is not new, but is vigorously argued. Perhaps some new evidence will resolve the debate, but nothing in this book settles the matter. A book to be read—but not necessarily believed.

PAYBACK: AMERICA'S LONG WAR IN THE MIDDLE EAST. By John K. Cooley. Washington: Brassey's, 1991, 257 pp. \$19.95.

John Cooley has been around the Middle East long enough to recognize connections among the region's multiple crises. He takes us from Iran to Lebanon, from Lebanon to the Arab-Israeli conflict and back to the gulf. Most of the story he tells is familiar, involving the often bloody events of the 1980s—terrorist attacks, wars, hostage-taking. Much of this turmoil he attributes to American policy failures—hence the title. Whether one agrees with that premise or not, the book is a compelling account of a dismal decade in the Middle East.

SYRIA AND THE MIDDLE EAST PEACE PROCESS. By Alasdair Drysdale and Raymond A. Hinnebusch. New York: Council on Foreign Relations Press, 1991, 244 pp. \$16.95 (paper).

Two leading American scholars of Syria have produced a timely and useful introduction to the world of Hafez al-Assad. They paint a convincing portrait of the regime and its policies, showing many, if not all, of its less attractive features. But the bottom line is that Assad's Syria is a country that must be taken seriously and should be included in any effort to find a negotiated settlement to the Arab-Israeli conflict.

A SEASON OF STONES: LIVING IN A PALESTINIAN VILLAGE. By Helen Winternitz. New York: The Atlantic Monthly Press, 1991, 303 pp. \$21.00.

For a brief moment early in 1989 the Palestinian village of Nahalin gained notoriety as the scene of senseless shooting of innocent civilians by the aggressive Israeli border police. During much of the preceding year, the author had been trying to win the confidence of these conservative villagers. Much of her compelling account deals with her difficulties being accepted in the village as a single woman. But she also tells of the politics of the intifada, the frequent clashes with the steadily encroaching Israeli settlements and the petty harassment of the villagers by the Israeli army. Her sympathies with the Palestinians, who eventually asked her to leave the village, are clear, but the author cannot be dismissed as a propagandist.

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Anyone wishing to understand the human side of the Arab-Israeli conflict should read this book.

PEASANTS AND POLITICS IN THE MODERN MIDDLE EAST. Edited by Farhad Kazemi and John Waterbury. Miami: Florida International University Press, 1991, 340 pp.

These essays are of uniformly high quality, scholarly in tone, while addressing concerns of utmost importance for an understanding of Middle East politics. Why, the authors often ask, have Middle East peasants been a relatively passive force in the politics of their countries? Waterbury provides an excellent overview that begins to answer this question, and thereafter the reader is treated to historical and comparative studies that are very informative. A first-rate collection.

THE CONTROL OF THE MIDDLE EAST ARMS RACE. By Geoffrey Kemp. Washington: Carnegie Endowment for International Peace, 1991, 232 pp. \$11.95 (paper).

Almost a handbook for prospective arms control negotiations in the Middle East, this study raises important issues, provides useful information and relates arms control objectives to stages in likely peace negotiations between Israel and its Arab neighbors. Unlike some, Kemp does not ignore Israel's nuclear capability, but he does not really give much of a clue as to what to do with it either. On the whole, a solid piece of work with few surprises.

ISRAEL AND JORDAN IN THE SHADOW OF WAR: FUNCTIONAL TIES AND FUTILE DIPLOMACY IN A SMALL PLACE. By Adam Garfinkle. New York: St. Martin's, 1992, 230 pp. \$39.95.

Jordan and Israel have long maintained a discreet, often troubled, relationship born of necessity and common interests. This book sketches some of the historical background and then provides real insight into the efforts made from 1984–88 to work out an Israeli-Jordanian understanding as a step toward peace. The author concentrates on functional areas of cooperation but correctly notes that politics often gets in the way. A useful study with valuable documentation.

CONVICTION AND CREDENCE: U.S. POLICYMAKING IN THE MIDDLE EAST. By Melvin A. Friedlander. Boulder (CO): Rienner, 1991, 177 pp. \$32.00.

The author wants the United States to inject more ethical considerations into its Middle East policy. This perspective leads to a menu of desired outcomes but not much advice on how to achieve them.

THE MIDDLE EAST IN GLOBAL PERSPECTIVE. Edited by Judith Kipper and Harold H. Saunders. Boulder (CO): Westview Press, 1991, 359 pp. \$54.95 (paper, \$19.95).

Most of these essays were first drafted over five years ago. Some have stood the test of time better than others, but this overpriced volume would have found a wider niche had it surfaced earlier. A number of authors intelligently challenge the utility of the traditional state-centered way of looking at the issues involved in the Arab-Israeli conflict.

WAR AND PEACE IN THE GULF: DOMESTIC POLITICS AND REGIONAL RELATIONS INTO THE 1990S. By Anoushiravan Ehteshami and Gerd Nonneman, with Charles Tripp. Reading (U.K.): Ithaca Press, 1991, 286 pp. \$50.00.

No future-oriented book on the gulf sent to press as Operation Desert Storm was just getting underway is likely to make for great reading one year later. This one is no exception. The value of this volume lies in its treatment of gulf politics in the 1980s and in its documents and chronology.

IRAN AND THE INTERNATIONAL COMMUNITY. Edited by Anoushiravan Ehteshami and Manshour Varasteh. New York: Routledge, 1991, 191 pp. \$45.00.

For a look back at Iran's international role in the 1980s this collection of essays is comprehensive and generally of high quality. But Iraq's defeat in 1991 and the collapse of the Soviet Union fundamentally change Iran's strategic choices. Little in this volume helps the reader anticipate such changes or figure out their implications for Iran in the 1990s.

Asia and the Pacific

Donald S. Zagoria

A FRAGILE RELATIONSHIP: THE UNITED STATES AND CHINA SINCE 1972. By Harry Harding. Washington: Brookings, 1992, 361 pp. \$38.95 (paper, \$16.95).

This is the first comprehensive analysis of U.S.-Chinese relations over the past 20 years, focusing especially on the impact of the Tiananmen Square crisis. Harding sees China, now that the Cold War is over, as an independent counterpart in a complex balance of power. The United States should exercise restraint in any program of military cooperation while reinstating wide-ranging dialogue on global and regional security issues. It should understand that, despite Tiananmen, China's economic reforms remain largely intact and are even moving forward. Finally, the United States should expand economic relations with China while insisting they be placed on a more reciprocal basis. A threat to withdraw China's most-favored-nation status is not the appropriate mechanism for addressing commercial issues any more than it was in dealing with the trade surpluses generated by Japan or Taiwan. Rather, more precisely targeted retaliatory measures are called for, such as those stipulated in Section 301 of the Trade Act. On human rights what is required is a policy that embodies the U.S. interest in political reform, identifies "appropriate methods for promoting it," but acknowledges the limits of U.S. leverage. The author also calls for getting China to cooperate in establishing a more effective international regime to control the spread of weapons of mass destruction.

FOREIGN TRADE AND ECONOMIC REFORM IN CHINA, 1978-1990. By Nicholas R. Lardy. New York: Cambridge University Press, 1992, 197 pp. \$44.95.

This is an excellent companion volume to the one above. It is the first comprehensive analysis by an economist of how China has emerged since

1978 as one of the largest trading nations and with the world's fastest-growing economy in the 1980s. Lardy places China's trade policy in a stimulating context. After World War II developing countries faced two basic alternatives in trade policy: an outward-oriented strategy that sought to link the domestic economy with the globe's in order to foster industrialization; or an inward-oriented strategy that sought to spur industrialization through stiff protection and replacement of imports with domestically produced manufactures. China followed the inward strategy until the 1970s; then it embarked on a strategy of trade liberalization. The contrast in the results has been stunning. By liberalizing trade China became the 13th largest exporting country in the world, its economic growth rates increased by more than half and the Chinese standard of living rose substantially. Lardy concludes with suggestions as to how China's experience may be relevant to both eastern Europe and the former Soviet Union.

CHINA BRIEFING, 1991. Edited by William A. Joseph. Boulder (CO): Westview Press/New York: The Asia Society, 1992, 213 pp. \$34.85 (paper, \$14.85).

In the Asia Society's annual review Richard Baum argues that the trauma of Tiananmen continues to cast a dark shadow over the Chinese political scene. The Chinese Communist Party has suffered a dramatic loss of prestige and popularity; there is swelling religious and ethnic unrest in China's remote western provinces; and there is a rising tide of provincial economic assertiveness that borders on defiance of the center. Ed Winckler's informative survey of Taiwan reports that by the end of this decade Taiwan, with only 20 million people, could become the world's tenth-largest trader, the world's largest supplier of information products and the trade, financial and commercial center of the western Pacific.

A CHINESE ODYSSEY: THE LIFE AND TIMES OF A CHINESE DISSIDENT. By Anne Thurston. New York: Scribner's, 1992, 465 pp. \$24.95.

Ever since Ni Yuxian was made into an overnight sensation by Liu Binyan's now famous essay "A Second Kind of Loyalty," he has been something of a controversial figure within both his own country and the expatriate Chinese community. Few people know what to make of this man, seen by some as a "courageous spokesman for . . . democratic longings," by others as "abrasive, unfaithful, opportunistic and arrogant." Thurston presents his story in a book that ultimately combines poor biography with great history. The various interpretations of Ni's life are never fully realized and the many sides of his complex character remain unlinked, leaving the reader confused about Ni's motives. As a history, however, Thurston's book is a fascinating weave of Ni's enigmatic life with the much broader picture of China's contemporary democracy movement. For this reason alone it is worth reading.

Patricia Lee Dorff

THE FOUR LITTLE DRAGONS: THE SPREAD OF INDUSTRIALIZATION IN EAST ASIA. By Ezra F. Vogel. Cambridge (MA): Harvard University Press, 1991, 138 pp. \$16.95.

In the last four decades Japan and the four "little dragons"—Taiwan, South Korea, Hong Kong and Singapore—which together constitute less than four percent of the world's population, have become with Europe and

North America one of the three pillars of the modern industrial world order. How did those "dots on the eastern periphery" achieve such a transformation? This is not the first effort to try to answer that question, but it is surely one of the most concise, readable and penetrating. One of the nation's leading scholars on East Asian affairs, Vogel sees several "situational factors"—U.S. aid, the destruction of the old order, a sense of political urgency, an eager and plentiful labor supply and familiarity with the Japanese model of success—as one cluster of factors. But success, Vogel says, also came from a complex of institutional and cultural practices rooted in the Confucian tradition but adapted to the needs of a modern society—"industrial neo-Confucianism." This cultural cluster includes a meritocratic bureaucracy, the entrance examination system, the importance of group consciousness and the goal of self-improvement.

JAPAN'S INTERNATIONAL RELATIONS. By Takashi Inoguchi. Boulder (CO): Westview Press, 1992, 190 pp. \$38.50.

The author is an internationally recognized Japanese political scientist. In this collection of essays he analyzes various aspects of Japan's foreign policy, including Japan-U.S. relations, Japan's trade strategy and its relations with Pacific neighbors. The essays have balance and insight.

THE TRAGEDY OF CAMBODIAN HISTORY: POLITICS, WAR, AND REVOLUTION SINCE 1945. By David P. Chandler. New Haven (CT): Yale University Press, 1992, 396 pp. \$35.00.

This is a considered, detailed history of one of the bloodiest and most tragic attempts at social engineering in the twentieth century. Chandler's book will remain the definitive treatment of Cambodia since World War II.

Africa

Gail M. Gerhart

THE APARTHEID STATE IN CRISIS: POLITICAL TRANSFORMATION IN SOUTH AFRICA, 1975–1990. By Robert M. Price. New York: Oxford, 1991, 309 pp. \$55.00.

This book offers a signal service to the many readers who may have despaired over ever reading their way through the full range of recent literature on South Africa. It represents an easily digestible synthesis of wisdom from dozens of the best-informed observers of South Africa, seasoned with the author's own logical and jargon-free analytical framework. That framework casts Pretoria's options as constrained within a triangle of interacting pressures emanating from economic imperatives, black resistance and international opinion. The principal focus is on pursuit of the government's grand design for the maintenance of white power; few details are included on the concurrent black mobilization for change. Nevertheless, as an overview of the political era immediately preceding negotiations, it is a welcome contribution.

RENAMO: TERRORISM IN MOZAMBIQUE. By Alex Vines. Bloomington: Indiana University Press, 1991, 167 pp. \$35.00 (paper, \$12.95).

MOZAMBIQUE: WHO CALLS THE SHOTS? By Joseph Hanlon. Bloomington: Indiana University Press, 1991, 301 pp. \$37.50.

An oversimplified political debate has surrounded Mozambique's devastating downward spiral into civil war, destitution and dependency over the last decade. Conservatives in the West blame socialist excesses by the Frelimo government; liberals support Frelimo's explanation that Pretoria's interference—covert but well documented—is responsible. Both of these extensively researched studies demonstrate the complexity of Mozambique's tragedy. Vines' nonpolemical history of the murderous Renamo rebels pulls together many of the factual strands that must eventually form part of a balanced assessment, though he concedes that he has not fully fathomed the sociological reasons for the movement's durability. Hanlon, a veteran reporter on Mozambique, has written an angry book arguing that South Africa, Western governments, international lenders and aid agencies have in effect joined together with unity of purpose to recolonize Mozambique and ensure the failure of its experiments with socialist development.

AFRICA 30 YEARS ON. Edited by Douglas Rimmer. Portsmouth (NH): Heinemann, 1991, 168 pp. \$19.95.

This anthology is the product of an April 1991 conference at Cambridge University sponsored by the Royal African Society, and all but three of 11 contributing authors are British academics. The essays, which are of high quality, offer concise retrospective assessments of Africa's last three decades in realms such as education and agricultural policy, industrialization and environmental and demographic change. Christopher Clapham's chapter on the African state is a particularly good review of how governments were transformed in the eyes of Africa-watchers from a solution to a problem during the postindependence era. In comparing current perceptions of the continent with those fashionable thirty years ago, the book amply demonstrates the fallibility of past expectations and, by inference, casts a measure of doubt over both the predictions and nostrums of the present day.

AFRICAN SUCCESSES: FOUR PUBLIC MANAGERS OF KENYAN RURAL DEVELOPMENT. By David K. Leonard. Berkeley: University of California Press, 1991, 375 pp. \$55.00.

This is an outstanding and highly original addition to the literature on African politics as well as to the broader study of state formation in the postcolonial world. Leonard, a Berkeley political scientist, applies "deviant case" analysis to explore why four particularly effective Kenyan senior civil servants achieved development successes so markedly in contrast to the performance of African public servants in general. In recounting the lives and careers of his four subjects, he draws masterfully on administrative theory, sociopolitical analyses of ethnicity, class and patron-client relationships, as well as a broad knowledge of Kenyan history and long acquaintance with the local role of international donor agencies. Bending to the perceived African realities in the 1990s, the author, who in the 1970s regarded members of the acquisitive Kenyan elite as a threat to national development, now sees their common class interest in bureaucratic competence as a saving grace that may help rescue the state from some of the depredations experienced elsewhere on the continent.

EVIL DAYS: THIRTY YEARS OF WAR AND FAMINE IN ETHIOPIA. By Alex de Waal. New York: Africa Watch, 1991, 386 pp. \$15.00.

When international news coverage brought starvation in Ethiopia to world attention in 1984, the country was experiencing its third major famine in as many decades. Although officially ascribed to drought, these human catastrophes were as much or more the product of counterinsurgency policies applied by Ethiopia's government as it tried with increasing brutality to hold together its disintegrating imperium. This detailed and documented narrative, forcefully presented by Africa Watch's associate director, is not for the faint-hearted. Besides describing manifold human rights abuses experienced by Ethiopian civilians, including hapless conscripts, the book examines the roles played by relief organizations and foreign governments in restraining or abetting the slaughter and starvation. The United Nations Emergency Office for Ethiopia emerges with the least admirable record. Washington gets mixed reviews: complicity in the despotism of Haile Selassie, a more humanitarian and rights-protective stance in the years of Mengistu's unreconstructed Stalinism.

HOMES APART: SOUTH AFRICA'S SEGREGATED CITIES. Edited by Anthony Lemon. Bloomington: Indiana University Press, 1991, 237 pp. \$35.00.

This is a fascinating study by 16 geographers seeking to show what a long shadow the history of the apartheid city will cast over South Africa's future search for social stability and economic justice. Four phases in the development of residential and commercial segregation are posited: the colonial city (to World War I), the segregated city (1920s–1940s), the apartheid and neo-apartheid cities (1950s to mid-1970s, and post-1977). The histories of ten South African cities are then traced in detail with an emphasis on the impact of national policy on the particular local variations of human ecology. Similar profiles of two non-South but formerly segregated African cities (Windhoek and Harare) are added to offer glimpses over the postapartheid horizon. There is much here that will enlighten the aid administrator or regional planner in South Africa, as well as the social or political analyst too busy to delve unassisted into the minutiae of historical studies of demography, transport, housing, health and apartheid's callous administrative "visions" over the last half century, all of which are adroitly packaged for the general reader.

SOURCE MATERIAL

Edited by Janis A. Kreslins

I. DOCUMENTS

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ASIA AND THE PACIFIC OCEAN

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