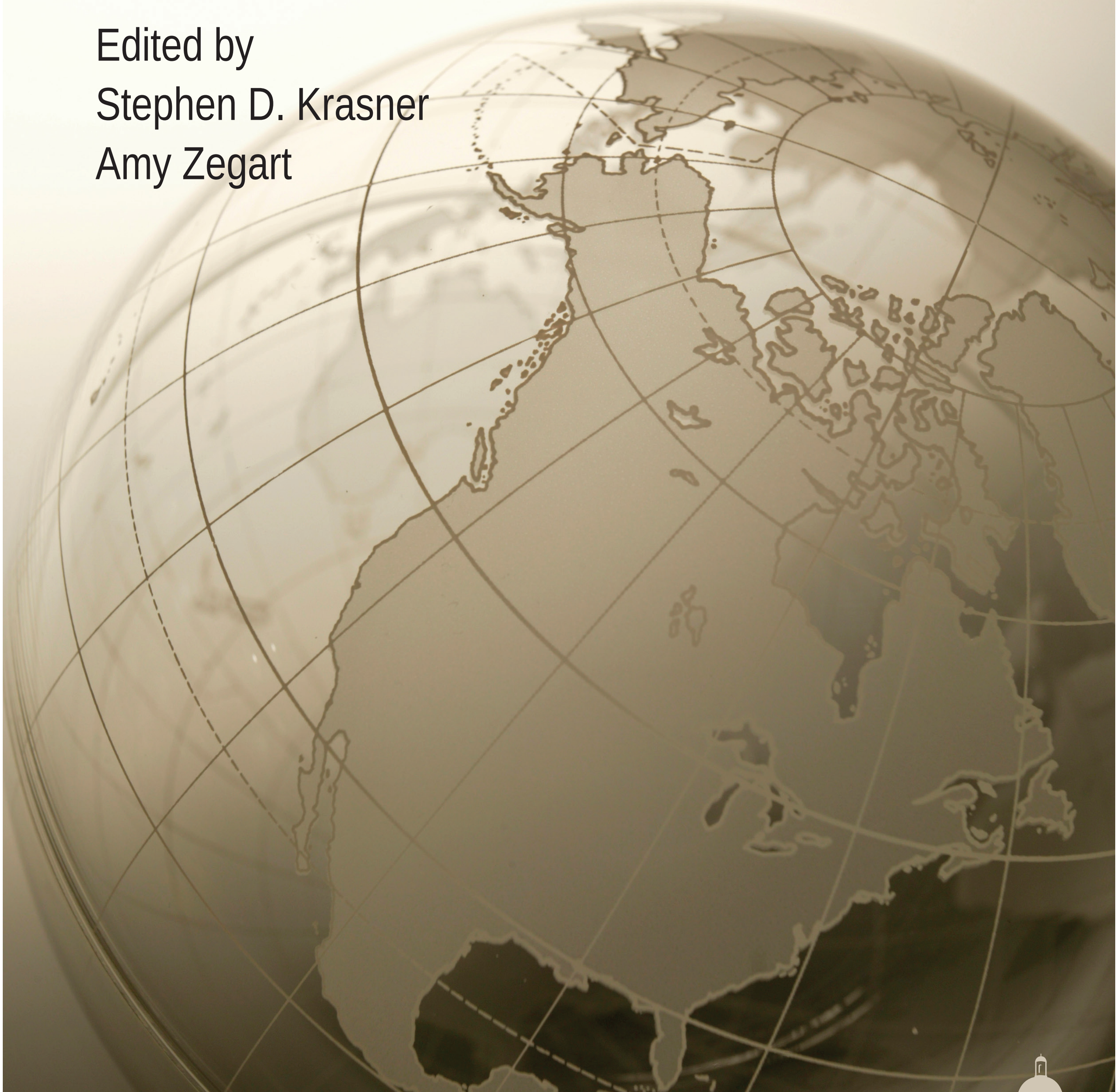
Pragmatic Engagement Amidst Global Uncertainty

Three Major Challenges

Edited by
Stephen D. Krasner
Amy Zegart



Hoover Institution Working Group on Foreign Policy and Grand Strategy

Pragmatic Engagement Amidst Global Uncertainty

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THREE MAJOR CHALLENGES

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PREFACE

THE HOOVER INSTITUTION'S WORKING GROUP on Foreign Policy and Grand Strategy began in 2013. Its aim was to convene a small group of Hoover and Stanford scholars across disciplines, political perspectives, and areas of expertise to examine the most important foreign policy challenges of our time. We have met quarterly for the past two years, examining, reading, and writing individual "think pieces" about six broad issues: whether a grand strategy is possible today; the domestic foundations of international power; the rise of China; global governance; weak and failed states; and unconventional or "black swan" threats, including terrorism and cyber security. The full set of think pieces can be found on our website at www.hoover.org/research-teams/working-group-foreign-policy.

We began with three goals. The first was to learn—by gathering on a regular basis the smartest people we knew to share, analyze, and challenge ideas about US foreign policy. Our second goal was to create a mechanism whereby each member could inject new ideas and recommendations into the policy process throughout the life of the working group by publishing individual essays each quarter. Our third goal was to see whether we could come to any consensus about the most important security challenges and appropriate responses for the next president, whoever that might be. Despite the wide range of perspectives we deliberately sought for the group, we wanted to avoid a watered-down, least-common denominator product.

Most but not all the members of our working group have associated their names with this product. Most have served in government under both Democratic and Republican administrations. The true test of any group like this is whether the individuals in it leave thinking harder and better than they did before. For us, at least, the answer is a resounding yes.

Our working group would not exist without the generous support of the Davies family, the Lakeside Foundation, and the Hoover Institution. We would also like to thank Benjamin Buch for providing essential research assistance and support while pursuing his PhD in political science at Stanford.

Although presidential elections tend to magnify differences, we need to remember that Americans are basically united. We all seek a secure and prosperous nation that can lead the way to a more peaceful and hopeful world. This strategy endeavors to lay out the conceptual and policy roadmap for success.

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POLICY AND GRAND STRATEGY
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EXECUTIVE SUMMARY

THE UNITED STATES IS exceptionally secure. Today, there is no country that threatens America as Germany, Japan, or the Soviet Union did in the last century. In the short and medium term, there is no value system that could displace America's conception of individual liberty and a market-oriented economy—principles that have been embraced by all of the world's rich industrialized countries.

Many Americans, however, do not feel secure. This anxiety stems from a number of sources. Chief among them is the fact that the United States confronts three longer-term challenges to national security and economic prosperity and substantial uncertainty about how these challenges will develop over time. Two emanate from large conventional countries with substantial resources, Russia and China, one declining and the other rising. The third challenge consists of "black swan" dangers such as nuclear, biological, or cyber attacks that could kill thousands or even millions of people or could severely disrupt liberal society. These black swan dangers arise from state and non-state actors such as transnational terrorist groups.

The United States must have a national security strategy that can address these threats, any of which might or might not emerge. Such a strategy must acknowledge uncertainty, accept that in dealing with autocratic states there may only be choices among unattractive options, hedge as well as engage, and acknowledge that resources are not limitless.

Three orienting principles should guide the national security strategy of the next president.

First, we should be unapologetic about the pursuit of American economic and security interests and more tempered in the pursuit of ideals. The most important opportunities for America to shape the future derive from the success of the American model: democracy, accountability, economic openness, and an assimilationist culture based on shared liberal values. America's ability to shape the future trajectory of world development and security will depend more on how well its domestic polity and economy function than on its ability to intervene in other countries.

Second, the United States should focus on nurturing and utilizing existing strengths. We should take advantage of the large capital investments that we have made in alliances and institutions over the last sixty years that form the cornerstone of the international order. More specifically, this means protecting and bolstering existing alliances and regional organizations to share in the responsibility of maintaining regional stability, particularly in Europe and the Asia Pacific; supporting and adapting international institutions (including the International Monetary Fund, the World Bank, and the United Nations); contemplating the creation of new institutions only as circumstances require; and employing targeted policy levers against specific foreign actors and institutions. The United States should use its newfound energy resources to further strategic objectives, especially in Europe and the Middle East.

Third, the next president must focus on developing national capabilities (diplomatic, economic, political, and military) that can be deployed against a number of different potential threats rather than being dedicated to any one possible kind of threat that might never manifest itself.

Uncertainty in the contemporary environment is pervasive for two reasons. First, for the first time one of the world's major powers, China, is a developing country. Its future capabilities and intentions cannot be known. Second, actors with limited capabilities, both state and non-state, could procure weapons—cyber, biological, nuclear—that could kill thousands or hundreds of thousands of people in the most powerful states in the world. In contrast, Russia, a country whose capabilities and intentions are known, presents a more conventional challenge.

The next president of the United States should:

- Pursue a China policy that offers China a path to integrating into the existing international order but hedges in the event that China does not or cannot become a responsible global power. The United States should offer to include China to an even greater extent in existing international and regional initiatives. At the same time, however, the United States must hedge against a China that could reject the norms and values of the existing international order by maintaining US regional alliance structures and by developing partnerships with other major Asian countries, notably India and Indonesia.
- Recognize that nonconventional threats from weak actors must be understood as black swans: low likelihood events whose probability distribution cannot be estimated but that would be extremely consequential if they occurred. The United States must focus on strengthening intelligence and security capacities in other states that are threatened by transnational terrorism and on employing the targeted use of military power rather than pursuing forcible regime change.
- Make a sharp distinction between NATO and non-NATO member states, leaving no ambiguity in the minds of Russian leaders that any effort to invade or dismember a NATO member state would be met by force.

INTRODUCTION

THE UNITED STATES IS exceptionally secure. Unlike during the previous century, there is no country such as Germany, Japan, or the Soviet Union that today presents a clear, imminent security threat. In the short and medium term, there is also no alternative value system that could displace America's conception of individual liberty and a market-oriented economy—principles that have been embraced by all of the world's wealthy industrialized countries in Western Europe, North America, and East Asia.

Many Americans, however, do not feel secure. This anxiety stems from a number of sources. Chief among them is the fact that the United States confronts three longer-term challenges to national security and economic prosperity and substantial uncertainty about how these challenges will develop over time. Two are large conventional countries with substantial resources, Russia and China, one declining and the other rising. The third challenge consists of "black swan" dangers such as nuclear, biological, or cyber attacks that could kill thousands or even millions of people or could severely disrupt liberal society. These black swan dangers arise from states as well as non-state actors such as transnational terrorist groups.

The United States must have a national security strategy that can address these threats, any of which might or might not emerge. Such a strategy must acknowledge uncertainty, accept that in dealing with autocratic states there may only be choices among unattractive options, hedge as well as engage, and acknowledge that resources are not limitless.

Many moments in history appear to be unique for the policymakers responsible for national security. Few actually are. The present moment, however, presents American leaders with an unusually wide array of dynamic challenges. Three are most important. Two of these are historically unprecedented. The first challenge is China's rise. If China continues along its current economic trajectory, it will displace the United States as the country with the most material resources in the world, a position the United States has enjoyed for more than one hundred years. If China does not continue along its current trajectory, it could also become a destabilizing force in the world. China's future path is highly uncertain. While China's economic development benefits markets and peoples worldwide, its policy choices could pose a threat to the preservation of existing international regimes, US economic interests, and American values. America still has many strengths in East Asia, including its own military resources, soft power, and a "hub-and-spokes" alliance system that has helped maintain peace and prosperity in the region for many decades. The United States has the opportunity to influence the options confronting China's leaders even if it cannot influence directly that country's domestic trajectory.

The second historically unprecedented challenge stems from the fact that the ability to do harm on a large scale no longer depends entirely on the underlying material resources of states. Today, states, non-state actors, and even individuals with very limited resources might be able to direct cyber, biological, or nuclear attacks against the United States. Pakistan has nuclear weapons. Iran, even if the new agreement is fully honored, has the capacity to make nuclear weapons quickly. In both of these countries, and in other Middle Eastern countries, there are groups or individuals that adhere to a millenarian jihadist ideology that is antithetical to Western liberal values. A single individual could initiate a global pandemic that could kill millions of people. An attack against the United States with weapons of mass destruction could kill large numbers of Americans or create a domestic environment that would fundamentally alter American liberal society.

The uncertainty of these dangerous threats and their diversity make it impossible to identify a single deployment of resources that would be optimal against every possible or likely future scenario. Threat uncertainty and diversity also make it more difficult to engage potential allies. In the past, foreign policy uncertainty was generated primarily by doubt about the intention of actors (other major powers), not by a lack of information about their capacities; in the present environment there is doubt about both capacities and intentions. The United States does have some opportunities for improving governance in areas of limited statehood that could harbor transnational terrorists, but these are restricted to enhancing security, improving the delivery of some services, and encouraging economic growth. Putting countries confidently on the road to fully consolidated democracy is beyond the capacity of the United States, or any other advanced nation.

The third major challenge for American foreign policy, Russia, presents a more traditional set of problems. Russia is a declining power, but it still has formidable resources. Its nuclear arsenal could destroy the United States and much of the rest of the world. It is mostly surrounded by poorly governed states, most of which used to be part of the Soviet Union, including some with substantial energy resources. Its military capacity is much greater than that of any of its neighbors except China. Its current leadership is deeply suspicious of the West in general and the United States in particular.

With regard to Russia, existing capabilities and institutions, especially NATO, provide the United States with important advantages. Frustrating Russian ambitions is, however, not enough. The United States has some shared interests with Russia in the Middle East and with regard to transnational terrorism and nuclear proliferation.

Learning from America's Past Grand Strategies

Of all great powers in history, the United States stands alone in three key respects. First, with regard to war, conflict, and foreign affairs, the experience of the United States has been more benign than that of any other major power. China was devastated by foreign conquest, civil war, and malign leaders in the nineteenth and twentieth centuries. Japan's major cities and millions of its citizens were annihilated during the Second World War. Europe's position as the beacon of human development was demolished by the First and Second World Wars. In contrast, the United States, since its independence, has only been invaded once, by Britain in the War of 1812. The worst martial calamity for the United States was the Civil War, which killed more Americans than any of its foreign wars.

Second, the United States has had an exceptionally long and successful run as the world's dominant power, rivaled in modern times perhaps only by Great Britain in the nineteenth century. America's leading global position has only begun to erode over the past two decades.

Third, the United States has always been concerned with values as well as material interests. For most of its history, the United States adopted a Jeffersonian stance: America as the city on a hill, the shining example to the rest of the world. At other moments, however, the United States has actively promoted democracy. There has, however, always been debate about the level of resources and strategies that the United States should use to promote its ideals.

In the United States, material assets were linked from the Republic's founding with two very effective national security strategies: first "isolationism" and then containment. "Isolationism" has been misconstrued. This grand strategy, which was framed by the Founding Fathers and guided foreign affairs until the First World War, was immensely successful and deserves to be recognized as something much more consequential and nuanced than the kind of irresponsible, parochial, xenophobic, and ignorant dogma that it is frequently characterized as being. More aptly called "pragmatic engagement," this early grand strategy enabled the United States to effectively safeguard its national sovereignty (the first and essential requirement of any nation's foreign policy), with minimum human and fiscal expense, and thereby position itself to become the dominant international actor of the modern era.

From George Washington's Farewell Address to Thomas Jefferson's declaration in his first inaugural that he sought "peace, commerce, and friendship with all nations, entangling alliances with none," to John Quincy Adams's proclamation in 1821 that America "goes not abroad in search of monsters to destroy," through the Monroe Doctrine in 1823—American foreign policy focused first and foremost on a set of orienting principles. These were: building and protecting democracy at home; safeguarding its sovereignty from European invasion or intervention; dominating the Western hemisphere; extending its influence into the Pacific region; staying out of Europe; and maintaining global freedom of navigation and commerce. All of the major foreign policy decisions of the nineteenth century were consistent with these principles and collectively composed a strategy of pragmatic engagement highlighted by the Louisiana Purchase, the Monroe Doctrine, the war with Mexico, statehood for Texas, the opening of Japan, the Civil War (which was fought in part to prevent a second large and independent state from emerging in North America), the purchase of Alaska, and the Spanish-American War (resulting in significant territorial acquisitions, including in the Western Pacific).

The first major departure from the policies associated with pragmatic engagement was America's entry into the First World War and Woodrow Wilson's decision to frame American military engagement as an effort not simply to defend American material security or to further American interests but rather to transform the nature of the international system. Wilson believed that only a democratic Europe could protect America from European conflicts.

Wilson's attempt to redesign America's grand strategy failed. The Senate rejected American participation in the League of Nations. The minority rights provisions negotiated for some thirty states at the end of the war were mostly ignored by the 1930s. The democratic experiment in Germany, the Weimar Republic, collapsed into Hitler's Third Reich.

America's first foray into a grand strategy that was more ambitious than the prescriptions of pragmatic engagement was a fiasco.

After the First World War, however, pragmatic engagement was no longer an effective guide for American foreign policy. The United States could not stand aside from European conflicts without endangering its own security. Yet, the First World War and its aftermath blinded the American public to the threat presented by Germany and Japan until the attack on Pearl Harbor.

The successor to pragmatic engagement, containment, was a logically integrated and coherent grand strategy. Its core principle was to contain the spread of communism anyplace in the world. Because the enemy of the United States was the Soviet Union, containment combined both interests and ideals. American leaders countered the political and ideological ambitions of the Soviet Union. The United States opposed communism around the world in many different ways. It supported non-communist political parties in Italy and France in the late 1940s, supported third world dictators who at least verbally pledged opposition to the Soviet Union, undertook controversial covert interventions in many countries (including Iran, Guatemala, Cuba, the Dominican Republic, and Chile), and fought hot wars in Korea and Vietnam.

Not all the policies associated with containment were successful. The United States was forced to an armistice, which essentially restored the status quo ante, in Korea in 1953, though the Republic of Korea eventually dwarfed its northern adversary with its impressive political-economic evolution. A communist regime took control in Cuba. America's South Vietnamese ally was defeated by its northern adversary in 1975, and the two states were unified as the Socialist Republic of Vietnam. The proxy forces that had helped to drive the Soviet Union out of Afghanistan misgoverned their country, leading to the rise of the Taliban, which in turn harbored al-Qaeda and enabled the September 11, 2001, terrorist attacks.

Despite setbacks, many of which were substantial, American foreign policy in the age of containment was on balance a spectacular success. Stanford scholar Francis Fukuyama was not wrong in pointing in 1989 to the end of history. After the defeat of fascism and communism, no globally legitimated set of norms has emerged to challenge the principles associated with a market economy (limited state power, protection of property rights, sanctity of contract, rule of law) and consolidated democracy (free and fair elections, freedom of religion, human rights, an independent civil society, a critical and autonomous media). Third world proposals for a new international economic order crumbled by the late 1980s and virtually all major countries joined the World Trade Organization. Most of the Eastern and Central European states, which had been part of the Soviet sphere of influence or the Soviet Union itself, became members of the European Union and NATO.

Moreover, many of the institutional arrangements that were first established during the Cold War persisted beyond the collapse of communism. The United States made a clear military commitment to the protection of Europe through NATO. The United States guaranteed the independence of Japan and Korea through bilateral treaties, although it has never succeeded in constructing an integrated alliance system in Asia. The open international economic order supported by the World Bank, the IMF, and the WTO has continued even as the United States has become more focused on regional trading orders.

The 1990s were a honeymoon period. The United States seemed to have more than enough resources to deal with the international challenges that it confronted, none of which was regarded as being all that serious. In his presidential election campaign, George W. Bush focused on domestic policy and organized his positions around compassionate conservatism at home and a humble foreign policy abroad. His future national security advisor and secretary of state, Condoleezza Rice, in a 2000 *Foreign Affairs* article, focused on the international balance of power and rejected state-building.

This honeymoon period ended with 9/11. Over the next fifteen years, challenges to American national interests have become both less clear and more diverse.

The End of an Era

The national security landscape for the foreseeable future will be marked by unprecedented uncertainty. New threats are emerging and old threats are evolving at speeds unknown in earlier eras. Throughout the Cold War, the United States faced the grave prospect of nuclear war, but foreign policy leaders operated in a more straightforward strategic landscape that made formulating the grand strategy of containment possible. They knew the United States confronted a single principal adversary. A well-resourced intelligence community provided good estimates of Soviet capabilities and intentions. Today, by contrast, the number, identity, and magnitude of many of the dangers threatening American security and interests are unclear and fluid. Is China a rising power or a fragile one, a disruptive challenger or a responsible stakeholder? How serious is the transnational Islamist terrorist threat? Is it increasing, decreasing, or plateauing? How likely is a "digital Pearl Harbor" that disables US strategic nuclear forces or brings down critical infrastructures? What are the prospects for nuclear proliferation and the use (accidental or deliberate) of nuclear weapons? Does the increasing availability of lethal pathogens substantially increase the likelihood of their use or is the impossibility of controlling such an attack, or revulsion against it, enough to make them so unattractive that they will not be used? Despite very large increases in US intelligence budgets since 9/11, the answers to these questions are still debated inside and outside of government precisely because they are largely unknowable. The core foreign policy debates of yesteryear focused on "how" questions—how to pursue the strategy of containment, how to accelerate the rollback of communism. Soviet intentions and capabilities were more or less clear after 1947. At least American decision-makers could confidently identify what they believed to be the greatest threat to American national security, even if they were not always certain about Soviet intentions or capabilities. The core foreign policy debates today focus on "what" questions—what is the nature, scale, scope, and imminence of various dangers. These are very different worlds. The inescapable fact of life that must guide America's national security strategy today is threat uncertainty in many arenas. In particular, we cannot be sure about the capabilities and intentions of weak actors with potential access to weapons of mass destruction or of a future China.

Uncertainty precludes the development of an integrated grand strategy, a strategy in which a single overarching principle like containment informs a wide range of policies in specific issue areas that are logically related to each other. An integrated grand strategy requires:

- an accurate understanding of the international environment
- a vision of what that environment might become by shaping international regimes, altering the external opportunity sets facing leaders in other states, and influencing domestic authority structures in other states
- a set of specific policies that can realize that vision
- heuristic power to define policies for unforeseen challenges
- organizational and administrative structures within the state that can implement these policies
- resources and domestic political support to pay for these policies
- support from other actors in the international system who share the same vision and endorse the associated policies, even if their material contributions are modest

In the current environment, the rise of China—or, more precisely, uncertainty about the trajectory of China's rise—and uncertainty about the lethality of unconventional threats and related developments in the Middle East preclude the development of an integrated grand strategy like containment. The United States must deploy its resources, formidable but limited, in a way that recognizes that the most serious challenges to American national security might or might not manifest themselves. Given the uncertainty endemic to almost all of America's foreign policy challenges, pragmatic engagement offers a more useful strategic model. In the nineteenth century, pragmatic engagement meant: no major European powers in the Western hemisphere; no involvement in Europe's wars; freedom of navigation and open commerce; and expanding influence in the Pacific region. In the twenty-first century, pragmatic engagement means hedging against a continued increase in Chinese power while continuing to offer China a path to integrate into the current global order; being able to identify and counter unconventional threats without attempting to transform regimes in badly governed states; and drawing red lines for Russia that make a clear distinction between NATO and non-NATO states.

General Orienting Principles for a New National Security Strategy

Threat uncertainty gives rise to the following three principles to orient America's national security strategy: focus on protecting the material well-being of the United States, both security and economic; invest in existing institutional structures; and develop flexible rather than dedicated capabilities.

First, uncertainty requires that we must be unapologetic about pursuit of American national economic and security interests, and more tempered in our pursuit of ideals that might undermine what little authority already exists in weakly governed polities and threaten American security. The primary goals of American foreign policy are not in dispute. There is no disagreement about the first priority of any American strategy, grand or not: the protection of the physical security of the United States and its citizens. The second objective, also not contested, is a strong and innovative economy in the United States that can provide the resources for not only the well-being of Americans, but also for foreign policy initiatives that are needed to achieve other objectives.

What is contested is the relative importance and especially the most effective way to promote the values that inform the American polity: democracy and human rights. America has always stood for universal freedoms, but we have pursued those freedoms abroad in different ways, to different degrees, in different times as the external environment demanded and internal capabilities allowed. Sometimes the United States has declared the importance of these values without assertively encouraging their adoption or imposing them elsewhere. Sometimes the United States has pursued an active Wilsonian policy designed to install, instill, and promote democracy and human rights in other countries. Wilsonianism worked in Germany and Japan after the Second World War. During the Cold War, however, democracy generally faltered, although there were notable successes, such as in the Republic of Korea and Taiwan. In the era of containment, the United States was more interested in supporting regimes, including autocratic regimes, which opposed communism and the Soviet Union. The collapse of the Soviet Union and the transformation of the former Soviet satellites in Eastern and Central Europe into members of the European Union and NATO seemed to vindicate Wilsonianism. President Bush's 2002 National Security Strategy reflected an even more ambitious Wilsonian aspiration to transform Afghanistan and the Middle East into democratic states that would resist transnational terrorism. However, the outcomes of American interventions in Iraq, Afghanistan, and Libya during the last fifteen years suggest that in many countries the active promotion of American values, democracy, and human rights are unlikely to succeed. Instead, the most fruitful path toward spreading democratization comes not from toppling dictators when there is no clear path to a successor regime, but from bolstering civil society to lay the foundations for internal democratic evolution and demonstrating the benefits of democracy by example. Quasi-governmental and non-governmental agencies such as the National Endowment for Democracy and the German party foundations are ideal instruments for supporting civil society organizations that may prove critical for democratic transitions at some future historical juncture. The world is not inexorably moving toward consolidated democracy, but American policy can help to put in place the pieces that make such transitions more likely and more successful when they occur.

Second, the United States should focus on nurturing and utilizing existing institutions. This means supporting alliances, regional organizations, and international institutions that have formed the cornerstone of the international order since the end of World War II. More specifically, the next president should take two actions which are described in detail below. They are: protect and bolster existing alliances and regional organizations to share in the responsibility of maintaining regional stability, particularly in Europe and the Asia Pacific region; and, where possible, maintain and adapt existing international institutions (including the IMF, World Bank, and UN).

Protect and bolster existing alliances and regional organizations to share in the responsibility of maintaining regional stability, particularly in Europe and the Asia Pacific region: Many observers thought that NATO would disappear after the collapse of the Soviet Union. It has not. NATO has been invoked, for better or worse, to support activities in the Balkans, Afghanistan, Libya, and elsewhere. One major strength of NATO lies in Article 5 of its charter. Article 5 provides a bright line between NATO members and non-NATO states. It reduces ambiguity in Europe about which kinds of Russian expansionist activities could be tolerated and which could not. The United States should continue to strongly encourage NATO members to meet their commitment to increase defense spending to 2 percent of GDP; but even if this effort fails, NATO is extremely valuable as a mechanism to reduce uncertainty about American commitments in Europe.

The hub-and-spokes American alliance structure in Asia, centered on mutual defense treaties with Japan, South Korea, and Australia, is not ideal. But it serves to underline American commitments in the Western Pacific. The United States should explore opportunities for partnerships with other countries in East and South Asia, including India and Indonesia. All will be leery of being tied too closely to the United States, but they all will find America as a distant partner more attractive than an ambitious and closer China.

Beyond these bilateral relationships, the United States should vigorously promote settlement of territorial disputes in multilateral fora like ASEAN, the ASEAN Regional Forum (ARF), and the East Asian Summit. The smaller countries in the region in particular should not have to face China on a bilateral basis. The United States should take a principled position that territorial disputes should be settled multilaterally under commonly accepted international principles and should help the smaller states organize collectively to this end.

In the Middle East, there is no present or possible alliance structure comparable to NATO or even those in East Asia. At the moment, one major challenge to American interests is Iran, a state with limited capabilities but advanced nuclear technology. Iran can threaten regional actors and further destabilize the Middle East, but its geographic reach is limited. The nuclear agreement can only be one piece of a more general strategy that is aimed at preventing Iranian dominance in the region. Iran is the most important external player in Syria and Lebanon and has substantial influence in Yemen and Iraq. Iran is not, however, the only challenge in the region. As a result of poor governance, sectarian rivalries, and ISIS, the sovereign state system is unraveling. Militant jihadism offers an ideology that is attractive to some individuals in the West as well as the Middle East. The disintegration of state authority is already generating a major refugee crisis for Europe.

The best hope for some degree of stability would be to strengthen the authority of those states in the region with which the United States shares at a minimum a common interest in preserving order and security. The next president should work to strengthen bilateral arrangements with countries whose interests are most threatened by Iran and which could pose a regional counterweight to Iranian power while also buttressing sovereign state authority to stabilize the region. These efforts should focus principally on Israel, Saudi Arabia, Jordan, Egypt, and the Gulf States. Some of these countries, however, especially Saudi Arabia, do not share American values. The dangerous mix of militant jihadism, regional rivalries, and sectarian warfare caution against commitments that would make the United States hostage to the national policies of any state in the Middle East. We must strengthen the regimes of our very diverse Middle East allies but also make it clear that we will not necessarily back their foreign policy initiatives and that political reform is in the long-term interests of both their regimes and regional security.

Where possible maintain and adapt existing international institutions (including the IMF, World Bank, and UN): Where new organizations are needed to address new challenges, the United States may have to rely on coalitions of the willing but should also remain open to the use, adaptation, or creation of specialized agencies to deal with major transnational problems so long as US interests are protected through appropriate processes and voting arrangements.

The third general orienting principle that follows from threat uncertainty is that we must focus on the development of capabilities that can be deployed against multiple threats—sequentially and simultaneously. Reinvigorating the international order is not enough. The United States must also invest in developing creative, targeted, unilateral policy levers to advance American interests when necessary. Today, we face a growing array of asymmetrical threats, from China's high-tech hacking and threats to US space-based commercial, military, and intelligence satellites, to low-tech IED attacks on US forces in Afghanistan. This landscape demands that the United States develop more agile military capabilities and more robust non-military levers to advance our vital interests since the United States, no matter how powerful, cannot protect itself against every hazard, everywhere, under every contingency, in a world where large destructive capabilities rest in the hands of small, otherwise weak actors. Smarter spending measures imply realigning US intelligence and defense expenditures, investing much more heavily in developing large quantities of sophisticated, lower-cost unmanned systems (surveillance and strike), as well as cyber capabilities, and moving away from a dependence on large, limited-capability, expensive weapons platforms such as the F-35 Joint Strike Fighter. Despite widespread bipartisan calls for greater innovation and acquisition reform, resistance remains strong. Without a major commitment to reform, the United States will continue to fund expensive, inflexible, large platform systems that are ill-suited for tomorrow's threat environment.

The United States has developed over the last several decades a number of new and imaginative targeted policy levers such as financial sanctions. These new policy levers need to be refined and expanded, and should include the development of a strategic energy policy to spur growth, reduce carbon emissions, and improve the energy security of our allies. US dependence on foreign oil is now at a forty-year low. The United States has become the world's largest oil and natural gas producer. The next president must leverage our newfound energy resources to enhance our global leadership, reduce the impact of Middle Eastern conflict on global energy markets, and help allies, particularly in Europe, gain energy security while reducing global carbon pollution. The first step forward is removing restrictions on the export of American natural gas and oil.

THREE MAJOR CHALLENGES: CHINA, UNCONVENTIONAL THREATS, AND RUSSIA

WHILE THE UNITED STATES confronts a wide array of foreign policy challenges, three stand apart: China, unconventional threats, and Russia.

China

Alternative Futures

China is a rising power, but it is not clear how far it will rise. Chinese development could proceed along four paths.

1. Soft rise: China might continue to grow at a rapid pace, at least considerably more rapidly than the United States and other industrialized countries, create a large middle class, and transition into a democratic country.
2. Economic growth and political autocracy: China might continue to grow and remain an autocracy with state-led capitalism. This would be a historically unprecedented development; there are no large countries and only a very few small countries, like Singapore, that have grown rich and not become full democracies. However, many other elements of China's

growth (including its scale and speed) are also unprecedented. As Nobel Laureate Thomas Schelling once warned, policymakers should be wary of confusing the unfamiliar with the improbable.

3. Economic faltering but political resilience: Chinese economic growth might stall out, while its autocratic political system persists.
4. Hard landing: China's internal tensions could lead to a dramatic fall from its current path, one that would be characterized by declining or even negative growth rates and internal disorder.

There is no way to predict with any confidence which of these paths China will follow and the United States has limited ability to influence outcomes. The path that would be most consistent with American interests and values would be a rising China that transitions to democracy. This would not bring harmony to Chinese-American relations. China and the United States would still have some major differences with respect to values and interests. A democratic China could be more responsive to nationalist pressures. Some incompatibilities, such as the relative importance of the state in the economy, would, however, be mitigated in a democratic China. This evolution is precisely what the Chinese regime fears most and accuses the United States of secretly promoting. All of the other paths pose greater risks for the United States.

A rich, successful, and autocratic China would challenge American interests and values; it would signal the end of the end of history. The third and fourth alternatives—a faltering China or a China suffering from internal disorder and divisions—would present the greatest dangers for the United States. Such a China might rely increasingly on nationalist appeals to legitimate the regime. The Chinese leadership would be more risk-acceptant. The possibilities for heightened political and military conflict with American allies in the Asia-Pacific region, miscalculation, and a direct military clash with the United States would be greater.

There is, however, one aspect of the contemporary international system that tempers the direct security threat that China, regardless of its future trajectory, could pose to the United States: nuclear weapons, including second strike capability. There has been no war among great powers since 1945, the longest period in the history of the modern state system. The most compelling explanation for this development is the presence of nuclear weapons or, more specifically, second strike capability. In the past, war could mean physical conquest and the death or occupation of the state and the domination or even annihilation of its people. Nuclear weapons and second strike capability have eliminated ambiguity about the outcome of, and value of, a war among nuclear armed states. There will be no replay of the Second World War. The most likely result of a full-scale nuclear war is mutual devastation; this is the most important factor in deterring great power conflict. Regardless of its future growth trajectory, China will not conquer, or attempt to conquer, the United States, Japan, or Russia.

This does not mean that the rise of China is without serious consequences for the United States, but it does mean that the consequence that has most alarmed rulers in the past, the fear of conquest and death, is much less likely. The most dangerous consequence of power transitions in the past—conquest or major boundary changes—are no longer relevant for the great powers. Power transitions may still lead to tensions and even military confrontation over the sovereignty and interests of allies, spheres of influence, violations of international laws and norms, and the nature of international regimes, but these are not issues involving existential threats to America's national security.

Policy Implications: Integrate but Hedge

Since the Reagan administration, the United States has followed a two-pronged strategy with regard to China: integrate but hedge. The commitment to integrate China into the global order was most clearly manifest in American support for Chinese membership in the World Trade Organization in the 1990s. The clearest example of hedging is the continuation of the American alliances with South Korea and especially Japan. In recent years, there have been more misgivings about this dual-track policy, misgivings that reflect uncertainty about Chinese power, especially how far China will rise, and uncertainties about Chinese intentions: Will China really in the end buy into the principles and norms that are embedded in the current global order and play the role of a "responsible stakeholder"? At least one reason for American resistance to giving China a greater role in existing organizations, such as more votes in the World Bank and the IMF, is this uncertainty about China's future power and ambitions.

The United States should end this resistance to integration. China's economic rise is not in itself a major threat to US national security or economic prosperity, any more than the rise of German economic power and the recovery of Europe after World War II. On the contrary: the recovery and economic development of Western Europe was an enormous positive for US growth. Chinese mass production at low cost has helped keep prices low for ever more sophisticated goods, while allowing and encouraging US companies to specialize at higher ends of the value chain. Intermediate skilled workers in the United States will gradually do better as labor costs in China rise, and as purchasing power grows in China its workers will, in the long run, buy more US products.

Recent experience, moreover, suggests that policies designed to isolate rather than integrate China into international regimes have backfired. It is time for a new direction. The United States should fully embrace a policy of giving China the role that its size and contributions warrant in existing international organizations provided that China agrees to play by the recognized and accepted rules of international behavior. Also, the United States should not resist Chinese efforts to initiate new organizations such as the Asian Infrastructure Investment Bank (AIIB) if the principles informing these organizations are not inconsistent with the basic norms of inclusiveness, transparency, and rules-based commerce that have informed existing international regimes. The United States cannot defeat Chinese initiatives by trying to shut them down. The fifty-seven founding members of the AIIB include the United Kingdom, France, Germany, Israel, Brazil, and India. The United States should also offer China membership in the Trans-Pacific Partnership (TPP) earlier rather than later, even if we know that China is unlikely to pursue this offer. The United States can maintain its preeminence only by demonstrating the superiority of its own vision of how the international system should function, by rallying other countries to that vision, by offering incentives for China to join rather than reject it, and by maintaining strong unilateral capabilities (economic, diplomatic, military) and relationships with other states in the event that this path does not succeed

The United States has also undermined its ability to deal with China's rise by failing to ratify the Law of the Sea Convention. This agreement provides the strongest basis for the norms that the United States has stood for in the Western Pacific and globally, including freedom of navigation in the Exclusive Economic Zone (EEZ) and limited EEZ claims that can be made for uninhabited or artificially enhanced rocks that are currently located in the open ocean. These are norms that other countries in the Western Pacific, which have contested China's expansive maritime territorial claims, already support. It has been more than thirty years since the Reagan administration negotiated this treaty, which has received widespread bipartisan support from the Bush administration, the Obama administration, and the Pentagon. The next president should work to gain Senate ratification.

At the same time, the United States must continue to hedge. China's future capacities and intentions are uncertain and much of its current behavior is disquieting. It is unclear how long China will remain a relatively compliant player in America's rules-based world economic system or continue to accept US military activities in the Western Pacific aimed at ensuring freedom of navigation and the safety of its allies. China's leaders seem increasingly discontented with both. Evidence includes Beijing's accelerated construction of artificial islands and its assertiveness when dealing with maritime and territorial disputes with US allies in the East and South China Seas; and Chinese naval and air forces aggressively challenging US maritime and air reconnaissance activities within its declared EEZs. President Xi has sharply criticized US security policies in the Asia-Pacific region, pointedly stating: "To beef up an entrenched or military alliance targeted at a third party is not conducive to maintaining common security." China has also consistently opposed the US-backed "global commons" model of Internet governance, instead advocating state sovereignty over what flows through the Internet to its citizens, and has engaged in widespread cyber theft of intellectual property from American companies.

Given the uncertainties of China's behavior, objectives, and capacity, the United States must continue to support China's integration while hedging at the same time. The United States needs to present China with a set of incentives that encourage its leaders to integrate with and accept an international order that accommodates China's interests but still reaffirms American values and structures that are embodied in existing international regimes. The United States should give China a larger role in existing international organizations, while reinforcing its existing alliance commitments and partnership relationships in the region.

In addition, a China hedging strategy for the next president should widen the aperture to develop closer strategic relationships with India and Indonesia. India and Indonesia are unlikely to enter into anything like a conventional security alliance with the United States, but they are much more threatened by rising Chinese power than by continued American presence in the Western Pacific. The United States should also encourage more robust relationships between our regional allies and partners, aiming to form a denser network of states less costly to the United States than the hub-and-spokes system. In reconfiguring our relationships in Asia, a prime objective for the United States must be to secure greater commitments from allies while at the same time discouraging our key allies, Japan and South Korea, from developing nuclear weapons programs of their own. A nuclear arms race in Asia would introduce a new element of uncertainty in the Asia Pacific region and possibly embolden allies in a way that could be counter to US interests.

The United States is the ideal distant balancer. China's neighbors will prefer a world in which the United States is actively involved in Asia rather than an Asia that might be dominated by China alone. The United States should make it clear that the costs to China of trying to establish regional hegemony would be high, by leaving no ambiguity about our commitment to the security of Taiwan, South Korea, and Japan and by pursuing closer relations with other countries in the Asian region that would prefer a world in which both China and the United States are engaged rather than one dominated by China. Reinforced alliances and deeper relationships will continue to balance, stabilize, and provide an environment for continued economic growth, enhanced security, and reduced likelihood of nuclear proliferation. Such an approach demands an unequivocal US commitment to predictable, credible, and cooperative presence. Sensitivities regarding sovereignty will continue to increase globally and the Asia-Pacific region will be served best by a presence that is offshore. This argues for naval and air forces, agile, small-unit ground forces with a light footprint, and logistic support characterized by minimal infrastructure and rapid response.

Despite China's spectacular rise over the last two decades, there is no guarantee that this trajectory will continue. Internally, Beijing's leaders face an interwoven array of daunting social, environmental, economic, and political problems that, left unresolved, will limit the state's ability to generate national power and could even threaten the Communist Party's monopolistic grip on political and societal control.

A policy that focuses more on engaging China in the existing international order and that hedges by reinforcing existing alliances and developing new ones would not impede China's ability to deal with these challenges. This approach would maximize the likelihood that China would accept, or at least not actively challenge, key elements of existing international regimes, which have been consistent with its economic rise and which reflect American values and institutional structures.

By maintaining its current key alliances in Asia, by expanding its engagement with other Asian states that will be concerned with China's rise, and by creating new opportunities through such initiatives as the Trans-Pacific Partnership Agreement (TPP), the United States can make clear to China's leaders that fundamental challenges to America's role in Asia and the world would be unnecessary and costly. The United States does not have a strong stake in any particular substantive outcome to any of the existing territorial disputes in the South or East China Seas. America does, however, have an interest in seeing that any such disputes be settled peacefully in a multilateral setting, and not through unilateral changes on the part of any one party to the status quo.

Engagement with hedging is also consistent with the most worrisome trajectory for China's future. China might pose the greatest threat to American interests if it begins to decline rather than if it continues to grow. The Communist Party has based its legitimacy on the claim that it can provide material prosperity and defend China's national pride. If economic growth falters, nationalism will become more important for the Party's survival. A weakening China might be more aggressive rather than less aggressive. This aggression would be manifest in rising Chinese belligerence in its own region rather than contesting existing international regimes. Regional bellicosity—island claims, pressure against Taiwan, Air Defense Identification Zones, protection of Han Chinese in neighboring countries, challenging American naval presence in the Western Pacific—offers the biggest payoff in terms of generating nationalist support for the regime.

Countering such pressures, if they do manifest themselves, can be most effectively done if America's existing alliance system or, ideally, an expanded system of partnerships, could be mobilized. If the United States has maintained or even expanded its present relations, a declining China is less likely to engage in risky nationalist initiatives designed to strengthen the position of the Party.

Unconventional Threats

The defining characteristic of unconventional threats is that actors with relatively limited material resources can now deploy weapons that could kill thousands or hundreds of thousands of people or permanently disrupt societies even in the most powerful countries in the world. Unconventional threats are more challenging than the rise of China: there is little consensus on the risks that they pose and the way in which these risks should be addressed. Some of the risks are associated with sovereign states such as Iran, North Korea, and Pakistan, but others come from non-state actors including covert organizations within the liberal industrialized West, extremist Islamic groups, other transnational actors, and even disgruntled individuals. Because of weapons of mass destruction, notably nuclear and biological, the absence of authority structures within some states, which precludes deterrence, and the global linkages provided by the worldwide web, the connection between underlying material resources and the ability to do harm has been ruptured.

Unconventional threats have created the possibility of "black swans," low probability events arising from an unknowable underlying probability distribution, which would be extremely costly if they occurred. Black swan events are by definition rare and treacherously difficult to address. They complicate any efforts to formulate a new grand strategy for the United States. A major security incident that killed thousands or tens of thousands of citizens (with nuclear weapons or biological pathogens being the most likely source), or a cyber attack that disabled the power grid for long periods of time or that scrambled or blocked access to bank accounts or other financial assets in an advanced industrialized democracy, could change the boundary between individual freedom and public authority within liberal states and weaken presumptions of sovereign autonomy internationally. Unlike conventional insurance, there is no way to identify the risk premium that a state might pay to avoid a low-probability bad outcome because we cannot determine the probability of such an event with any confidence. All we can possibly know is that such attacks are possible.

Black swans must be distinguished from other kinds of events that are hard to anticipate but do not constitute existential security threats. For example, terrorist attacks that kill small numbers of people—such as the Boston Marathon bombing, the murders in Charleston, South Carolina, by a white supremacist, and the attack on American military personnel in Chattanooga, Tennessee—are tragic but not existential. These attacks are best dealt with through domestic intelligence and law enforcement.

The attacks in Paris, first on the Charlie Hebdo staff and then in November 2015 on the Bataclan theater and elsewhere, are more on the cusp between ideologically motivated criminal attacks that kill small numbers of people randomly and the large-scale deaths that might be caused by a nuclear or biological attack or the disruption that could result from cyber attacks on the financial sector or the power grid. Although the Charlie Hebdo attack killed just eleven people, it had a chilling effect on public discourse, and the carnage in Paris in November 2015 has affected people's behavior and sense of safety. The terror attack in San Bernardino, California, if repeated, would have a chilling impact on the United States. More broadly, the willingness of Islamic terrorists to kill individuals in the West has dampened free speech and increased anti-Semitism, especially in Europe. Random violence has changed the sense of security experienced by individuals in Western liberal societies. Freedom of speech and expression is a hard-won privilege that has become widespread in the world only since the end of the Second World War. It is a fundamental value of modern liberal democracies that can be threatened by terrorism.

Clear existential security threats, by contrast, involve attacks that could kill thousands of people or lead to fundamental changes in the principles and laws that govern liberal democratic states and the international sovereign state system. Such attacks could originate with individuals or groups domiciled in an advanced industrialized democratic state, from an autocratic regime, or from weakly governed or failed states.

The only sustainable approach for addressing black swans is to embrace policies that we are confident can reduce their probability even if we do not know what that probability is. The policies in which we can have the greatest confidence are those that can be implemented within the United States itself. These include continued investment in our own intelligence and policing capacity. The policies in which we ought to have the least confidence are those designed to alter the basic nature of regime structures in other states. There is much the next president can do to reduce unconventional threats without taking on regime transformation abroad. Specifically, the United States should strengthen the security capacity of some weakly governed or even failing states to combat biological and nuclear threats. Although stronger security institutions in weakly governed states will not necessarily improve the prospects for representative government, or the better provision of most services, or human rights, they could reduce the prospect that poorly governed spaces will provide safe harbor to groups or individuals threatening American security.

Three Black Swans: Global Pandemics, Nuclear Terrorism, Cyber Acts of Mass Disruption

Global pandemics: The technological skill and resources needed to produce a pathogen that could have devastating global consequences are becoming more readily available. Modern biotechnology could produce a pathogen that could kill so many people that modern industrialized polities could not function. One hundred kilograms of anthrax, for example, distributed over a populated area, could kill three million people. Such a pathogen could be developed anyplace in the world, could be delivered remotely by a robotic device that could be purchased today, and would be extremely difficult to attribute.

The most effective policies for addressing biological threats strengthen public health systems. This is most easily done in advanced industrialized democracies, but it has also been done in countries with much more limited resources. Failures at the World Health Organization contributed to the Ebola epidemic in West Africa. The epidemic, however, was avoided in Nigeria because of a patient monitoring system that had been put in place to address the spread of polio, even though a Liberian national infected with Ebola landed at Lagos airport. Strengthening the monitoring and delivery capacity of health systems in weakly governed states would lessen the probability of a black swan event precipitated by the introduction of a new or regenerated disease pathogen. It is also a policy that is likely to be embraced rather than rejected by national elites.

Nuclear terrorism: While the means that could produce a global pandemic are becoming more available, the financial and technological assets needed to produce a nuclear weapon exist in only a very few states. A nuclear explosion in a major urban area would be a game changer. There is almost zero probability that a nuclear weapon could be produced by a non-state entity, although such capacity might reside in quasi-autonomous sub-state actors in some countries. A transnational terrorist group could procure a nuclear weapon from a country whose own internal controls were weak (possibly Pakistan), or which harbored individuals sympathetic to a global jihadi movement (possibly Iran or Pakistan), or whose leaders needed cash (North Korea). Such a transnational terrorist group might operate within the territory of the country from which it had obtained such a weapon, although a country with areas of limited statehood might be even more attractive.

Because nuclear weapons are so hard to obtain, the probability of a nuclear event, whatever that probability might be, is less than the danger of a biological attack. But there is no analogue in the nuclear arena to creating a more robust domestic public health infrastructure. The United States and other countries have already taken some measures to strengthen their own borders against possible biological or nuclear attacks. Internationally, the United States should take four actions, as described below: make limiting nuclear proliferation a major priority; secure alliance partners who could engage in some burden-sharing to combat unconventional threats; strengthen the security capacity of weakly governed states that might harbor transnational terrorist organizations but temper aspirations for fundamental political reform; and avoid direct intervention.

Make limiting nuclear proliferation a major priority: The Non-Proliferation Treaty is the most effective instrument available. The United States should also discourage proliferation in East Asia by reinforcing existing security commitments to Japan and South Korea and continue working to prevent nuclear proliferation in the Middle East, particularly in Iran, Saudi Arabia, Jordan, and the Gulf States. However, the United States should not provide anything equivalent to NATO extended nuclear deterrence guarantees to allies in the Middle East because doing so could incentivize more destabilizing behavior in the region.

Secure alliance partners who could engage in some burden-sharing to combat unconventional threats: The interests of China, Russia, and the United States are not so different in this arena. The terrorist dangers arising from weak or failing states do not disproportionately impact the United States. Instead, all of the challenges presented by weak and failing states, including transnational terrorism, disease, criminality, and humanitarian crises, are regional and global. Often the burden, especially for humanitarian crises and refugees, falls disproportionately on neighboring states. The civil strife in Syria has created over 1.5 million refugees each in Syria and Jordan, and over 1 million in Lebanon. The refugee crisis has spilled over into Europe.

Because of 9/11, the United States has taken the lead in combatting transnational terrorism. Terrorism, however, is a problem that threatens many of the major countries in the world, including those in Western Europe and North America, as well as China and Russia. Presidents Putin and Xi are not allies of the United States by any stretch, but they both share a strong interest in controlling militant jihadi activities at home and abroad. France, Belgium, Denmark, Sweden, Britain, France, and Canada have all suffered attacks by Islamic terrorists. In the developing world, as well, a significant number of lives have been lost in many countries, including India, Pakistan, Egypt, Tunisia, Indonesia, Argentina, Mali, Algeria, and Nigeria.

The United States has not yet framed a strategy for addressing transnational Islamic jihadi terrorism that has secured support from other countries. The next president should make the development of such a strategy a priority. Successfully enlisting other states could reduce the costs for the United States, enhance security, and provide opportunities for mutual gain even among states, like Russia and China, whose interests often do not align with ours.

Strengthen the security capacity of weakly governed states that might harbor transnational terrorist organizations but temper aspirations for fundamental political reform: The very ambitious American response to 9/11, especially the overthrow of Saddam Hussein, and even the more measured response to a potential humanitarian disaster in Libya, have not reduced the threats, existential or otherwise, to the United States. The overthrow of the Saddam and Gadhafi dictatorships created environments in which conventional state authority has eroded and in which militant jihadi activities, which have attracted Muslims from Western democracies, have increased. Conditions are deteriorating in both countries.

Instead of direct interventions, the United States can best improve the security capacity of weak states by fostering confederal and consociational structures. These strategies require identifying, where possible, local actors who have their own interests in providing security. Plan Colombia was successful because President Uribe had an interest in cleaning up the police and judiciary. With a better functioning judicial system it was much easier to support the Colombian army. With external support, the Colombian army was able to degrade the FARC. Where ethnic fragmentation has undermined the possibilities for a legitimate national government, the United States should support confederal and consociational political structures rather than single national unified governments. Confederal institutions are more likely to provide security in their particular regions than is a central government that is distrusted by significant parts of the population.

Avoid direct intervention: Even in the case of explicitly transnational jihadi groups, the United States should avoid direct military intervention, with the possible exception of short-term strikes against well-defined targets that might be threatening the United States directly. Military interventions are extremely costly and cannot put weakly governed and poor states on a path to consolidated democracy. Interventions in the Islamic world, moreover, often create unintended effects—everything from generating greater sympathy for transnational jihadi movements among citizens in Western countries to collapsing central authority structures in target states—which can outweigh the gains of short-term advances. Although the United States should provide weapons, material resources, logistical support, air support, and perhaps a limited number of advisors to those entities fighting the Islamic State in Iraq and Syria, it should not commit to anything like the kind of full-scale military operation that would be required to defeat the Islamic State, which may not be possible in any event. The United States should only intervene directly where there is strong evidence of a transnational terrorist group intent on attacking American targets.

Cyber Acts of Mass Disruption

Cyber threats are evolving far more quickly than policy or law, generating possible "black swan" acts of mass disruption emanating primarily from states, notably North Korea, Russia, China, and Iran, but also non-state actors. The full range of cyber threats is broad, including petty theft, espionage intended to give foreign states or organizations decision advantage, massive theft of intellectual property from American corporations, disablement of US military systems in times of conflict, and attacks on critical infrastructure that could paralyze or fundamentally alter society. The theft of personally identifiable information is a crime, a consumer annoyance, and a significant cost center for businesses, but it is not a national security threat. Large-scale espionage is a national security concern but not a black swan: it is possible to anticipate and defend against espionage by investing in and demanding better cyber defenses of government networks housing sensitive information and by improving our own intelligence and counterintelligence capabilities to retain the intelligence advantage. Many rudimentary defensive measures are well-known and have long been recommended but have not been implemented, including at the Office of Personnel Management and the Department of Defense. Attacks in times of conflict intended to disable US military capabilities are important to prevent, but they are also not black swans; they are part and parcel of warfare in the twenty-first century. Theft of intellectual property is, similarly, a major national security challenge but not a black swan. The probability distribution of attacks aimed at large-scale intellectual property theft from American business is known because it is occurring daily. Combatting IP theft requires elevating the issue in bilateral discussions with the worst offenders and making clear that those found responsible will be punished. This will become increasingly difficult: the more that the United States seeks to deter cyber IP theft by punishing those responsible, the more incentive there will be for guilty parties to hide their activities.

Cyber black swans consist of attacks on national critical infrastructure such as financial institutions or power systems that could fundamentally disrupt or alter the way society functions. Because 85 percent of critical infrastructure is owned and operated by the private sector, protecting the nation from cyber acts of mass disruption is challenging. The United States must work to develop international norms against cyber acts of mass disruption. The best place to start is working with China to develop a formalized arrangement to protect global financial systems, an issue on which China and the United States have strong shared interests.

Such an effort should be part of a comprehensive cyber strategy that includes deterrence, defense, resilience, capacity-building, and norm-building to improve America's cyber posture overall and mitigate the threat of black swan cyber attacks on critical infrastructure in particular. The United States should develop a deterrence posture that delineates more clearly acts of national significance and how the United States would respond. The United States must also foster greater investment in and implementation of cyber defensive capabilities to protect vital US military, government, and critical infrastructure systems from attack, including lowering regulatory and legal hurdles for threat information-sharing between companies and sectors. The United States must invest in developing an educated cyber work force so that individuals, companies, organizations, and government agencies can all better protect their information from cyber threats that are evolving daily. Finally, the next president should work to maintain US leadership in matters of Internet governance and the US vision of an open and trusted global Internet.

Russia

Dealing with the Russian Threat to European Security—The Challenge

President Putin's decision to annex Crimea and support separatist movements in eastern Ukraine constitutes the greatest threat to European security since the end of the Cold War. Together with our allies, American leaders can manage this threat. But doing so will require a commitment to a long-term strategy of containment, selective engagement of Russian society, more robust support of NATO, and a way to make American red lines with Russia clear.

For decades, American foreign policymakers became accustomed to Russian weakness. After the collapse of the Soviet Union, Russia no longer possessed the military capacity to threaten other European countries. What military means the Kremlin did have, it used in Chechnya, fighting two wars there in the 1990s. Since then, Russia has been fighting a low-intensity but ongoing counterterrorist war throughout the Caucasus. NATO therefore stopped focusing on deterring a military threat against the West, and instead assumed new missions in the Balkans, Afghanistan, and Libya.

In fact, however, Russian military spending has increased dramatically over the last fifteen years, averaging 3.8 percent of GDP over a steady period of economic growth. Even as economic growth slowed, first in 2008 and again in 2014, Russian military spending has continued to increase, reaching 4.5 percent in 2014 and nearly double that percentage for the first half of 2015. Russia today is third only behind the United States and China in total military spending. Russia could annihilate the United States in a nuclear war, and continues to modernize its nuclear forces. In addition, the quality of Russian conventional weapons—including new tanks, new anti-missile systems, and a new a hypersonic glide vehicle (HGV)—also has continued to improve. In terms of total capacity, Russia is not a superpower today and never will be one again; however, Russia will rank as one of the top five military powers in the world for decades to come.

For most of the post-Cold War era, Russian intentions regarding Europe also seemed to become more benign. During the first two decades after the Soviet Union's collapse, Russian leaders sought to adopt democratic and market institutions at home and integrate into European and international institutions. After becoming president in 2000, Putin gradually changed this course. He weakened democratic practices, but also implemented radical market reforms. Putin and Medvedev (Medvedev became president in 2008, and Putin became prime minister) invaded Georgia in 2008, but also cooperated with the United States by placing new sanctions against Iran in 2010 and removing chemical weapons from Syria in 2013. Russia's invasion of Georgia in August 2008 should have been a wake-up call about growing Russian intentions and capabilities to project force abroad. But many at the time saw this conflict as an aberration—a one-off sparked by specific circumstances—and not a new trend in Russian international behavior.

In 2012, Putin became president again at a time when tens of thousands of Russians were protesting against falsified elections and unaccountable government. The last time such large demonstrations occurred in Russia was 1991, the year the Soviet Union collapsed. Rather than seek accommodation with his political opposition, Putin cracked down, including new restrictions on civil society, attacks on independent media, and arrests of demonstrators. To justify this crackdown, Putin and his state-controlled media portrayed his critics as traitors and agents of the United States. Similar to the Soviet era, Putin needed the United States to be held responsible for all of Russia's economic and social woes. The shrill anti-Americanism uttered by Russian leaders and echoed on state-controlled television reached a fanatical pitch after Putin's annexation of Crimea. He has made clear that he embraces confrontation with the West, no longer feels constrained by international laws and norms, and is not afraid to wield Russian power to revise the international order. Putin has framed the conflict in Ukraine as one between Russia and the United States, not just one of interests, but also one of conservative Russian values versus decadent, liberal, imperial American norms.

To date, this strategy has succeeded, bolstering anti-American sentiments and Putin's popularity to all-time highs. It is hard, therefore, to imagine the circumstances under which Putin might pivot back to a more cooperative strategy toward the United States in the foreseeable future.

In short, Russia's military power, combined with Putin's nationalist anti-Americanism and aspirations to expand Russia's influence and control of its historic "near abroad," means that the United States is likely to face a rising number of contests for influence in Europe.

The Solution

To respond to this new threat in Europe, the next president of the United States needs to deter further Russian aggression. The strategy of seeking to change Kremlin behavior through engagement and integration, practiced by Democratic and Republican leaders alike for most of the post-Cold War era, cannot be resurrected now. Instead, the new US president must seek to contain Russian aggression in Europe until the Kremlin decides to change course. Our current standoff with Russia could last a long time.

Above all else, the United States needs to continue to strengthen NATO, making bright the distinction between NATO and non-NATO members. The single greatest danger in Europe is that Putin might underestimate NATO's willingness to respond to a formal or informal incursion against a NATO member state. For instance, what if Russians died during a clash between ethnic Russians and ethnic Estonians in Narva, an Estonian city near the Russian border, and some Russian "volunteers" decided to cross into Estonia to avenge the deaths of their brethren? Putin needs to understand clearly what NATO's response would be. The United States, together with our NATO allies, must do everything to prevent Putin from making miscalculations about our Article 5 commitments to all NATO members.

Since Russia invaded Ukraine, much has been done already to make this commitment more credible. NATO has doubled the size of its NATO Response Force. At its core is a new brigade known as the Very High Readiness Joint Task Force (VJTF)—five thousand soldiers who will be able to deploy within forty-eight hours. For the first time, NATO also has a rotating force in the alliance countries that border Russia. NATO Secretary General Jens Stoltenberg called the Readiness Action Plan "the biggest reinforcement of our collective defense since the end of the Cold War" when the program was introduced after the NATO summit in Wales in September 2014. NATO also is creating six new command centers in Eastern Europe to better connect local military forces to NATO; and the US Department of Defense is considering prepositioning tanks, fighting vehicles, and other heavy weapons in Eastern Europe which, if executed, would increase dramatically the Alliance's ability to deter Russia.

More, however, can be done. For instance, NATO troops, including American, ought to be stationed in all member states that share a border with Russia. NATO allies also must work together to deter Russian efforts to destabilize government authority in front-line states, especially in areas where a high percentage of Russian speakers live. Finally, more should be done to compel all member states to spend the required 2 percent of their GDP on defense and to spend more productively.

In addition to strengthening NATO, the next president of the United States must continue to maintain the worldwide effort to punish Russian officials and their private sector allies for aggression against Ukraine. Sanctions cannot be lifted against Russian individuals or companies until the Kremlin discontinues completely its support for separatists in eastern Ukraine. Sanctions put in place in response to Russian annexation of Crimea cannot be lifted until Russia gives back this territory to Ukraine or negotiates a resolution with Ukraine, even if these sanctions must remain in place for decades. Most importantly, the Unites States must signal clearly the economic costs of Russian military escalation in Ukraine. For instance, if Russian forces push deeper into Ukrainian territory, then the United States must lead the world in removing Russian banks from the SWIFT (the Society for Worldwide Interbank Financial Telecommunication), the organization that facilitates international financial transactions for more than ten thousand banks around the world. Conversely, if Russia does leave Ukraine, then sanctions should be lifted.

Third, Ukraine needs additional Western assistance, especially US Treasury support, to restructure giant debts accumulated during the Yanukovich era. If Ukraine executes on a reform agenda, the Ukrainian government should be rewarded with new money. Ukrainian leaders also need more help from Western governments, including the United States, in deepening economic reforms and attracting new investment. If the Ukrainian economy implodes, Putin wins. Putting Ukraine on a path that might lead to consolidated democracy would be a tremendous achievement, one that is probably beyond the reach of the United States, its allies, and international financial institutions. Nevertheless, Ukraine does abut Western Europe. Its prospects are better than those of other rent-seeking states.

Providing the Ukrainian military with more sophisticated radar and drones, as well as sharing intelligence, could help reduce civilian casualties should fighting flare substantially again. The Ukrainian military must receive the weapons, training, and equipment it needs to deter future Russian military threats.

The new American president should also convene an international donors’ conference to create a “Donbass Development Fund” for reconstruction in eastern Ukraine after the war. The mere creation of such a fund would help change the negative image of the West in the region, as would new scholarships and internship programs in the United States and Europe.

Greater engagement in the war of ideas should be a fourth component of a more effective strategy for containing the Russian threat in Europe. At the end of the Cold War, democrats thought that they had won this war of ideas. Liberal democracies, especially those in Europe, stopped engaging in efforts to advance liberal, democratic agendas. Budgets for academic exchanges were cut. Media outlets, such as Radio Free Europe/Radio Liberty and the BBC, received far less. With a few exceptions, most US government and non-governmental organizations engaged in supporting civil society groups in the non-democratic parts of Europe also saw their budgets decline significantly in the last decade. Putin then made it even harder for them to operate inside Russia, by closing down USAID, banning some other American organizations from operating in Russia, and making criminal the receipt of foreign money by Russian NGOs. In parallel, the Russian state has devoted tremendous new resources to its own soft power projects both within Russia and abroad. Today, the West is not adequately explaining its policies to people in eastern Ukraine, let alone to Russians in Russia. Even in some allied countries, the US perspective is losing out to the Russian propaganda machine. We need to reverse these trends.

Fifth, the United States must seek to isolate Russia diplomatically. Putin's Russia has no real allies. We must keep it that way. Nurturing Chinese distance from a revisionist Russia is especially important, as is fostering the independence of states in Central Asia, the Caucasus, and even Belarus. Chinese and Russian interests will inevitably come into conflict in Central Asia. Some of the "stans" are major energy producers and China is the most important future market for these resources, but Russia, because of existing pipelines, has substantial control over how these resources are developed and deployed. The United States should not resist greater Chinese involvement in Central Asia; it cannot do much about this in any event and such expansion will push Russia and China apart.

Sixth, the United States should continue to seek ways to engage directly with the Russian people, including offering student exchanges and scholarships; encouraging peer-to-peer dialogue with non-governmental organizations; and allowing Russian companies not tied to the state to continue to work with Western partners. In Russia, as in other closed-access polities around the world, there is not a set of policies that can put a country on a secure path toward consolidated democracy. Support for civil society groups, or even specific bureaus, can, however, help to create a network of organizations committed to greater openness that could be (although will not necessarily be) consequential at some point in the future. At the right historical moment, organizations that appeared to be on the margin, such as Helsinki Watch Groups in Europe, may be critical.

Russia and the United States, even Putin's Russia, have an important shared interest in preventing nuclear proliferation. Russia has experienced many more transnational terrorist incidents than the United States. Muslim populations in Russia are disaffected. Nuclear proliferation, with the possibility of a nuclear weapon or even nuclear material finding its way to a transnational terrorist organization, is as threatening for Russia as it is for the United States. Cooperation with Russia on nonproliferation may, however, mean compromising with Russia on other issues.

This new era of confrontation between Russia and the West will not end soon. The military stalemate in eastern Ukraine also could endure a long time. With the right strategy, however, Russia can be contained.

CONCLUSION

SINCE THE END of the Second World War, there has been no war among major countries. Life expectancy around the world has increased dramatically, even in the poorest countries. Colonialism has ended. Prosperity is not universal, but it is spreading. The United States is not solely responsible for these felicitous outcomes, but they would not have occurred without American leadership.

America's finest foreign policy moments have involved the triumph of democracy over autocratic, repressive, and sometimes racist regimes. The defeat of Nazi Germany and Imperial Japan in the Second World War, and the fall of the Berlin Wall in 1989 and the subsequent collapse of the Soviet Union in 1991, were singular moments in world history. The present international environment offers no equivalent opportunities.

The future of democracy, prosperity, and liberty, not just in America but throughout the world, will depend on how well the United States manages the threats that could be generated by the rise of China, the decline of Russia, or unconventional attacks from relatively weak actors, state or non-state. Russia's capabilities and intentions, especially under Putin, are clear. China's capacity going forward, however, cannot be known with confidence. The ability of weak actors, state or non-state, to launch mass-casualty or massively disruptive attacks against the United States is unknowable. Given the uncertainties associated with future Chinese capabilities and associated with the intentions and capabilities of actors with limited overall resources but possible access to lethal and disruptive technologies, the United States must invest in its existing assets, both multilateral and unilateral. The present array of American alliances and international organizations does not perfectly mirror American interests. These bilateral and multilateral institutions, however, offer a more efficacious set of policy instruments than the United States could deploy on its own. At the same time, the United States must invest wisely to build economic, diplomatic, and military levers that can be deployed against a wide array of threats. Amid a world of global uncertainty, pragmatic engagement demands greater flexibility and innovation in American leadership.

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About the Hoover Institution's WORKING GROUP ON FOREIGN POLICY AND GRAND STRATEGY

THE CERTAINTIES OF THE COLD WAR, such as they were, have disappeared. The United States now confronts several historically unique challenges, including the rise of a potential peer competitor, a rate of technological change unseen since the 19th century, the proliferation of nuclear and biological capabilities, and the possible joining of these capabilities with transnational terrorist movements. There has been no consensus on a grand strategy or even a set of principles to address specific problems. Reactive and ad hoc measures are not adequate.

The Hoover Institution's **Working Group on Foreign Policy and Grand Strategy** has explored an array of foreign policy topics over the past two years with a goal of developing orienting principles about the most important policy challenges to better serve America's interests.

Members: Peter Berkowitz, Coit D. Blacker, Mariano-Florentino Cuéllar, Ambassador Karl W. Eikenberry, James D. Fearon, Francis Fukuyama, David M. Kennedy, Stephen D. Krasner (co-chair), Michael A. McFaul, Admiral Gary Roughead, Abraham D. Sofaer, Amy Zegart (co-chair)

The United States is exceptionally secure. Many Americans, however, do not feel secure. This anxiety stems from the fact that the United States faces several long-term threats that may or may not emerge. America must have a national security strategy that acknowledges this uncertainty and hedges as well as engages, acknowledging that resources are not limitless.

Three orienting principles should guide the national security strategy of the next president. First, we should be unapologetic about the pursuit of American economic and security interests and more tempered in the pursuit of ideals. Second, the United States should focus on nurturing and utilizing existing strengths. Third, the next president must focus on developing national capabilities (diplomatic, economic, political, military) that can be deployed against a number of different potential threats rather than being dedicated to any one possible kind of threat that might never manifest itself.

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