

PREVAILING IN A WELL-ARMED WORLD:  
DEVISING COMPETITIVE STRATEGIES  
AGAINST WEAPONS PROLIFERATION

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# CONTENTS

Foreword. . . . .	v
Preface <i>Andrew Marshall</i> . . . . .	vii
Acknowledgements . . . . .	xi
Introduction Strategy, The Missing Link in Our Fight against Proliferation <i>Henry D. Sokolski</i> . . . . .	xiii
Part I How Might Competitive Strategies Help against Proliferation? . . . . .	1
1. Competitive Strategies: An Approach against Proliferation <i>David J. Andre</i> . . . . .	3
2. Competitive Strategies as a Teaching Tool <i>Bernard I. Finel</i> . . . . .	27
Part II How Competitive Are U.S. Efforts against Proliferation? . . . . .	49
3. Nonproliferation: Strategies for Winning, Losing, and Coping <i>Henry D. Sokolski</i> . . . . .	51
4. Nuclear Nonproliferation: Where Has the United States Won—and Why? <i>Zachary S. Davis</i> <i>Mitchell B. Reiss</i> . . . . .	65
5. Counterproliferation: Shy of Winning <i>Thomas G. Mahnken</i> . . . . .	97
Part III Iran: Two Competitive Strategies. . . . .	109
6. Fighting Proliferation through Democracy: A Competitive Strategies Approach toward Iran <i>Kenneth R. Timmerman</i> . . . . .	111
7. Dual Containment as an Effective Competitive Strategy <i>Patrick Clawson</i> . . . . .	133
About the Authors . . . . .	159

## FOREWORD

The Strategic Studies Institute is pleased to publish *Prevailing In A Well-Armed World: Devising Competitive Strategies Against Weapons Proliferation*. This work provides insights into the competitive strategies methodology. Andrew Marshall notes that policymakers and analysts can benefit by using an analytical tool that stimulates their thinking—more directly—about strategy in terms of long-term competition between nations with conflicting values, policies, and objectives. Part I of this work suggests that the competitive strategies approach has value for both the practitioner and the scholar.

The book also demonstrates the strengths of the competitive strategies approach as an instrument for examining U.S. policy. The method in this book focuses on policies regarding the proliferation of weapons of mass destruction. In “shaping” the international environment in the next millennium, no other national security issue seems as complex or important. The imperative here is to look to competitive strategies to assist in asking critical questions and thinking broadly and precisely about alternatives for pitting U.S. strengths against opponents’ weaknesses. Part II uses the framework to examine and evaluate U.S. nonproliferation and counterproliferation policies formed in the final years of the 20th century. In Part III, the competitive strategies method is used to analyze a regional case, that of Iran.

The insights contained in this book provide an opportunity to pause and consider alternative and innovative approaches to strategic thinking and proliferation policy. The Strategic Studies Institute is pleased to offer this book to assist practitioners and scholars in thinking strategically about U.S. defense policies and priorities.

DOUGLAS C. LOVELACE, JR.  
Interim Director  
Strategic Studies Institute

## PREFACE

Andrew Marshall

The United States has a long-standing commitment to efforts to limit, delay, or stop, and even reverse the proliferation of a variety of weapons and weapon systems. The several papers contained in this volume are drawn from a conference that explored the merits of, and various methods of applying, a competitive strategies approach to the pursuit of U.S. goals in nonproliferation. This approach requires thinking through how to improve one's relative position in any long-term competition.

Of course, a great deal of thought has gone into appropriate policies and approaches to nonproliferation, but the idea of applying competitive strategies to the problem of proliferation is an interesting one. The reason it is interesting is that starting from a competitive strategies perspective may succeed in reconceptualizing the problem in such a way that new insights and new potential strategies emerge.

It has had this effect in some other cases. Its intellectual history goes back to 1969 when at RAND I took over the direction of the strategic warfare studies area. In reviewing the existing program I found that it was not a very coherent overall program of studies.

When I thought about the question of how you should look at the area of strategic warfare it occurred to me that already more than 20 years had elapsed in a continuing political-military-economic competition with the Soviet Union in the development and fielding of strategic nuclear forces, and defenses against such forces. Moreover, this competition would extend, in all likelihood, well into the future. Indeed for all practical purposes it needed to be treated almost as an endless competition that evolved over time as technology changed, as the resources available for investment by either side changed, as arms control

agreements were reached, and so forth. Also, in part, but only in part, each side's forces represented a reaction to earlier or anticipated actions by the other competitor.

When I looked at how studies of particular programs or policy choices were conducted, it seemed to me that the criteria used in deciding what decision to make were far too narrow. Very often they focused entirely on the effectiveness of some proposed system in destroying targets in case of war. While this is not wrong in itself, it seemed to me that the first question one ought to be addressing was that of what is our strategy for competing effectively in this extended competition. In that case, each individual decision about a particular acquisition or change in the force posture ought to be seen as a move in the implementation of this broader strategy; and that the goals of the strategy were likely to be much more complex than were reflected in most of the studies.

Reconceptualizing the problem in this way was, at least for me, very useful. New kinds of questions and issues were raised. A new light was cast on older, more usual questions and issues. And once the problem was framed in this way, there were new insights into how the risks in this competition were changing and ought to be managed in the period of the 1970s as contrasted with the period of the 1950s.

Therefore, it seems to me that the approach that the papers in this volume are proposing could be useful for addressing the long-term security concerns raised by proliferation. Indeed the original terminology developed in the late 1960s and early 1970s—strategies for long-term competitions—may more easily evoke for readers what might be different than the term that was applied later, competitive strategies. The notion that what one is engaged in is a very extended process—an extended effort to influence and shape the course of this competition, to move it toward your goals, to build over time a superior position—may give one new ideas about how to impact on

the other competitor's resources and behavior. In particular, this way of thinking leads one much more naturally to look for weaknesses of others to exploit rather than reacting to strengths. When looking at the problem of how to limit and even reverse proliferation of weapons that make the world a more dangerous place, I believe that this is a reasonable place to begin.

## ACKNOWLEDGEMENTS

Inaugurals of any sort generally involve far more people than one would initially think. This edited volume, the first to explore the utility of applying competitive strategies to proliferation problems, is no exception.

In addition to the volume's featured authors, *Prevailing in A Well-Armed World* is the result of insights and assistance of at least five others. Principal among these is Andrew Marshall who first suggested the need to develop competitive strategies against key proliferators when I worked in his office in 1989. His continued kind words and counsel have helped maintain the Nonproliferation Policy Education Center's (NPEC's) efforts in this arena. Martin Strmecki of the Smith Richardson Foundation also deserves mention. Mr. Strmecki received his first brief on competitive strategies as an approach to proliferation in 1995. Ever since then he has been a quiet but persistent champion of applying competitive strategies methodology against a variety of proliferation problems.

Fortunately, this volume and the conferences that led up to its publication received additional operational support from Dr. James Smith, Director of the U.S. Air Force's Institute of International Studies, and Colonel Joseph Cerami, Chairman of the U.S. Army War College's Department of National Security and Strategy. Both helped fund this volume, hosted the conferences where the volume's chapters were first presented (and recruited participants), and are currently working with NPEC on a follow-on concerning North Korea. Also, critical in keeping these co-hosted events on track was Dr. Robin Dorff, professor of Political Science at the U.S. Army War College.

It should be noted that the overwhelming majority of funds for this volume and related events came from the William H. Donner Foundation and the Smith Richardson



Foundation. Earlier research support was also afforded by the United States Institute of Peace.

Finally, as for the actual production of the book, Ms. Marianne Oliva, NPEC's research coordinator, and Ms. Rita Rummel, Ms. Marianne Cowling, and Dr. Max Manwaring of the U.S. Army War College deserve more praise than any book acknowledgement, including this one, could deliver.

# INTRODUCTION

## STRATEGY, THE MISSING LINK IN OUR FIGHT AGAINST PROLIFERATION

Henry D. Sokolski

On July 14, 1999, the Congressionally-mandated Commission to Assess the Organization of the Federal Government to Combat the Proliferation of Weapons of Mass Destruction determined that although the proliferation of strategic weapons capabilities was of "paramount national security concern" to the United States, our government lacked the long-term country-specific strategies to check this threat. In particular, what the government required were "strategies which capitalize on America's enduring military, economic, political, and diplomatic strengths to . . . leverage against proliferators' clear vulnerabilities in these areas."

The commission identified what these leveraged strategies' general goals should be: dissuading nations from proliferating, encouraging hostile regimes to give way to more peaceable ones, keeping our friends secure, and strengthening international support of strict standards of nonproliferation. What it did not do was discuss what devising such strategies would entail.

This edited volume is designed to prompt such a discussion. Although it is modest in size (it contains only seven chapters), *Prevailing* is the first book to focus on these issues. It is divided into three parts.

Part I consists of two chapters. The first, "Competitive Strategies: An Approach against Proliferation," is written by David J. Andre, who helped implement the Competitive Strategies Initiative in the Pentagon. He reviews how this methodology was used for military planning purposes

during the Reagan administration. He then details what key questions one needs to answer to devise a competitive strategy and considers what difficulties one might encounter in trying to apply such a methodology to specific proliferation threats. The second chapter, "Competitive Strategies as a Teaching Tool," by Bernard I. Finel, examines why and how such planning techniques should be taught.

Part II uses competitive strategies analysis to evaluate how well U.S. nonproliferation and counterproliferation policies have performed and how they might be enhanced. Chapter 3, "Nonproliferation: Strategies for Winning, Losing, and Coping," by Henry D. Sokolski, examines the most recent nonproliferation successes and failures and uses competitive strategies analysis to devise a set of simplified criteria for distinguishing between the two. Zachary S. Davis and Mitchell B. Reiss, meanwhile, take a longer-term look at the same set of issues in Chapter 4, "Nuclear Nonproliferation: Where Has The United States Won—and Why." Finally, Thomas G. Mahnken explains why the Defense Department's Counterproliferation Initiative may be necessary but is far short of being a competitive strategy in Chapter 5, "Counterproliferation: Shy of Winning."

The volume's concluding part takes the process one step further by using competitive strategies analysis to articulate two specific alternative strategies for dealing with the case example of Iran. Chapter 6 by Kenneth R. Timmerman is "Fighting Proliferation through Democracy: A Competitive Strategies Approach toward Iran." Chapter 7, "Dual Containment as an Effective Competitive Strategy," was written by Patrick Clawson.

The book was designed to challenge conventional thinking not only about nonproliferation but also about strategy. Indeed, when one thinks of strategy, competitive strategies analysis rarely comes to mind. Instead, the focus is usually on classical works by Clausewitz, Jomini, Foch,

Mahan, Machiavelli, Thucydides, Douhet, Sun Tzu, and Mckinder. Or, if one is more contemporary, the focus might be on systems analysis planning tools and their variations used by budgeters, decisionmakers, and program managers in the Pentagon;<sup>1</sup> and the ever growing self-help literature for successful managers. Finally, one might simply focus on the growing list of bad things most planners do (e.g., worst case analysis, linear planning, and mirror imaging).

Competitive strategies planning is none of these things. Unlike systems analysis and its variations, it is not an engineering or resource allocation tool designed to produce optimal solutions under conditions where the number of variables are limited.<sup>2</sup> Nor is it a set of management tips useful for personal improvement. And, unlike the classics on warfare, competitive strategies planning and its principles are neither bound to specific historical settings nor open to endless debates about their meaning.

First devised at the Harvard Business School for business managers by Professor Michael Porter, competitive strategies is, as David Andre writes in Chapter 1, "both a process and a product."<sup>3</sup> As a product, a competitive strategy is a plan of action that assures its owner a long-term advantage in a particular competition. As a process, competitive strategies planning requires that one identify and align his enduring strengths against his competitor's enduring weaknesses (enduring in the case of national competitions being the next 10 to 20 years). Among other things, competitive strategies planning requires thinking through at least a three-step, chess-match-like process over a given period of time. This entails projecting one's first move, the competitor's most likely response, and then one's best countermove against this response. The goal is always to be able to get one's competitor to spend far more time and money (or other key resources) to respond to your moves than you need to respond to his.

Given these attributes, competitive strategies planning affords several clear benefits for anyone who is trying to

devise alternative strategies against a specific proliferator and who is anxious to avoid the worst tendencies of current policy planners. First, the methodology discourages U.S. officials from mirror-imaging proliferators either as equals who want what we want or as combatants who will simply pursue the opposite of any course we choose. Instead, competitive strategies planning requires policymakers to consider proliferators as distinct competitors with distinct goals, weaknesses, strategies, and dispositions. Identifying these is necessary for planners to detail how to leverage the proliferator's behavior over time. Second, unlike most military and foreign policy planning efforts, which emphasize bilateral relationships or conflict, competitive strategies requires planners to factor in the strategies and actions of other, key third parties. Third, the methodology places a premium on anticipating rather than reacting to threats—something sorely missing in most nonproliferation efforts. And finally, unlike nonproliferation and counterproliferation (whose premises are rarely questioned and whose progress is only measured in money spent or agreements reached), competitive strategies planning requires setting clear goals. This includes setting clear deadlines and routine reviews and updating of the entire strategy.

What exactly are the questions that must be answered to succeed at competitive strategies planning? During the 1980s the Pentagon devised 14 questions described in detail in Chapter 1 to guide its military activities against Moscow. This was done by the Pentagon's Office of Net Assessment to help identify the kinds of military investments and operations that might channel Soviet military investments away from offensive capabilities that could further threaten the United States.

Rather than try to shore up U.S. vulnerabilities by investing more U.S. dollars into building more bomb shelters or trying to match every new Soviet offensive weapon by building more vulnerable ships or planes of our own, competitive strategies analyses focused on how to keep

Moscow on the defensive. Aimed to exploit the Communists' inclination to worry about their ability to maintain political and military control, these operations encouraged the Soviets to spend billions on inoffensive (and mostly ineffective) anti-submarine and air and missile defense capabilities. In conjunction with a variety of other U.S. competitive actions being shepherded by other government offices—support of freedom fighters in Afghanistan and Nicaragua, a cut-off of Russian access to U.S. financial markets, support of dissident organizations throughout the Warsaw Pact, massive U.S. research (vice deployment of space-based weaponry)—these military operations not only helped contain Soviet aggression, but ultimately assisted in making the Communist government collapse and give way to a far less hostile regime.<sup>4</sup>

The 14 questions that helped the Pentagon guide this competition are also relevant to long-term competition planning more generally. In fact, last June, at a conference held at the Army War College, these questions were adapted to begin work on devising a long-term strategy for dealing with North Korea. That project is still underway, will continue through the year 2000, and will result in a follow-on volume. The aim of this project, like that of this volume, will be to help assure that the strategic gap in our planning against proliferation is filled.

## ENDNOTES - INTRODUCTION

1. See, e.g., Glenn.A. Kent, *A Framework for Defense Planning* (Santa Monica, CA: RAND, 1989, R-3721 AF/OSD).

2. For more detailed critiques see E. S. Quade, "Pitfalls of Systems Analysis," in Quade, ed., *Analysis for Military Decisions: The RAND Lectures on Systems Analysis* New York: American Elsevier, 1970; and Paul Davis, *New Challenges for Defense Planning: Rethinking How Much is Enough*, Santa Monica, CA: RAND, 1994, MR-400-RC, 1994.

3. See Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* New York: Free Press, 1980; and *The Competitive Advantage of Nations* New York: Free Press, 1990.

4. On the role of competitive strategies during this period, see, David J. Andre, *New Competitive Strategies: Tools and Methodologies* Vol. 1, *Review of the Department of Defense Competitive Strategies Initiative, 1986-1990*, Final Technical Report, McLean, VA: Science Applications International Corporation, November 30, 1990; and J. J. Martin, *et al.*, *The U.S.-Soviet Long-term Military Competition* Final Technical Report prepared for the Director, Defense Nuclear Agency, and Director, Net Assessment, Office of the Secretary of Defense, Vols., 1-3, San Diego, CA: Science Applications International Corporation, June 5, 1990.

## PART I

# HOW MIGHT COMPETITIVE STRATEGIES HELP AGAINST PROLIFERATION?



## CHAPTER 1

# COMPETITIVE STRATEGIES: AN APPROACH AGAINST PROLIFERATION

David J. Andre

International peace and stability and other U.S. interests are potentially threatened by the proliferation of strategic weapons—both advanced conventional systems and weapons of mass destruction (WMD), including nuclear, biological, and chemical (NBC) weapons, and missile-delivery systems. Policymakers have been responding to this difficult and complex challenge with a broad range of initiatives aimed at curbing both the incentive to obtain these capabilities (i.e., the “demand side”) and the availability of enabling components and associated technology (i.e., the “supply side”).<sup>1</sup>

Based on such matters as the experience gained in the Gulf War with Iraq, the related assumption that nonproliferation approaches may not succeed entirely, and the concern over limitations in U.S. force capabilities, the Department of Defense (DoD) has been pursuing counterproliferation, mainly by developing systems capabilities and exploring military response options as part of the Defense Counterproliferation Initiative (DCI).<sup>2</sup> A growing body of technical assessments, studies, and analyses indicates that implementing these measures will be operationally challenging, technically complex, costly, and—in some instances—not entirely feasible. Insights from war games are revealing here. For example, after nonmilitary actions fail to defuse a hypothetical but realistic crisis, experienced military planners and other participants typically see few to no good alternatives to high-risk military operations that offer the prospect of, at best, modest—and thus commonly politically unacceptable—chances of success. This has prompted

postgame comments such as, “Our political leaders must begin to act now so we never have to deal with this problem militarily.”

The authors of other chapters in this volume, as well as other commentators, have lamented the lack of adequate progress in dealing with the proliferation of strategic weapons through current nonproliferation and counterproliferation policies and programs.<sup>3</sup> Although necessary and even useful in most cases—and acknowledging occasional, if grudging, progress—these initiatives collectively have proven insufficient in achieving meaningful results.<sup>4</sup> They likely will not significantly impede, much less prevent, proliferation, and military counterforce response options undoubtedly will continue to require acceptance of often disconcerting levels of risk and uncertainty. Moreover, the problem augurs to worsen, if only because countries determined to acquire these capabilities have growing access to scientific, technological, and economic means to develop or simply buy them. We have won the (Cold) War yet are at risk of losing what might pass for peace in the new world (dis)order.

Perhaps it is time to try other approaches, not necessarily in lieu of but at least along with current pursuits:

- We could try to get ahead of the proliferation problem through more forward-looking, proactive strategic planning, instead of just reacting to it by (1) making heavy demands on the defense acquisition system (e.g., near-leakproof, active theater and strategic defenses against ballistic and cruise missiles); (2) relying on process- instead of results-oriented negotiations (e.g., the evolving nuclear deal between North Korea, the United States, South Korea, and Japan, and indefinite extension of the Nuclear Nonproliferation Treaty [NPT]); and (3) adopting individual initiatives piecemeal (e.g., item-level, technology-control measures).

- Instead of worrying about how to keep nonproliferation efforts from failing in the face of concerted exertions by proliferators determined to succeed and generally seeking to diagnose and ameliorate our assorted shortcomings here, we could develop strategies aimed at exploiting our strengths in leveraging proliferators' weaknesses and vulnerabilities.

- Instead of pursuing broadly formulated, even indeterminate, ends—which may amount to little more than just muddling through, buying time, and hoping for the best—we could seek to achieve more clearly defined and actionable goals.

- Instead of thinking and acting almost solely in relation to current actors and events in the context of the short- to (at best) medium-term future, we could adopt a longer-range view of the proliferation problem, including planning in relation to a set of not-implausible alternative futures a decade or more hence.

One candidate framework that meets these demanding criteria at least conceptually is “competitive strategies” (CS). These strategies call for thinking and acting strategically in a manner consistent with the view that the United States is engaged in a long-term competition with a broad assortment of proliferators—both acquiring parties and suppliers. Treating proliferation as a problem of long-term competition requiring a CS approach by the United States is not unlike what DoD did during the Cold War, *vis-à-vis* the Soviet Union.<sup>5</sup>

By design, however, these past DoD efforts were largely military: military-operational, military-technical, and military-economic. Looking ahead, we see a major role for the military in deterring attacks against U.S. territory, military forces, and overseas interests, and in hedging against and otherwise planning to prosecute active operations against dangerous proliferation-related threats.<sup>6</sup> But we need to conceptualize much broader, more multifaceted strategic approaches that will obviate—or at

least reduce—the need for direct military action or that will view the military as but one of a range of possible available tools of statecraft. Perhaps CS has something to offer here, as well.

## Background to Competitive Strategies.

In his *Annual Report to the Congress, Fiscal Year 1987*, Secretary of Defense Caspar Weinberger announced, “I have decided to make competitive strategies a major theme of the Department of Defense during the remainder of this Administration.”<sup>7</sup> Later that spring, he wrote, “Implementation of our overarching strategy of secure deterrence requires an array of strategies that capitalize on our advantages and exploit our adversaries’ weaknesses.”<sup>8</sup> So it was that Competitive Strategies for the Long-Term Competition with the Soviet Union—more simply, DoD Competitive Strategies Initiative—first came to public attention in 1986. But it has much deeper roots.

At the broadest level of national policy, discussions of U.S. strategy for competing with the Soviet Union began in the late 1940s, when our relations with the Soviets began to change fundamentally for the worse and there was little or no prospect of a favorable turn of events in the foreseeable future. Studied interest in systematic planning for competing with the Soviets over the long term waned until 1968, when Andrew W. Marshall replaced James Schlesinger as director of strategic studies at RAND.<sup>9</sup> Marshall’s quest for a framework for structuring and giving direction to RAND’s program of strategic studies led to his report, *Long Term Competition with the Soviets: A Framework for Strategic Analysis*, published in 1972.<sup>10</sup> This document was a seminal contribution to U.S. strategic thinking in the post–World War II era. It reflects the strong influence of Marshall’s interest, beginning in the early 1960s, in the subject of organizational behavior and in the efforts at the Harvard Business School to develop the field of business policy and strategy.<sup>11</sup>

Marshall concluded that what one saw immediately in thinking about U.S. relations with the Soviets was a continuing, essentially endless, military-economic-political competition. Consciously or not, we and the Soviets had implicit strategies for guiding our actions in this competition, within which each side tended to emphasize different things based on its respective appreciations of relative strengths and weaknesses. Moreover, this competition would proceed in the face of resource constraints on both sides. So our strategy for conducting the competition had to involve more than just trying to outspend the Soviets. We needed to be efficient in attaining our goals at less cost than the Soviets would incur in pursuing theirs. In addition, before deciding to acquire a particular weapon system in a given mission area, we had to raise a more important question: What is an appropriate and advantageous strategy overall, as well as for this particular area of the continuing competition? This inquiry led logically to a consideration of overarching, long-term U.S. interests and goals as to how the competition should evolve—its pace, scope, degree of stability, and ultimate outcome.

In context of the history of American strategic culture, this kind of thinking by Marshall and his colleagues raised a whole series of first-order questions that, although highly relevant, were seldom addressed by DoD and by the defense analytic community at large, which tended to emphasize relatively narrow, technical, systems-analysis kinds of studies. This, then, was the rich, pioneering intellectual tradition that Secretary Weinberger attempted to exploit, advance, and institutionalize when he launched DoD's Competitive Strategies Initiative in 1986.

Competitive Strategies: Concept and Methodology.

Worth considering in greater detail are the basic CS concept and the methodology devised to give it analytic utility.<sup>12</sup> As implemented in DoD, CS is both a process and a

product. As a process, it is a method of systematic strategic thinking that allows for developing and evaluating U.S. defense strategy in terms of a long-term competition. As a product, it is a plan of action (or a set of such plans) or simply a guide for helping the nation gain and maintain a long-term advantage in a particular competition.

The goal of CS was, through systematic, long-range, strategic-competition planning, to make the U.S. approach to the competition with the Soviets more efficient and effective to enhance deterrence and the security of the United States and its friends and allies. At bottom, DoD was seeking to contain the threat until, one hoped, things improved politically.

Methodologically, CS called for identifying and aligning enduring U.S. strengths against enduring Soviet weaknesses (the particulars here depended upon which part of the competition was of immediate interest and on the goals established for the competition). This necessitated employing a three-step, chess match-like methodology (three was considered the minimum) in a move/response/counter-response sequence in order to create a new or improved military capability in high-leverage areas, thereby gaining and maintaining the initiative, shaping the competition, and achieving particular competition goals. All of this was to be done in the context of a planning horizon that extended 15–20 or more years into the future. The notion of “enduring” strengths and weaknesses involved dealing with things that, by their very nature, were hard to change, at least in the near term to mid-term—thus the need to look out 15–20 years or more.

A “new or improved military capability” comprised one or more of the following:

- Policies and plans.
- Strategy (deterrent, force development, and/or force employment).
- Military doctrine, operational concepts, and tactics.

- Forces and organizational concepts.
- Training (individual-, unit-, and force-level).
- Hardware systems (platforms, munitions, and supporting systems).
  - Technology (improvements to existing systems and research and development [R&D] programs).

Given this robust list of options, including combinations, CS should not focus exclusively—or even mainly—on weapon systems or technologies. Indeed, a particular competitive strategy might not require any new resources to be effective in competing with the Soviets. It might only involve conceiving smarter ways of using capabilities and assets already in hand or programmed.

Developing “leverage” in the long-term competition involved finding ways to:

- encourage the Soviets to divert resources to less threatening forces or doctrine (e.g., defensive rather than offensive capabilities);
- get them to preserve forces we could defeat relatively easily (e.g., fixed-site air defenses);
- make existing Soviet capabilities obsolescent (i.e., impose costs; for example, by regularly modernizing our air forces);
- establish areas of enduring military competence (e.g., use our doctrine, operational concepts, technology, etc., to shape the competition);
- present unanticipated military capabilities with potentially significant impacts on the Soviets (i.e., take the initiative, shift the focus of the competition, and change the rules of the game);<sup>13</sup> and,
- make the Soviets uncertain about the effectiveness of major components of their military capability (e.g., doctrine, plans, existing equipment, Research and Development

(R&D) programs, etc.) or otherwise undermine their confidence in the expected outcome of their plans and programs.

Whether with regard to the former Soviet Union or any other competitor, CS planning and analysis must accommodate several important conceptual guidelines.

CS assumes that, like it or not, the competition phenomenon is essentially omnipresent and, in virtually all cases that matter, is ongoing and likely will continue—perhaps indefinitely. The only question is whether to acknowledge that we are already involved in a competitive dynamic of actions and reactions with one or more competitors and seek to shape future behaviors, events, trends, and the overall state of competition consciously, rather than unconsciously.<sup>14</sup> For example, even though the U.S. Army did not necessarily have CS-style Soviet reactions in mind when it adopted AirLand Battle doctrine and when it joined with the U.S. Air Force in the “Assault Breaker” program, the Soviets reacted nonetheless. They reacted, as well, to NATO’s follow-on forces attack (FOFA) concept and to various aspects of the U.S. Navy’s maritime strategy.

CS requires identifying a specific competitor or several competitors. In general, this was largely self-defining during the Cold War. However, right up to the time of the debunking of Soviet communism and the collapse of the empire it had dominated for much of the 20th century, Western experts were still debating whether the Soviet hierarchy was essentially monolithic or, as in pluralistic democracies, it comprised competing factions representing divergent points of view that our strategies could exploit.

The best competitor is reasonably predictable. For all of the dangers and other difficulties the Soviets presented as competitors, American policy elites widely believed and acted as though the Kremlin was largely inhabited by “rational actors” who would act responsibly



when it really mattered and in ways that the policy elites could anticipate. This notion was generally confirmed in the course of successfully defusing several major crises. Short of that, however, the history of Western intelligence and national security policy in the Cold War is replete with instances of the Soviets doing the unexpected—sometimes with major consequences.<sup>15</sup>

The most effective competitive strategy takes advantage of the competitor's enduring predispositions. This guideline requires understanding a competitor well enough to elicit a desired response that is also compatible with his basic values, interests, and objectives. To do otherwise is to work counter to human nature and thus to limit the predictability of the opponent's reaction. Insights into possible behavior of the Soviets were gleaned from their own extensive writings—including voluminous codifications of immutable "laws of war" and the like—as well as from the ever-expanding multidisciplinary corpus of knowledge and information generated by the massive Western intelligence effort over almost half a century. In addition, American strategists could always count on a seemingly congenital predisposition of the Soviets to paranoia and to a mutually reinforcing national inferiority complex when it came to their perceived need and ability to defend the homeland.<sup>16</sup>

Time is a critical factor that must be made a part of any competitive strategy. All advantages are transitory; their duration depends on the advantage sought and the opponent's willingness and ability to react. In addition, time is a matter of relative scale. Even as we seemingly were prepared to compete with the Soviets indefinitely, shorter time lines had to be carefully managed within the overall competition. The complex dynamics of the various subsidiary military-balance areas (e.g., artillery versus artillery, air versus air defense) testify to this practical reality.

U.S. policymakers could choose from among four broad alternatives in planning and managing the long-term military competition with the Soviet Union:

- The United States had the lead and needed to retain it (e.g., advanced technology in general; modern naval and air forces).

- At any given time, one side or the other enjoyed the lead, but the United States had to hold its own (e.g., tank technology; the overall armor/antiarmor balance).

- We had to cope with the Soviets' comparative advantage in a particular area by determining how to compete from a position of relative weakness (e.g., fighting outnumbered in the event of a war in Europe).

- Lastly, we could decide not to compete (e.g., large-scale Soviet investments in civil defense that we chose not to match). These basic but important ideas, as well as others that emerged as we gained experience, provided an essential basis in theory for understanding and conducting CS planning and analysis as it was formally undertaken by DoD in 1986.

Aside from the defining early contributions of Andrew Marshall and others to the theoretical and practical understanding of CS, these strategies were neither revolutionary (as some were suggesting) nor even new. Senior members of DoD and their closest advisors had pursued this kind of thinking over the years in several areas, even though at the time no one characterized it as CS. For example, Secretary Weinberger's Defense Guidance documents for 1981 and 1982—the first two years of the Reagan administration—made reference to “competing with the Soviet Union in peacetime.”<sup>17</sup> They stressed the idea of imposing costs on the Soviets, along with other goals that were to be pursued through CS. In his annual reports to Congress for FY 1987 and FY 1988, the secretary cited several historical examples of what were judged successful CS. Both the ability of U.S. bombers to penetrate Soviet

airspace and U.S. antisubmarine warfare (ASW) programs figured prominently among the cases mentioned.<sup>18</sup>

As a basic concept in strategic planning, then, and as both Secretary Weinberger and Andrew Marshall always were quick to point out, CS itself was not new. What was new about CS as DoD began to practice it in 1986 was Secretary Weinberger's decision to formally institutionalize the process by involving people at many different levels and by attempting to develop and implement CS in a deliberate, systematic, and thus more effective way than hitherto had been the case. He hoped that such an approach might lead ultimately to a fundamental change for the better in how the department thought about and developed the military component of U.S. national security strategy, structured its research, development, and acquisition (RDA) programs, and, more generally, arrived at key decisions as part of DoD's Planning, Programming, and Budgeting System (PPBS).

### Adopting and Adapting Competitive Strategies to Current Needs.

What, if anything, might all of this theory and both formal and informal historical practice have to offer in contemplating the post-Cold War future? In particular, how much—if any—of the original CS concept and methodology is suitable for use in waging an effective fight against the proliferation of strategic weapons? At first glance, there appears to be some good news. But there is some potentially bad news as well—or at least a few things that merit a closer look and probably some hard work to rationalize in the current context.

### Competitive Strategies Past and Future: Commonalities.

On the positive side of the ledger, policymakers, planners, and analysts do not need to begin with a blank slate. There are some important, immediately transferable,

or readily adaptable commonalities with past practice, such as:

- certain basic definitions and planning concepts, some already mentioned, and analysis tools and techniques;<sup>19</sup>
- the natural complementarity that exists between long-term competition planning and more traditional planning and management systems, such as—in the case of DoD—the PPBS and the Joint Staff's Joint Strategic Planning System (JSPS); and,
- the value of planning backward from not-implausible alternative futures that involve one or more proliferators fielding and even employing strategic capabilities against the United States or one of its allies or friends (of particular importance here for dealing with the proliferation of strategic weapons; this includes assessing the full range of military operational implications of such potential threats).

In seeking to draw on lessons from past practice, we must at the outset take good account of what may be implied by the conceptual guidelines introduced earlier.

CS assumes that, like it or not, the competition phenomenon is essentially omnipresent and, in virtually all cases that matter, is ongoing and likely will continue—perhaps indefinitely. As formerly, with respect to the Soviets, the question is whether we will acknowledge that we are already involved in a competitive dynamic of actions and reactions with various competitors—in this case proliferators—and seek to shape future behaviors, events, trends, and the overall state of the competition consciously, rather than unconsciously. The Israeli air strike against the Osirak reactor, the coalition's war against Iraq, and the U.S.-sponsored multilateral deal with North Korea involving its nuclear program are actions that we might reasonably expect to influence the future behavior of proliferators. The problem, to date, is that while some of our actions may be inducing competitor reactions that we might favor, all too often our approach to controlling

proliferation is inconsistent. For example, although the stated aims of current policies are generally supportive of our long-term security interests, in practice they often are subordinated to more short-term domestic and foreign political and economic goals whose pursuit works counter to the basic notion of competing consciously and effectively over the long term.

CS requires identifying a specific competitor or several competitors. Although we acknowledge the value of common policy guidelines, a one-size-fits-all strategy to counter proliferation would have to be so general as to be virtually useless in particular instances. Each case is unique—sometimes in nontrivial ways. Consider, for example, the fundamental differences in the challenges posed to U.S. interests and policy on proliferation by North Korea, Pakistan, Taiwan, France, Israel, and radical Islamic fundamentalism.

The best competitor is reasonably predictable. Given the broad range of national and elite psychologies represented by the full spectrum of current and potential future proliferators, this guideline appears to pose some real challenges. At the least, it would seem to suggest limiting expectations about what we can gain from subtleties in plans aimed at influencing the behavior of assorted “crazies” and others whose reactions may be hard to anticipate. We must remember, however, that Western policymakers only gradually came to believe that the Soviets were rational and, within limits, predictable. As Winston Churchill once said with characteristic insight and eloquence, Russian policy “is a riddle wrapped in a mystery inside an enigma.” He then proffered what turned out to be akin to the Rosetta stone in deciphering the Soviets’ logic well enough to deal with them effectively during the Cold War: “But perhaps there is a key. That key is Russian national interest.”<sup>20</sup> One suspects that this conclusion as well as all that derives from it retains its applicability—again, within limits—when dealing with proliferators.<sup>21</sup> Very importantly, we need not assume

rationality on the part of a competitor. We need only be able to reasonably anticipate his reactions because he has displayed fairly consistent preferences for certain modes of action.<sup>22</sup>

The most effective competitive strategy takes advantage of the competitor's enduring predispositions. This guideline argues for focusing on competitors about whom we already are reasonably knowledgeable, while gathering more intelligence and developing a better working understanding of the others. It also suggests exploiting opportunities where we now have leverage or can generate it quickly, such as those cases in which proliferators depend upon us for something that is important to them.

Time is a critical factor that must be made a part of any competitive strategy. Because competitors are unique, each may have a different perspective on the concept of time that we need to factor into our own strategic calculus. For example, the Soviets often were credited with taking the long view—seeing the “inevitable” victory of Marxism-Leninism as requiring perhaps decades or more to achieve. But what of those competitors whose operational time horizon includes the afterlife and glory achieved there through martyrdom in this life? Less teleologically—and to take competition goals as an example—in the short term it may be necessary as a practical matter to seek (with some urgency) to prevent certain dangerous proliferators from gaining access to nuclear weapons. Over the longer term, however, it may be sufficient just to contain them—as we did with the Soviet Union.

#### Competitive Strategies Past and Future: Dissimilarities.

On the other side of the ledger, some key differences exist between military CS against the former Soviet Union and a broadened formulation of competition planning involving assorted proliferators—differences that may

require major changes to past practice or entirely new perspectives and methods. These dissimilarities stem from the greatly increased uncertainty, complexity, and sensitivity that result from the following.

Expanding, perhaps substantially, the number of competitors. This includes both suppliers and recipients of strategic capabilities—both state and nonstate actors, starting now and extending into the future.

Increasing the number of instruments of policy at least theoretically available for prosecuting a competition. Even when it was largely confined to the military domain, CS planning and analysis proved quite challenging. Taking account of political, diplomatic, economic, psychological, and other factors, as well, portends to greatly increase the complexity of the task.

Competing in areas of interest for national security—not just with enemies but also with friends and perhaps even traditional formal military allies. It is a long way conceptually and analytically—as well as politically—from Iraq to, say, Taiwan and Germany.

Having to coordinate with a greater number of contributing and interested offices and agencies within the U.S. government and, as necessary, with selected non-U.S. players. Among other things, this calls for participatory arrangements that are inclusive and that facilitate close cooperation, coordination, and sharing of intelligence, yet allow for safeguarding sensitive national security information.

Having to choose from a much larger universe of possible competition goals, as well as having to manage the inevitable resulting increased frequency of inconsistencies and even conflicts among them. Developing and implementing effective strategies for fighting proliferation requires that everyone involved achieve a congruence of goals—seldom an easy task. For example, throughout the Cold War, there existed an

abiding, underlying—if seldom fully articulated—tension within the U.S. Government as to whether the overriding aim of policy should be to compete effectively with the Soviets or to seek stability in our relations with them.

Having to adapt and improve existing analysis tools and methods and create entirely new ones. Path-type, political-military simulation exercises and operational war games have proven helpful—within limits—in exploring alternative security environments for the future, including the possible nature of future war, and associated implications for policy. On the technical side, however, the suite of computer-based models that has evolved over the last several decades remains inadequate in helping military planners (as opposed to a few technical experts) understand the nature and implications of integrated (i.e., conventional and NBC) warfare.<sup>23</sup>

In sum, if seeking to employ the CS approach in planning against the proliferation of strategic capabilities, one can build on some important continuities with past practice. But one must also take into account many important differences.

## Planning Competition Strategies.

The object of strategy in general is to bring about some preferred end or state of being, including conditions that are most favorable to one's own side. But the crafting of strategy involves more art than science, so there is no generally accepted best way to do it.

## Elements of Strategy.

At the same time, one can approach the task usefully by applying time-tested principles and techniques. For example, any true strategy—including a competitive strategy—involves the pursuit of particular ends (i.e., aims, goals, or objectives) in relation to one or more identified competitors, threats, or a more general set of strategic



conditions. This necessitates employing various means (e.g., instruments of policy, including associated human, materiel, and financial resources) through a time-phased plan of some kind that rationalizes and integrates these various strategic elements in the manner in which it answers the question “How?”

In other words, a competitive strategy—like any true strategy—should provide a realistic, actionable explanation of how, over a given period of time, a particular set of steps will accomplish clearly stated, measurable goals for a given competition.

Experience in DoD with planning for long-term military competition with the Soviet Union reveals that having to focus on goals and on the How? question—the essence of strategy—causes one to think differently. It also raises very different issues and questions than might otherwise be the case, particularly when one contemplates long-term competitive futures. Among other things, it encourages taking charge of the future. That is, it helps offset the tendency to focus almost solely on current problems by identifying opportunities, exploiting them from a position of established strength, moving in chosen directions, and proactively shaping the competitive environment.

### Key Questions in Competition Planning.

People who participate in long-range strategic competition planning and analysis—whether with respect to competitors who are threats, friends, or allies—might profitably organize their thinking around certain key questions.<sup>24</sup>

1. What is the abiding context of U.S. strategy that any current strategy must comport with, and what major assumptions underlie and thus condition our strategic thinking about the future?

2. What is the evolving nature of the global strategic environment? What alternative futures are possible over the next 15–20 years?

3. Which alternative futures do we prefer? Which do we wish to avoid?

4. Who are our current and likely future competitors? Who are the key third parties?

5. What are our competitors' and key third parties' goals and their strategies for achieving them?

6. What is the current state of the competition(s)? What future states are possible, and which do we prefer?

7. What major problems, enduring weaknesses, and other constraints face our competitor(s)? What are their strengths?

8. In any and all cases, what are our time-phased goals for the competition—both overall and supporting?

9. What are our areas of advantage or leverage, including our enduring strengths, relative to the particular challenge(s) the competition poses? What are our limitations or weaknesses?

10. What basic capacities or core competencies do we need to develop, sustain, adapt, protect, and plan to leverage?

11. What strategies can we employ that will permit us to influence—or even dominate—key competitions and future trends and events?

12. What is the likely range of competitor and third party countermoves? How might we respond?

13. What are the implications for resource allocation, including priorities, trade-offs, and divestment?

14. How can we best balance the costs, risks, and opportunities that accrue to various alternative security futures and competitive strategies?

The perspective afforded and the mental discipline imposed simply by asking such questions not only enrich the planning process but also enhance the chances of developing an effective strategy.

Where from Here?

All of the aforementioned history, theory, and assorted basics of strategy and strategic planning may be well and good, as far as it goes, if only by analogy. But how might we proceed from here?

For all of the potential dangers and uncertainties that lie ahead (and we must not underestimate them), the present situation offers an opportunity to make a real difference in how we fight against proliferation—both preventing or at least modulating it, as well as countering it. We still have time to do it right—or at least to greater practical long-term effect. But we need to get on with it—and in a serious way. Competitive strategies may have value to add here—not just militarily, as was the case in DoD during the Cold War, but more broadly. To determine with greater specificity what that value might be, we should do several things:

- Go back to the beginning and think through the issue of strategic weapons proliferation from first principles, including basic definitions (e.g., nonproliferation and counterproliferation).<sup>25</sup>

- Ask what constitutes a strategic capability (including related technology), both now and as time unfolds—and why.

- Examine the existing body of literature on long-range strategic planning, including CS, and consider how the concepts, methods, and techniques discussed might have to be adapted to render them more relevant to the proliferation

issue. Be willing to conceive entirely new approaches as well.

- Build on existing trend analyses and threat assessments and add to the current catalog, looking at the near-term, mid-term, and long-term future.

- Select one or a few current and possible future proliferators (Iran and North Korea [or even a united Korea] might be good candidates), and begin to plan against them, employing the list of key questions provided earlier and adjusting the methodology as needed.

- Adopt the dynamic approach to planning. For example, give the proliferator credit for being at least as perceptive, resourceful, and adaptive as we are, and think in terms of action and reaction sequences—over the long term.

DoD experience in planning for long-term peacetime military competition with the former Soviet Union confirms that all of this is far easier said than done—much less done well. We must anticipate and plan for various forms of institutional resistance. Because we will find critical data lacking, we will need more and better intelligence. And we will require all manner of tough philosophical, technical, analytic, management, and policy judgments—including even the defining fundamentals (such as the basic assumptions and the specific competition goals to pursue).

Lack of an overarching strategic approach that is unambiguously goal oriented, forward looking, proactive, and anchored on a foundation of national strength makes the ongoing fight against the proliferation of strategic weapons more difficult than it otherwise might be. Viewing proliferation as a problem of long-term competition and adapting the traditional CS concept and methodology to strategic planning and analysis may offer a useful beginning in meeting this need. It is at least worth trying—and there is no time like the present.

## CHAPTER 1 - ENDNOTES

1. For a summary of the proliferation issue, including current U.S. policy responses, see Robert G. Joseph, "WMD: A Proliferation Overview," in William H. Lewis and Stuart E. Johnson, eds., *Weapons of Mass Destruction: New Perspectives on Counterproliferation*, Washington, DC: National Defense University Press, 1995, pp. 3–15.

2. See Mitchel B. Wallerstein, "Concepts to Capabilities: The First Year of Counterproliferation," in Lewis and Johnson, eds., *Weapons of Mass Destruction: New Perspectives on Counterproliferation*, pp. 17–25. The current official definition of the term counterproliferation is limited to WMD.

3. See especially Chris Williams "DoD's Counterproliferation Initiative: A Critical Assessment," in Henry Sokolski, ed., *Fighting Proliferation: New Concerns for the 1990s* Maxwell Air Force Base, AL: Air University Press, 1996; and Richard D. Fisher, Jr., "Building a More Secure Asia through Missile Defense," *Backgrounders*, No. 138, Washington, DC: Heritage Foundation, Asian Studies Center, October 24, 1995.

4. Problems with traditional approaches to nonproliferation and alternatives to them are examined by Lewis A. Dunn, "Proliferation Prevention: Beyond Traditionalism," in Lewis and Johnson, pp. 27–38.

5. A thoughtful treatment of the U.S.-Soviet military competition, including suggested means and methods for competing effectively, is presented in J. J. Martin, *et al.*, *The U.S.-Soviet Long-Term Military Competition*, Final Technical Report prepared for the Director, Defense Nuclear Agency, and Director, Net Assessment, Office of the Secretary of Defense, Vols. 1–3, San Diego, CA: Science Applications International Corporation, June 5, 1990. Volume 1, *Concepts*, describes the nature of the peacetime military competition, including concepts useful for understanding what was important in this competition and for developing strategies to compete effectively. Volume 2, *Planning and Analysis*, proposes a structured process for devising and implementing strategies for the long-term military competition, evaluates current analysis tools in terms of their adequacy to support competitive strategy development, and recommends improvements. Volume 3, *Appendices*, contains case studies and other background papers that supplement Volumes 1 and 2.

6. See, for example, Dunn, pp. 36–37.

7. Caspar W. Weinberger, *Annual Report to the Congress, Fiscal Year 1987*, Washington, DC: U.S. Government Printing Office, February 5, 1986, p. 87.

8. Caspar W. Weinberger, "U.S. Defense Strategy," *Foreign Affairs*, Spring 1986, p. 694.

9. Since the mid-1970s, Marshall has been the first and only director of the Office of Net Assessment in the Office of the Secretary of Defense.

10. A. W. Marshall, *Long-Term Competition with the Soviets: A Framework for Strategic Analysis*(U), RAND Report R-862-PR, Santa Monica, CA: RAND, April 1972. (Confidential; subsequently reedited and declassified)

11. See, for example, the many works on business competitive strategies by Harvard's Michael E. Porter, including *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: Free Press, 1980; and *The Competitive Advantage of Nations*, New York: Free Press, 1990.

12. The discussion in this section is adapted from David J. Andre, *New Competitive Strategies: Tools and Methodologies* Vol. 1, *Review of the Department of Defense Competitive Strategies Initiative, 1986–1990* Final Technical Report, McLean, VA: Science Applications International Corporation, November 30, 1990.

13. Whatever one may believe regarding the technical feasibility and the economic affordability of the Reagan administration's Strategic Defense Initiative (SDI), announced in 1982, former Soviet officials have said in recent meetings with U.S. analysts that they viewed SDI as a compelling competitive strategy. They were at least as concerned, if not more so, with unknowable but—in their view—inevitable, pathbreaking technical spin-offs from the massive SDI research program as they were with the United States achieving its stated goals.

14. Even as Secretary Weinberger was attempting to institutionalize competition planning in DoD in the mid-1980s, some officials and staff members in other departments and agencies of the federal government questioned the basic wisdom of characterizing the Soviets as competitors, much less planning accordingly.

15. Examples include the Soviet decisions to multiple independently targeted reentry vehicle (MIRV) their strategic nuclear missiles, invade Czechoslovakia and Afghanistan, remove the Berlin Wall, and dissolve the Soviet Union itself.

16. As *Pravda* often exhorted, "Defense of the Fatherland is the supreme law of life."

17. Department of Defense, *Defense Guidance, Fiscal Year 1981*(U); and *Defense Guidance, Fiscal Year 1982* (U). (Secret) Information extracted is unclassified.

18. Weinberger, *Annual Report to the Congress, Fiscal Year 1987*, p. 86; *idem*, *Annual Report to the Congress, Fiscal Year 1988* pp. 66–67. Refer also to Randall A. Greenwalt, David J. Andre, *et al.*, *Historical Examples of Competitive Strategies* Final Technical Report sponsored by the Office of the Under Secretary of Defense (Policy), Office of the Secretary of Defense (OSD), and prepared for Director, Competitive Strategies Office, OSD, Denver, CO: Science Applications International Corporation, March 23, 1991.

19. Analysis tools to support competition planning, including an evaluation of current tools and techniques, are discussed in Martin, *et al.*, Vol. 2, *Planning and Analysis*. For an assessment of the application of particular tools in the DoD Competitive Strategies Initiative, see Andre, *New Competitive Strategies*

20. Radio broadcast of October 1, 1939.

21. Stephen Peter Rosen of Harvard University has argued persuasively in private conversation that we can better understand and deal with even “crazy” actors by broadening our knowledge of their actual strategic—including noncrisis—behavior. Even as regards “noncrazies,” Rosen notes that the rational-actor model is limited by our ability to understand how others “calculate”—when they calculate at all. (Anyone may occasionally act on impulse.) In any and all cases, however, in Rosen’s view the key question reduces to: What are a given actor’s interests, what does he want, and what is the associated cost-benefit or ends-means logic?

22. Stephen Rosen brought this insight to my attention.

23. Tools to support counterproliferation planning and analysis are discussed briefly in Wallerstein, p. 21.

24. Adapted from Martin, *et al.*

25. Limiting the official definition of counterproliferation to weapons of mass destruction ignores the reality that, even if the spread of WMD were somehow controlled, advanced conventional weapons—some with WMD-like effects—and supporting capabilities will continue to present an even more rapidly growing threat to U.S. interests and military forces worldwide. Moreover, many of the military capabilities whose development now falls under the Defense Counterproliferation Initiative both predate the DCI and were and remain fungible across a range of conventional and nonconventional—including WMD—threats.

## CHAPTER 2

# COMPETITIVE STRATEGIES AS A TEACHING TOOL

Bernard I. Finel

Teaching Students about Policy.

One of the most difficult challenges facing faculty members in policy relevant disciplines is teaching students how to think about making policy. Certainly, professors are adept at explaining the ins and outs of the policy process. It is also easy enough to teach students about past policies and point out successes and failures. However, it is difficult to teach students how to devise policies which are both politically plausible and likely to succeed.

As a general rule, students at both the graduate and undergraduate levels fall into two traps in terms of thinking about policy. First, some students do not fully understand the context in which policy is made. They do not understand the cross-cutting pressures on decisionmakers, and have trouble assessing how given policy options affect interested parties. Second, many students are unalterably tied to the conventional wisdom. They confuse thinking about policy themselves with research on what people have recommended in the past. This reliance on conventional wisdom is pernicious and difficult to solve. Professors hoping to prepare their students for positions in the policy community must be able to communicate the conventional wisdom to their students. Analysts hoping to be successful must know what people are thinking and what are the bounds of acceptable opinion.

The proliferation issue provides a good example of the difficulty of teaching students about policy. On one hand, many students have difficulty understanding the constraints on proliferation policy. Although academics like



Kenneth Waltz and John Mearsheimer sometimes argue that the United States should either ignore or even encourage nuclear proliferation, advocating such policies is a sure way to be marginalized or worse in the policy community.<sup>1</sup> An academic program that allows its students to go out into the “real world” making such arguments is doing the student a fundamental disservice. More subtly, however, many students come out of policy programs believing that proliferation should be dealt with by using pre-emptive military strikes. This is a more acceptable option publicly, but is ultimately implausible for the United States simply because the American people are unlikely to accept a policy of unprovoked military attacks for moral reasons, especially when such attacks risk contaminating the vicinity of the target with radiation or chemical or biological toxins.<sup>2</sup>

By contrast, students whose professors and research are closer to the policy community often miss the forest for the trees. They are so focused on the details of the latest counterproliferation initiative of the Department of Defense (DoD), for instance, that they are unwilling to think about the problem of proliferation more broadly. These students believe that proliferation policy options are limited to those officially promulgated by the government or prominent research institutes.

Unfortunately, this division of would-be policymakers into those who are unaware of context and those who are completely tied to conventional wisdom hinders U.S. ability to develop effective and comprehensive policies to deal with proliferation. The key to dealing with policymaking in a complex world is to have a process for assessing the constraints and generating options. The competitive strategy (CS) framework is useful in generating new insights into policy options, and as a result is a valuable teaching tool for professors hoping to help students develop their ability to think about policy.<sup>3</sup>

## Policymaking: Art or Science.

One of the great debates in the study of politics is whether policymaking is art or science. Do successful policymakers have some sort of special insight? Or are they simply more organized and supported by better staff?

Although many observers see a particular genius in the actions of statesmen like Metternich, Bismarck, or Kissinger, it is difficult to derive pedagogical implications from this position. If successful policymaking is an artistic skill concentrated in few gifted individuals, then how do we teach about policy and strategy? Does it even make sense to have academic programs in both government and universities to try to teach the policymaking art?

Art education is, of course, an important part of a liberal arts background. However, advanced study in the arts is only usually open to those of great talent. Prospective students to film schools and music conservatories must present evidence of their talent before admission. Should policy programs require applicants to demonstrate their strategic skills before being admitted? The suggestion seems bizarre, in part because although we may on occasion argue that strategy is an art, we accept that it is also something which can be taught.

In addition, policy, unlike art, can be assessed by examining the process of its creation. A policy can be successful, but still be bad policy if it is based on flawed assumptions and an incomplete assessment of options. Under these conditions, we might argue that the policymaker was lucky rather than good, and not worthy of emulation. True art, by contrast, is mysterious. It comes from within, and we are more concerned with the final product than with the process of its production.

Teaching policy as art also raises the problem that there is no good way to assess competing positions. Do you prefer the Impressionists or the Grand Masters? Is that even a coherent question? How would one begin to answer it? We

see the problem in public policy debates all the time. Proponents of competing positions will appear on Sunday morning talk shows and go at each other for half an hour, at the end of which everyone still believes what they believed going in. There is no good process for assessing policy as art.

Finally, the problem with thinking about policy and strategy as art rather than science is that art is more difficult to teach than science. The core of science is the scientific method of gathering evidence, positing and testing relationships, and then trying to expand the resulting insights to encompass broader empirical domains. Science relies on developing testable and comparable propositions. This forces analysts to make their assumptions and procedures explicit. As a result, a scientific approach lends itself both to teaching and assessment.

That said, there is no one answer to a policy problem. Not only are outcomes dependent on the interaction of different actors' choices, but there is often the problem of incomplete or inaccurate information. Even if decisionmakers use a clear process for assessing their environment and developing options, they risk policy failure due to unforeseen circumstances. Just because it is possible to think of the policy process as a science of sorts, does not mean that policy can be precise or always successful.

Carl von Clausewitz's writings deal with this particular problem. For him the key problem in war is making decisions under conditions of stress and uncertainty. In response, he argued for a synthesis between art and science. For Clausewitz there is a sort of military genius, but it is not something people are necessarily born with. He argues that one can learn about military affairs, how to assess a dangerous situation, how to make decisions, and how to persevere in the face of the fog of war. The successful military leader, for Clausewitz, is one who is able to harness his natural abilities and bolster them through experience.<sup>4</sup>

Clausewitz's writings suggest the importance of experiential learning. Unfortunately, experiential learning

is difficult to promote in most contexts. Many professional schools and programs use simulations and gaming to some extent to teach students. Many business schools use case studies as a central teaching tool, and some international affairs programs integrate political-military games into their curriculum at the margins. Ultimately, however, cost and resource limitations mean that most teaching will occur within the classroom and outside the realm of experiential learning.

The alternative to experiential learning is to teach students a process for thinking about strategy and policy. The competitive strategy methodology is very useful to help students think through policy options.

### Competitive Strategy Methodology.

In contrast to traditional strategic planning, which is usually done on an *ad hoc* basis, and hence is susceptible to a variety of miscalculations and bad assumptions, competitive strategy is a systematic methodology designed to aid in planning for the future. Competitive strategy was developed to help corporations understand their environment, their own position, and the options they have to modify these two factors to improve their position.<sup>5</sup> The approach has now become common in business schools, and has been applied to international politics largely by a small group of analysts affiliated with the Office of Net Assessment in the Pentagon.<sup>6</sup>

In his original formulation of the approach, Michael E. Porter stressed the importance of firms understanding their comparative position in the marketplace. His approach rests on the assumption that market conditions vary considerably from sector to sector. What represents good performance in one sector, say a mature retail sector where 2-3 percent revenue growth per year is quite good, would be considered poor in the internet sector where the leading firms see revenue increases of 200-300 percent annually. Porter's main concern, however, was not with absolute

performance, but relative performance *vis-à-vis* both the market and competitors. For him, a market strategy was not geared toward either the market or competitors alone, but rather a successful strategy would examine the impact of actions on both. Furthermore, Porter stressed the importance of considering the strengths and weaknesses of both one's own firm and one's rivals, as well as the strategies and options available to each.

The competitive strategy approach was developed for a situation in which two or more firms compete in a given market. A market contains its own logic. Firms are *long-term* profit-maximizers. They compete for market share and returns on investment. Certainly, there may be some firms which fail to follow these goals, but they are likely to be eliminated from the competition rapidly. As a result, a marketplace is both self-regulating and self-reinforcing. In short, in a market, the goals of firms are inherently competitive. Certainly, there are some nonzero-sum outcomes, as with oligopolistic competition—such as situations where firms collude to keep prices high but even then, firms have little stake in the success of rivals since the collapse of other firms usually strengthens one's own position.

The competitive strategy approach was applied to international politics most successfully in assessing and managing the long-term competition with the former Soviet Union. To make the jump from market strategy to international politics, however, requires several key assumptions. The first assumption is that there is some sort of an overarching system or international environment in which all the relevant states exist. This is the equivalent of a given market or market sector. Second, using competitive strategy to plan for international politics assumes that there is some sort of on-going competition as exists inherently with firms in a marketplace. Third, competitive strategy makes fundamental assumptions about the nature of incentives and rewards in the international system.

Specifically, although there are possibilities of joint gains, states can also benefit from gaining at each other's expense.

Scholars of international affairs will note that the competitive strategy framework, therefore, makes many of the same key assumptions as neorealism.<sup>7</sup> However, the framework does not assume that the constraints are structural, but rather that the competitive system is fundamentally actor-generated as in some constructivist accounts of international politics. As a result, the competitive strategy framework for policy analysis is complementary to much of the existing theory about international politics. This is consistent with Porter's original intention of blending traditional, case study-style business analysis with more conceptual and rigorous findings of industrial economics.

The CS framework clearly differentiates between industry or system structure, and the unit level attributes of states and firms. The causal links between the two are bi-directional, and strategy mediates the effects of firm behavior on industry structure and of industry structure on state options. Strategy, in this context, is therefore not reducible to a simple set of rules. Strategy, in the CS framework, is dynamic and changing.

These points can best be explained by applying competitive strategy to international politics as discussed by David Andre in his important article on this subject. Andre has derived fourteen sets of questions.<sup>8</sup> They can roughly be divided into three groups: questions about the international system, questions about the individual or unit-level attributes of the competitors, and questions about strategic choice and strategic interaction.

Without a methodology for providing answers, CS is not a useful tool for strategic planning or for teaching about policy. Students need to be taught precisely how to assess the relevant factors in each of the three levels of analysis. Ultimately, the single greatest limitation on using CS as a teaching tool in the foreign policy area is the lack of

methodologically self-conscious work in the field. This is particularly problematic because many of the key terms in CS as applied to international politics are vague. CS requires analysts to examine the nature of the global strategic environment as well as the proclivities, strengths, and weakness of states. Experienced analysts may be able to address such issues effectively, but most students will need more guidance to use CS effectively.

The following sections build on Andre's work by addressing methods for answering his questions. Both strategic planners and academics hoping to use CS as a teaching tool must consider systemic ways of answering questions about competition and strategy. Asking the questions is merely an important first step. However, since the CS framework does suggest certain key questions, it also allows us to think systematically about how to approach planning for an on-going competition. Analysts should also draw upon the vast body of scholarship on international politics to help structure their answers to the CS framework. The following sections suggest some of the relevant literature.

### Understanding the International System.

When we speak about industry structure, there are a set of easily definable variables to examine. The four key questions firms face in assessing their environment are: (1) How many firms are competing in a given industry?; (2) Are the barriers to entry for new firms high or low?; (3) Are significant economies of scale possible?; and, (4) How strong is the threat of substitute products or services?<sup>9</sup>

If there are many firms, low barriers to entry, few economies of scale, and a significant threat of substitute products, we can expect the market to approach perfect competition, and profit margins to be relatively low. Industries with few firms, high barriers, large economies of scale, and no substitute products often lead to oligopolies or monopolies and high profit margins.

At this point we do not have analytical tools to assess international politics with the same degree of precision. Furthermore, since there is no common goal of nations equivalent to the role of profits for firms, it is more difficult to provide generalizable linkages between international structure and policy outcomes. That said, however, it is possible to discuss some basic variables in the international system and how they affect specific policy options.

When we speak about international structure and structural variables, we are discussing factors which persist and are not immediately changeable by state decisions. System structure does change, and states can, through their choices, modify the international system. However, this takes a long time, usually 10-15 years at a minimum.

In trying to define the international environment, we can specify a few key variables. The first variable to consider is the number of important actors active on a given issue. When speaking of the international system as a whole, this variable is usually referred to as polarity. Scholars of international affairs have suggested that polarity is linked to alliance behavior, the likelihood of war, and balancing behavior.<sup>10</sup> In addition, scholars have suggested that the number of actors affects the possibility of cooperation, although the effects are conceptually ambiguous.<sup>11</sup> Many observers have identified the bipolar nature of the Cold War as being an important variable in explaining both its substance and persistence over nearly 45 years.<sup>12</sup> The second variable is the presence or absence of functioning international institutions.<sup>13</sup> Although some scholars have argued that institutions are largely irrelevant, or at least that they are likely to fail under any sort of major stress, most issues in the world today are governed by some sort of international institutions. Institutions can be formal organizations such as the United Nations, or implicit or explicit rules of behavior such as the Non-Proliferation Treaty (NPT) regime. International institutions can serve as a significant source of power in the international system, and states need to assess whether and under what



conditions they can use regimes to leverage their own resources. The United States, for instance, has long used the formal institution of the North Atlantic Treaty Organization (NATO) as a way to increase its power and influence in Europe.

The third variable, particularly in security relations, is the utility of force in the international system. At a structural level the utility of force is constrained by the offense-defense balance, which is the perceived or real advantage of either offensive uses of force or defensive uses of force.<sup>14</sup> When defense is dominant or seen as such, force is less usable. When offense is dominant, not only is war more likely, but such secondary effects as arms races and pressures for preemption also occur. The utility of force, however, is also affected by the existence of norms, that is, definitions of appropriate behavior defined in terms of rights and obligations. Norms are important in determining whether states will be able to legitimize uses of force. Saddam Hussein's failure to heed the global norm against unprovoked aggression allowed the United States to build the coalition against Iraq during the Gulf War.

The fourth variable is the existence of a dominant understanding of strategy. Like norms, strategic thinking is an ideational variable, but unlike norms it does not necessarily contain a definition of rights and obligations. Rather, strategic ideas often reflect shared beliefs about states' definition of interests. The general acceptance of mercantilism in the 17th century is an example of shared strategic thinking functioning as a structural variable. Mercantilism posited that economic relations were zero-sum; this is distinct from the currently dominant school of neo-classical economics which sees trade as positive-sum by definition.

These four variables largely define the international system. By examining these variables, strategic planners can begin to assess three sets of issues. First, the structure of the international systems helps planners assess their

own interests. When offense is dominant, for instance, planners need to worry about the threat of attack more than when defense is dominant. Hence in an offense-dominant world, "hard" security concerns take precedence over "softer" issues such as economics and individual welfare. Second, similarly, the international system helps planners understand the interests of other states. Third, the structure of the international system helps planners understand some of the factors which either help or constrain specific policy instruments. When force is perceived as being less legitimate, for instance, it behooves planners to consider the political ramifications of using force as well as the military effects. Ultimately, students and analysts must determine for themselves which variables they consider important in determining system structure, but it is imperative that they do so explicitly and with a clear understanding of how their variables interact to create constraints or incentives for states.

#### Unit-Level Variables.

When looking at unit-level variables in firms, Porter suggests the importance of examining sustainable areas of competitive advantage. Porter observed that profitability is related directly to cost and price issues: How cheaply can the firm produce a given good or service, and how much can it charge for that good or service? To be profitable, firms must develop a strategy that either allows them to produce goods and services less expensively than their competitors or allows them to distinguish their goods and services from their competitors'. This differentiation allows firms to charge a premium for their unique products. Porter also stresses the importance of thinking strategically about how a firm can improve its position over the long term.

For states, the analytical framework is much more complex. Not only are goals varied, but it is difficult if not impossible to specify strategies fruitfully *a priori*. Nevertheless, the CS framework does suggest a series of

unit-level variables to consider when assessing the state's position and goals.

The first variable is the nature of the state's goals. Ideally, a strategic planner should be able to develop a hierarchy of goals for the state. The difficulty occurs because states have goals across a wide range of issues and *vis-à-vis* a large number of other actors. It may be possible to harmonize preferences, although this is rarely done in fact, in part due to the diffuse nature of policy formulation in modern, bureaucratic states. Furthermore, if each issue has a fall-back position, then the situation becomes more complex. CS requires a consideration of the full complexity of competing primary and secondary goals.

For instance, in the case of the U.S. intervention in Kosovo, American leaders decided that given a tradeoff between good short-term relations with Russia and stopping Serb aggression, it was more important to secure the latter than the former. However, this decision relied on two important assumptions: (1) U.S. intervention would stop Serb aggression, and (2) relations with Russia could be repaired at some point in the future. But what if the U.S. intervention was incapable of restraining, or unlikely to stop, the Serbs? What if intervening against Serbia led to a long-term rupture in U.S.-Russian relations? In both issue areas, it is easy to specify a set of transitively ordered preferences, but developing contingent preferences, and then weighing the likelihood of various outcomes to produce an expected utility based preference ordering is extremely difficult. Nevertheless, sound strategic planning must begin by trying to define goals on issues and toward actors which interact as a first step to developing a comprehensive matrix of preferences.

The second variable is the state's resources. Traditional, realist analyses of international relations focus on the concept of "power" as an important variable. This approach sees power as a commodity or basket of commodities, for instance, military power or economic power. This approach

can be criticized on three fundamental grounds. First, to the extent that power has demonstrable effects on behavior, the concept must be thought of in terms of social relationships. The raw resources which support power are only effective in specific political contexts over a limited range of issues. Second, since power has a contextual element, it is probably less fungible than the commodity approach suggests. Third, since power has a social aspect, the concept of power can be expanded into the realm of soft power, that is, influence flowing from cultural or social attraction, leadership by example, and the power of persuasion.<sup>15</sup> This more complex notion of power ultimately provides leverage into understanding the sorts of strengths a state brings to bear on a particular competitive relationship. Kenneth Timmerman's interesting recommendations on policy toward Iran are a good example of the sort of complex thinking the notion of power suggests.<sup>16</sup> He points to the importance of democracy as a tool in the U.S. foreign policy arsenal. Not only is democracy a persisting source of strength for the United States socially, it is also a source of power *vis-à-vis* nondemocratic states through the power of cultural attraction. Democracy sells, and to the extent that supporting democracy allows the United States to undermine hostile elites, it becomes a lasting source of power.

This notion of power is also related to Porter's focus on enduring sources of strategic advantage and core competencies. What is a strategic advantage or core competency other than power? Clearly the concepts are linked. As a result, it would be fruitful for students of international politics interested in applying the competitive strategy approach to delve into the rich literature on the sources of power between states. The goal of this review would be to consider how different types of power interact with one another. Ultimately, strategic thinking must aim to develop a typology of power resources organized by utility in different strategic contexts and across different substantive issues. Although branding is a powerful

competitive strategy for businesses, its utility is ultimately determined by such issues as whether products are differentiable, substitutable, and fungible. Sometimes branding is the wrong approach. Similarly, in international politics, military power is a useful tool, but will play virtually no role in international trade negotiations between close allies. To be useful, however, this sort of assessment of the utility of various resources must be systematic rather than idiosyncratic. Knowing that power is context specific is a basic requirement of a CS approach, but it is not sufficient.

Developing a typology of the utility of various instruments of influence allows analysts to begin to think about how states can change their competitive positions. Focusing on core competencies can have the unintended consequence of inhibiting effective planning. Core competencies are not just extant capabilities but also potential ones. Therefore, analysts and policymakers must think not only in terms of existing strengths but also in terms of potential strengths. But the desirability of these potential strengths is itself a function of the previously described assessment of the utility of various power resources in different contexts and *vis-à-vis* the resources of competing actors.

The notion of developing new core competencies suggests the importance of time as a key element in strategy. The question for strategists is whether they can develop dominant resources faster than opponents can develop countermeasures. The U.S. military already thinks in these terms. Speeding up the observation, orientation, decision, action (OODA) loop is a central factor in military strategy and rests at the core of the current revolution in military affairs (RMA). OODA loops also exist in business planning, and at the national strategic level. The CS approach to international politics is useful in orienting analysts to think about time as an element of strategy. Unfortunately, there is virtually no existing literature about how states' core competencies change over time,

whether these changes can be affected by deliberate decisions, or the factors which either speed or slow the OODA loop at the national strategic level.

This lack of conceptual work on core competencies at the national level makes CS difficult to use as a prescriptive tool, but its utility can be demonstrated through its use as an explanatory framework. For instance, the German decision to develop a sea-going fleet prior to World War I can be seen as an attempt to shift Germany's core competency from land power to naval power in the hopes of modifying the balance of power toward Great Britain. However, the British had both the resources and expertise to stay a step ahead of the Germans in the naval race, first by developing the *Dreadnought* class battleship and then by accelerating their own construction programs in the face of the German challenge. For Germany, hemmed in by British naval power but desiring a larger role in the world, shifting the competition was potentially a reasonable policy. However, Britain's existing strength in the naval arena and rapid strategic OODA loop made the German policy counterproductive.<sup>17</sup>

Germany's failure resulted, in part, from her leaders' misunderstandings about Britain. Britain, for both historical and ideological reasons, was particularly likely to respond strongly to a challenge to her naval dominance. Although British leaders were willing throughout the latter part of the 19th century to make concessions to potential rivals, they never made important concessions on any issues which threatened British naval supremacy. In short, the British had an existing propensity to try to appease potential rivals, but not in the naval arena.

The understanding and manipulation of propensities is at the core of CS. The goal of CS is to leverage your strengths against an opponent's weaknesses, and force them into a costly competition. This was precisely the notion behind the development of SDI as a competitive tool against the former Soviet Union. The former Soviet Union had a lasting

propensity to try to match the United States symmetrically in arms competitions. This propensity was a result of Soviet lessons of the past (particularly the Cuban Missile Crisis), ideology (the importance placed on being seen as a “leading” power), and bureaucratic politics (the strength of the military-industrial complex within the upper echelons of the Soviet state). Pushing the Soviets into a high-tech arms race forced the former Soviet Union to compete in areas of weakness compared to the United States. Not only did the United States have a more advanced and robust technological base, it had a much larger economy and was better able to bear the strains of a costly military build-up.

There is an extensive developing literature on national propensities. Many scholars are currently examining the topic of “strategic culture.”<sup>18</sup> The work in this area is well positioned to inform students using CS about how to assess and study the strategic propensities of states.

### Strategic Choice and Strategic Interaction.

Having discussed international or systemic constraints and the domestic attributes which bound long-term competition, it is important to consider the linkages between the two. In this regard it is useful to remember that the key insight of strategic thinking is that policy choices interact to create outcomes which none of the actors individually preferred or expected. The notion of strategic interaction makes clear that outcomes are a function of how preferences interact rather than individual choices.

This insight is perhaps most keenly illustrated in the work of Thomas Schelling.<sup>19</sup> Schelling has been maligned unjustly for the role his notions of signaling played in the development of strategy during the Vietnam War. Although it is quite easy to misuse game theoretic approaches to politics, Schelling’s work and those of other analysts using similar methods remain an important contribution to thinking about strategy. His work highlights the role of

interaction effects, unintended consequences, and communicative issues on strategic outcomes.

In many ways, the CS approach requires a thought process similar to the game theory and rational choice approaches to politics. In both cases, analysts must try to specify preferences and strategic options. Game theory pushes the logic further by demonstrating how different patterns of preferences and choices lead to different outcomes, some of which are individually rational but collectively irrational. A properly done CS analysis will resemble a game theory model even if it is written in prose rather than formalized with mathematics.

In particular, CS required the development, at least implicitly, of decision trees listing options and expected countermoves. Certainly, CS does not require formalized utility functions, and mathematically derived equilibria, but a decision tree would help clarify expected outcomes.

### Competitive Strategy as a Pedagogical Tool.

The competitive strategy approach is clearly a powerful tool of analysis. It provides a comprehensive set of questions to consider in policy planning and, when applied to international politics, is suggestive about methods and issues to consider in answering these questions.

Teaching students about policy is extremely difficult. Students, as a general rule, prefer to think about policy as either a process with clearly definable steps and rules, for instance, the federal budget process, or in terms of ideal policy preferences. The problem in teaching about policy is to make students aware of how the process affects the desirable. Students and other observers are often too critical of existing policy. Being outside the process, they have difficulty conceiving of the cross-cutting constraints on decisionmakers at each stage of the policy process. However, students are also too prone to accept the



conventional wisdom, which is often neither imaginative nor textured enough to incorporate complex value tradeoffs.

The CS framework, because it is a formalized methodology, forces students to think through the broader pressures and opportunities on policy. It ultimately serves an integrative purpose. This is particularly useful for cases in which stakes in a given policy area are scattered among different groups. For instance in the proliferation area, the counterproliferation community around the DoD tends to focus almost exclusively on either military counterproliferation (the use of force) or on mitigating the effects of proliferation through passive and active defense measures. By contrast, the arms control community sees the proliferation problem as one of international law and verification. Given the existence of two competing camps with different core assumptions about preferred outcomes and policy instruments, it is easy to see why non- and counter-proliferation policy is so difficult to make and understand, and why courses on this topic tend to be so unsatisfactory.

By applying a CS framework, professors can force students to engage in a rigorous consideration of constraints, options, and strategic interaction effects. Although students may object that the CS framework forces them to examine issues which seem to be outside the scope of their interests, the method of inquiry is as important as the ultimate findings.

The CS framework also suggests the importance of thinking about constraints, options, and strategic interaction in a conceptually and empirically valid manner. Providing a check list of questions is merely a first step. Unless there exists some sort of process to answer the questions in a generalizable way, the questions themselves are unlikely to serve as a fruitful prompt to creative thinking. Michael Porter's goal in developing CS was to link existing thinking about business strategy to the findings of rigorous academic economists. Similarly, in the political

sphere, CS provides a useful way to integrate theory with policy concerns.

Ultimately, a course using CS to examine a policy issue might be organized around a methodological discussion of CS, followed by case studies, country briefings, team exercises, and presentations. The methodological discussion would seek to examine CS as an analytical tool and introduce students to the key concepts and questions. The case studies in CS would present students with a series of policy recommendations and ask them to use the CS framework to critique the policies. The country briefings would be designed to help students work through an assessment of a country's goals, strengths and weaknesses, and propensities. The team exercises would serve the purpose of having students "red team" each other's analyses.

Conclusions.

CS is a useful tool for teaching students about policy and strategy. Although the existing materials are more geared toward professionals than students, it is possible to bolster the existing literature with classroom discussions and exercises and with the large body of scholarship on relevant international issues. CS holds promise in helping students to think about developing plausible policy options without falling into the trap of uncritically accepting conventional wisdom.

## CHAPTER 2 - ENDNOTES

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15. The concept of "soft power" is most closely associated with the work of Joseph S. Nye, Jr. See, for instance, *Bound to Lead: The Changing Nature of American Power*, New York: Basic Books, 1990, pp. 29-35.

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## PART II

### HOW COMPETITIVE ARE U. S. EFFORTS AGAINST PROLIFERATION?

## CHAPTER 3

### NONPROLIFERATION: STRATEGIES FOR WINNING, LOSING, AND COPING

Henry D. Sokolski

Nonproliferation.

It is difficult to engage in a serious debate over nonproliferation. In fact, most people, even officials from nations that proliferate, claim they support it. They might disagree about whether or not a specific case (i.e., their nation's activities) constitutes a serious proliferation threat but will insist that any effort to achieve nonproliferation is a good thing. There are, of course, those who might take exception to these views, particularly academics who contend that proliferation might actually be good, but this view is generally dismissed by practitioners as being, well, academic.

This chapter will take on this set of views directly. It will challenge the notion that any initiative aimed at nonproliferation is good *per se* but will do so without arguing that proliferation itself is good. It will do so by distinguishing between winning, losing, and coping at nonproliferation and by arguing that only winning strategies are capable of securing nonproliferation success.

Winning.

Not all national nonproliferation initiatives are created equal. Some actually help curb strategic weapons proliferation or roll it back where it once existed. Others fail to achieve their goals, and others still actually compound the proliferation problems they were intended to curb.

Successes, though, do occur. Here, recent U.S. efforts to get Ukraine to surrender its nuclear arsenal and to have South Africa and Argentina terminate their indigenous rocket programs are good examples.

These successes were no accident. Attributes common to each included (1) setting high goals (nothing less than the abandonment and renunciation of the proliferation activity targeted), (2) early planning, and (3) leveraging U.S. and allied economic, political, and military strengths against the enduring weaknesses of the parties proliferating.

In none of these cases was any proliferation activity or project grandfathered. Instead, South Africa was asked to terminate its rocket program. Argentina destroyed the key components of Condor II along with the program's related manufacturing equipment and the United States asked that Ukraine surrender all of its nuclear weapons.

Early planning also was clearly present. With Ukraine, the Bush administration began analyzing what might be done with the world's third largest nuclear arsenal months before the Ukraine even voted for its own national independence. Just as important, the United States initiated and completed talks with Russian and Ukrainian officials on denuclearization before Ukraine's military ever gained full control over the former Soviet Union's weapons systems.<sup>1</sup>

In the case of South Africa's civilian rocket program, the U.S. Department of Defense (DoD) commissioned a RAND Corporation study on the unprofitability and proliferation risks of such a space launch program 2 years before the South African project became known to American intelligence. Because RAND began briefing its study well before the United States sanctioned South Africa, this analysis was not only able to shape America's response to South Africa's rocket program (which was at the time little more than a paper study), but South African policy as well.<sup>2</sup>

Similarly, with the Condor II program, Washington acted on the very earliest intelligence reports in 1983, well before it had irrefutable proof—e.g., photographs or rocket tests of the program. The U.S. military understood that if Argentina successfully cooperated with Egypt and Iraq that Israel, the Gulf Cooperation Council (GCC) members, and allied expeditionary forces would all be threatened with a missile they had no effective defenses against. Efforts to block the Condor II project commenced almost immediately. The United States worked with Germany and France to cut off the supply of key components. Others conducted covert operations against the project's European organizers. Beyond this, the U.S. Customs agents caught Egyptians trying to spirit illicit missile components for the Condor II program out of the United States. High-level U.S. officials confronted Egyptian President Mubarak with this information and got him to promise to end Egyptian participation in the project in 1989.<sup>3</sup>

Finally, in all of these cases, the United States and its friends leveraged their comparative economic, political and military strengths against the key weaknesses of targeted proliferators.

In Ukraine's case, the United States and the North Atlantic Treaty Organization (NATO) nations exploited Ukraine's eagerness to receive U.S. and Western financial and political support as a hedge against Russian political and economic intimidation. The United States and Russia also made it clear that Ukraine lacked the wherewithal to make their strategic nuclear forces anything more than a provocative, vulnerable target. As such, Ukraine willingly bargained for generous Western aid and indirect security assurances in exchange for giving its weapons up for dismantlement. Both the transmission of Western aid and information on Ukrainian force's vulnerability were actively orchestrated by the United States.<sup>4</sup>

With Argentina's Condor II rocket program, the United States leveraged its ability to supply Menem's democratic,



civilian government with what it needed to strengthen its rule in exchange for the program's termination. First, Menem was anxious to gain respectability after Argentina's military dictatorship, the Falklands fiasco, and the Alfonsín government's embarrassing obsequiousness before the Argentine military. What Menem needed was to show the Argentine military (who had secretly launched the Condor II missile effort with Iraq) that his civilian government was their only hope to reestablish needed military-to-military contacts with the United States and critical U.S. A-4 aircraft and parts. He also was keen to gain access to Western financial markets in order to privatize Argentina's faltering economy. The Bush administration sided with Menem and supplied him with what he needed (including detailed intelligence on the Condor II program, which his own military had kept from him). The leverage worked.

Finally, in South Africa, both whites and blacks mistakenly assumed that the government could make money launching other countries' satellites if it developed an intercontinental-ballistic-missile-capable rocket of its own. Cash-strapped to upgrade the black majority's living standards and eager to expand markets for its arms and aero industries, South Africa could hardly afford the missile technology sanctions that the United States had imposed. Rather than lift the sanctions for South Africa's importation of Israeli rocket technology though, U.S. officials presented their own analysis (prepared by RAND several years before) of how South Africa would lose money if it persisted in the project. More important, the U.S. officials encouraged the International Monetary Fund (IMF)—an organization from which South Africa would soon have to borrow billions of dollars—to reinforce this point, by threatening to reduce its extensions of credits if Pretoria persisted in funding the rocket program. Finally, U.S. officials suggested that Pretoria try to finance the project privately. Cornered, South Africa officials took up this challenge and after a year of fruitless efforts to find private financial backers, killed the project.<sup>5</sup>

Losing.

In contrast to these successes—which entailed high goals, early planning, and effective leverage—national nonproliferation policy failures are far less considered. Indeed, they can be so ill-conceived that they can actually compound the proliferation threats they are supposed to curb. Here, perhaps the best example is Eisenhower's Atoms for Peace Program. Launched in 1953, the program was designed to help cap Soviet nuclear weapons material production and steer other nations from ever acquiring enough weapons to wipe out 100 or more U.S. military industrial centers. Unfortunately, the threat Atoms for Peace was designed to address rested on an antiquated World War II premise that what the United States needed most to prevail in war was its military-industrial mobilization base. Preoccupied with this obsolete World War II concern, the Atoms for Peace Program failed to consider the relative vulnerability of our defenseless air-atomic forces or to anticipate the kinds of catalytic and accidental wars that would become more likely if other nations merely acquired a handful of nuclear weapons.<sup>6</sup>

Egregiously focused on the past, the program's nuclear safeguards goals were also set dangerously low (their key objective was to prevent the diversion of *large* stockpiles of nuclear material, stockpiles large enough to field forces that could decimate 100 American cities). More important, rather than leverage smaller nations' interest in receiving nuclear aid to secure truly effective nuclear safeguards, the program was too casual about what it shared (marketing not just nuclear science, but plutonium production technology and equipment). It also was inattentive as to whom it shared this technology with (not just with major European military allies, but too with smaller countries who were far less certain about their security, e.g., India, Pakistan, Algeria, Israel, Libya, South Korea, Taiwan, Iran and Iraq).<sup>7</sup>

Although this example is extreme (along with Eisenhower's Space for Peace Program, which followed Atoms for Peace), it is not without recent corollaries. Consider America's current nonproliferation efforts with China, Russia, North Korea, and India. Here again, billions in space and nuclear cooperation have been offered (to the very government-sponsored entities U.S. intelligence has identified as the worst proliferators), all in exchange for promises of better behavior. Past proliferation activities (e.g., the Indian and North Korean "peaceful" nuclear programs, questionable Chinese and Russian nuclear and rocket exports, etc.) are grandfathered, and in each case, the United States and its friends have pleaded with each proliferator to join or adhere to the Nuclear Nonproliferation Treaty (NPT), the Missile Technology Control Regime, the Comprehensive Test Ban Treaty, the Chemical Weapons Convention, or the Military Fissile Production Cut Off, only to discover that the value of such pledges is, at best, nominal.<sup>8</sup>

Thus, in contrast to winning strategies against proliferators, the first attribute of failing is the poverty of one's goals. Indeed, implementing failing strategies against proliferation only produces more disappointment or defeat: Bad proliferation behavior is grandfathered or rewarded with strategic technological transfers for new nonproliferation pledges that are rarely, if ever, upheld .

Second, unlike winning, losing strategies consistently fail to gauge or anticipate the threats they are designed to address. Instead, they almost always react to compelling evidence of proliferation activity well after it has occurred. This is true whether it concerns the production of nuclear weapons material in North Korea and Iraq, the development of missiles (e.g., Chinese and North Korean help to Pakistan's rocket programs and Russian, North Korean and Chinese missile assistance to Iran), or the clear violation of previous nonproliferation promises (as with Russia on missile assistance to Iran, Chinese nuclear and

missile pledges concerning Pakistan, or North Korean nuclear pledges under the NPT).

Finally, losing strategies, unlike winning ones, fecklessly pit U.S. and allied weaknesses against proliferators' enduring strengths.<sup>9</sup> The United States and its friends might threaten to sanction proliferators for violating their nonproliferation pledges, but they are unlikely to follow through. Indeed, commercial, liberal democracies are more inclined to make money and friends than to jeopardize either by imposing penalties against others. Proliferators, unfortunately, know this and are all too willing make demands against the United States and its friends for money (IMF and other international loans—as with Russia and India), strategic technology (advanced computers, satellite launches, nuclear cooperation—as with Russia, India, North Korea, China and, in the 1970s, Iran and Iraq), relief from current sanctions (e.g., Iran, Iraq, India, and Pakistan today), or greater political consideration (North Korea, India, and Pakistan).

Winning strategies, in contrast, get those supporting nonproliferation to leverage their comparative strengths—e.g., their financial prowess, superior ability to project military force, the attractive qualities of their liberal democratic forms of government and market economy, etc.—against proliferators' enduring weaknesses—e.g., deficiencies in hard currency reserves and popular domestic support, dysfunctional economic systems, lack of strong alliance partners, etc).

Coping.

Given the popularity of losing and the rarity of winning against proliferation, a series of efforts called counterproliferation has been developed within the DoD to help cope.<sup>10</sup> The presumption of this approach is that despite our best efforts, nonproliferation will fail to curb the proliferation activities of the most determined proliferators. Although counterproliferation is willing to countenance

efforts to delay and dissuade proliferators through export controls, sanctions, and diplomacy, its main focus is on militarily deterring, preempting, and defending against proliferators and their threats to use chemical, biological, and nuclear weapons and the missiles to deliver them.<sup>11</sup>

Putting aside the considerable financial, political, and legal challenges that counterproliferation's promotion has faced,<sup>12</sup> this approach has several clear advantages over losing. First, if its goal is low—limiting the damage that our military forces might suffer from what strategic arms proliferation that has already occurred—it is nonetheless a necessary and useful military mission that complements what the military already does. Certainly, the United States and its allies must be prepared militarily to cope with a number of nations that have acquired chemical, biological, or nuclear weapons and long-range missiles (e.g., Iran, Iraq, North Korea, Libya, and others) with active and passive defenses and, in war, with the ability to strike offensively at threatening weapons facilities and arsenals.

The notion that the United States could engage preemptively to eliminate proliferation threats, however, is morally and politically complicated and, in most key cases, unlikely.<sup>13</sup> Increased use of deep tunneling equipment by North Korea, Libya, and Iran all but eliminates the surgical raid option of the sort conducted by Israel in 1981 against Iraq. And U.S. concerns about the military fallout resulting from striking such militarily prepared proliferators as North Korea suggest how difficult preemptive strikes against the hardest cases would be. Still, unlike strategies for losing, counterproliferation and other coping strategies do have the advantage of allowing extensive periods for planning. Indeed, planning can begin just as soon as senior officials anticipate possible proliferation threats—months, years, or even decades before they are realized.

Finally, unlike losing strategies, which leverage our comparative weaknesses against proliferators' comparative strengths, counterproliferation attempts to leverage

America's superior ability to project conventional force overseas. Unfortunately, this strength is pitted against something even stronger—the willingness of proliferators to threaten to use strategic arms against U.S. or allied forces. By definition these strategic weapons—which include missiles, nuclear, biological and chemical weapons<sup>14</sup>—are ones against which neither the United States nor its allies have adequate military countermeasures.<sup>15</sup> As such, counterproliferation may be a necessary strategy to limit the damage proliferation might inflict, but it can hardly serve as a winning strategy.

### Applications.

One, of course, could disagree about whether a given nonproliferation policy or initiative was a winning, losing, or coping strategy.<sup>16</sup> Some might argue, for example, that America's current effort to stop Russia from transferring rocket technology to Iran is a winning strategy. Certainly, its stated aim seems high: A complete cutoff of Russia rocket assistance to the *Shehab-4* missile. Nor does the initiative appear to be anchored in the past—the *Shehab-4* itself is still 1 or more years away from completion. In talks with the Russians, moreover, U.S. diplomats have been able to negotiate from the strength that comes from knowing how critical American economic assistance is to Russia's desperately cash-strapped economy and space programs.

Yet, for all this, a much stronger case can be made that America's strategy cannot possibly win. First, this approach has already essentially grandfathered Russia's help to Iran's *Shehab-3* missile program. This missile was flight tested in July 1998 even though Washington was first confronted with Israeli intelligence about the project in February 1997. Second, although the White House threatened to sanction Russia's help to Iran, it only imposed limited trade sanctions (i.e., only against Russian missile entities that the United States has no commercial ties to). Moreover, such reluctant sanctions, which exempted

Strategy	Approach	Goal	Timing	Leverage
Winning	Competitive strategies	Swift, complete elimination of proliferation activity or dismantlement of proliferated systems	Anticipate proliferation threats early as possible; before compelling proof	Our military, political, economic, and cultural strengths against proliferators' comparative weaknesses in these areas
Losing	Traditional nonproliferation	Get proliferator to pledge better future behavior in exchange for increased access to strategic technology; failing this, threaten sanctions	React to indisputable evidence of proliferation activity	Our weak desire to sanction against proliferators' strong inclination to make us pay for their pledging to improve their proliferating behavior
Coping	Counterproliferation	Limit damage or harm nonproliferation failure might otherwise pose to U.S. forces	Plan to act to cope with nonproliferation failure	Our strong force projection capabilities against proliferators' equal or stronger will to threaten to use weapons capable of mass destruction against them

Figure 1. Nonproliferation Strategies.

Russia's Space Agency (an entity that has helped Iran and that still receives U.S. National Aeronautics and Space Administration [NASA] money and space cooperation), were only imposed after (1) Washington had successfully backed a \$22 billion IMF bailout for Russia, (2) the *Shehab-3* had been flight tested and Russia was caught red-handed helping the project, and (3) Congress was about to pass mandatory sanctions legislation. The message all this conveys, then, is quite different than impending success: The White House might say it is working to block completion of the *Shehab-4*, but its efforts are unlikely to succeed. In fact, U.S. officials have already surrendered any serious attempt to use the financial leverage they had against Russia and were only likely to talk about pledges

the Russians had already violated, and the Russians knew it.<sup>17</sup>

Who is right? Those that claim the U.S. strategy against Russian missile proliferation to Iran is a loser, or those that insist it is a winning strategy? Honest minds can differ. What should not be in dispute, however, is that there are significant, recognizable criteria for winning, losing, and coping. Does America's current nonproliferation initiative regarding Russia set its sights too low? Is it too reactive to the problem (e.g., an *ad hoc* response to press and Congressional pressures) or truly anticipatory; the result of long-range planning? Does America's current approach leverage America's enduring comparative strengths against those proliferating in Russia or ignore or squander such leverage? Will America's current strategy allow it to dominate Russian proliferators' likely countermoves? Finally, and most important, if there is some case to be made that America's strategy is merely coping or actually losing, what can be done to make this strategy accord more toward the criteria for winning?

Conclusion.

The last question, of course, is the most important. Certainly, policymakers and analysts should no longer assume that any nonproliferation initiative is sufficient or that good intentions are good enough. To win against proliferators, we must have strategies that meet recognizable, winning criteria. And just as clearly, officials must be able to recognize when they are only coping or actually losing against specific proliferators. It may be difficult to get enough analysts and policymakers to agree on such matters in a timely fashion. But not trying is a sure prescription for both political and analytic failure.



## CHAPTER 3 - ENDNOTES

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3. See Rodney W. Jones and Mark G. McDonough, *Tracking Nuclear Proliferation: A Guide in Maps and Charts* 1998, Washington, DC: Carnegie Endowment for International Peace, 1998, p. 225; Richard H. Speier, "The Missile Technology Regime: Case Study of a Multilateral Negotiation," Washington, DC: USKP, grant SG-31-95, November 1995.

4. See Mitchell Reiss, *Bridled Ambition: Why Countries Constrain Their Nuclear Capabilities*, Washington, DC: The Woodrow Wilson Center Press, 1995, pp. 89-129.

5. See Wyn Q. Bowen, "U.S. Policy on Ballistic Missile Proliferation: the MTCR's First Decade (1987-1997)," *The Nonproliferation Review*, Fall 1997, p. 29; Henry Sokolski, "Ending South Africa's Rocket Program: A Nonproliferation Success," Washington, DC: Nonproliferation Policy Education Center, 1996.

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7. See Albert Wohlstetter, *et al.*, *Swords From Plowshares*, Chicago, IL: The University of Chicago Press, 1976, pp. x-xi, 48, 63, 86, and the citations in endnote 6 above.

8. For a generalized discussion of these points, see Victor Gilinsky, *Nuclear Blackmail: The 1994 U.S.-DPRK Agreed Framework on North Korea's Nuclear Program*, Stanford, CA: The Hoover Institution, 1997; Scott Parrish, *The Russian Connection*, Washington, DC: The American Jewish Committee, 1998; Roberta Wohlstetter, "U.S. Peaceful Aid and the Indian Bomb," in *Nuclear Policies: Fuel Without the Bomb*, Cambridge, MA: Ballinger Publishing Company, 1978, pp. 57-72; Henry Sokolski, "Nonproliferation: Faking It and Making It," *The National Interest*, Spring 1998, pp. 67-74; and "A Tale of Three Firms," *The Weekly Standard*, February 24, 1997.

9. See David J. Andre, "Competitive Strategies: An Approach Against Proliferation in Henry Sokolski, ed., *Fighting Proliferation*:

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10. See Remarks by the Honorable Les Aspin, Secretary of Defense, delivered at the National Academy of Sciences, Washington, DC, December 7, 1993; and Mitchell B. Wallerstein, "The Origins and Evolution of the Defense Counterproliferation Initiative," in Peter L. Hays, ed., *Countering the Proliferation and Use of Weapons of Mass Destruction*, New York, NY: McGraw-Hill, 1998, pp. 21-35.

11. See Remarks by the Honorable Les Aspin, Secretary of Defense, National Academy of Sciences, December 7, 1993; Robert D. Blackwill and Ashton B. Carter, "The Role of Intelligence" in Robert D. Blackwill and Albert Carnesale, eds., *New Nuclear Nations: Consequences for U.S. Policy*, New York, NY: Council on Foreign Relations Press, 1993, pp. 234, 239-240.

12. On these points, see Chris Williams, "DoD's Counterproliferation Initiative," in Henry Sokolski, ed., *Fighting Proliferation: New Concerns for the Nineties*, pp. 249-256.

13. See Frank Gibson Goldman, *The International Legal Ramifications of United States Counter-Proliferation Strategy* Newport, RI: Center for Naval Warfare Studies, April 1997.

14. On what other high-leverage arms may also be included, see James Digby, "Precision-Guided Weapons," *Adelphi Paper* No. 118, London, UK: International Institute of Strategic Studies, 1975; Henry Sokolski, "Nonapocalyptic Proliferation: A New Strategic Threat?" *Washington Quarterly*, Spring 1994, pp. 115-125; David Blair, "How to Defeat the United States: The Operational Military Effects of the Proliferation of Weapons of Precise Destruction," in Henry Sokolski, ed., *Fighting Proliferation: New Concerns for the Nineties*, pp. 75-94; Thomas G. Mahnken, "America's Next War," *The Washington Quarterly*, Summer 1993, pp. 171-184; Patrick J. Garrity, "Implications of the Persian Gulf War for Regional Powers," *The Washington Quarterly*, Summer 1993.

15. See Henry Sokolski, "Fighting Proliferation With Intelligence," reprinted in *Fighting Proliferation*, pp. 277-298.

16. Some nonproliferation initiatives, such as the U.S. approach to the North Korean nuclear threat, may actually go through more than one strategic phase. Thus, at first, the United States explicitly toyed with coping strategies, including counterproliferation military strikes in 1994. The White House then argues that it would leverage the North's behavior by offering it nuclear reactors, fuel oil, and eventual normalization of relations in exchange for Pyongyang's promise

eventually to come back into compliance with the NPT. Once it became clear that the North did not need the reactors or good relations with the United States as much as the United States needed to keep North Korea from resuming production of weapons plutonium, though, Congress began to openly criticize the deal for being a losing approach that would allow the North to leverage concessions from the United States.

17. As for coping, no one has yet argued this, but the case could be made that the U.S. effort is only designed to delay the *Shehab-4* until the United States deploys effective missile defenses. The problem with this argument, though, is that it is excessively theoretical. In fact, the current White House would hardly be comfortable claiming that its strategy is not intended to win and, even if it did argue that its strategy was only designed to cope, its critics would contest that it had an aggressive schedule for deploying missile defenses.

## CHAPTER 4

### NUCLEAR NONPROLIFERATION: WHERE HAS THE UNITED STATES WON—AND WHY?

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#### Introduction.

Only a few short years ago, nonproliferation experts were congratulating themselves on a job well done. A number of actual and potential nuclear weapons states had renounced, or at least tempered, their nuclear ambitions. Argentina and Brazil asserted civilian control over military-run nuclear weapons programs, agreed to place United Nations (U.N.) International Atomic Energy Agency (IAEA) safeguards on all their nuclear activities, and join the nuclear Nonproliferation Treaty (NPT). Ukraine, Kazakhstan, and Belarus decided to return to Russia the nuclear warheads they inherited with the demise of the Soviet Union. India and Pakistan had shown some signs of muting their nuclear competition, with each preferring to strike an undeclared nuclear posture. Iraq's nuclear aspirations appeared to have been dealt a fatal blow by Operation DESERT STORM and the rigorous verification measures undertaken by the United Nations Special Commission (UNSCOM). South Africa revealed that it had assembled six nuclear bombs, but then had disassembled them before the transition to majority rule. North Korea had signed the Agreed Framework, which, while less than perfect, held out the promise over time of bringing Pyongyang into full compliance with its IAEA and NPT obligations.

At the normative level, the nuclear weapons states agreed to join a Comprehensive Test Ban Treaty (CTBT),

which gathered political momentum and signatures. The United States pushed the idea of a fissile material cutoff treaty (FMCT) to try to cap the growth of nuclear arsenals worldwide. The IAEA promoted a more intrusive safeguards regime called 93+2 that promised better and earlier detection of countries violating their safeguards commitments. The capstone to these efforts was the indefinite extension of the NPT in 1995. With the end of the Cold War, it was clear that nonproliferation had become the hot new topic, with arms control experts retooling their resumes to change career focus and with nonproliferation projects getting high-level government attention and funding. Nonproliferation was on a roll. It was, dare we say, sexy.

All the more surprising, then, that the last few years have been ones of setbacks and great disappointment for the international nonproliferation regime, marked by lost chances and unsettling developments. In May 1998, India and then Pakistan engaged in muscle-flexing by each detonating nuclear devices. Iraq has played a catch-me-if-you-can game with UNSCOM, which has lost momentum and political support in the Security Council, although the United States believes that Baghdad may still be hiding nuclear-related assets (as well as chemical and biological weapons and ballistic missile technology). Russia has emerged as the main supplier for Iran's civilian nuclear program, but many observers believe that this relationship also serves as a conduit for the transfer of technology and other assistance useful for nuclear weapons. North Korea has refused to cooperate with the IAEA in preserving its nuclear history for the day when Pyongyang will come into full compliance, thereby increasing the possibility that the IAEA will be unable to give the North a clean bill of health and that the Agreed Framework nuclear deal will come to a halt.

At the international level, the United States, Russia, and China have not ratified the CTBT. The FMCT languishes in Geneva, being nibbled to death by the

Conference on Disarmament. The IAEA's ambitious 93+2 safeguards program got off to a good start, but requires additional resources and political support to become a reality. And the NPT is under strain by non-nuclear weapons states that believe the nuclear weapons states have largely failed to fulfill their 1995 pledge to take tangible steps towards halting the vertical spread of nuclear weapons.

### A Glass Half Full or Half Empty?

So where do U.S. efforts to halt the spread of nuclear weapons stand today? Is the glass half full or half empty? The traditional way of measuring nonproliferation success has been to tally the number of states party to the NPT—the more the better. This bean-counting approach is misleading, and both more and less impressive than it seems. It is more impressive because the notion of 170+ countries party to the NPT is wildly at odds with the fears prevalent during the early years of the nuclear age, when it was thought by many sober observers that every country that could acquire nuclear weapons would not only do so, but would do so as quickly as possible. President Kennedy's famous nightmare vision of a world with 30-35 nuclear weapons states by the 1970s is the best example of this apocalyptic thinking. But counting the number of NPT parties is also less impressive than it seems because it overstates the importance of raw numbers of countries acceding to non-nuclear status. Expressed differently, not all countries count the same. Some states, like Vanuatu, have neither the capability nor the desire. Others have desire but no capability; they may be termed the "Viagra" states. Some, like Japan, have the capability but exhibit no desire. Only a handful have both the capability and the desire, and even among this relatively small group not all give full expression to their aspirations by demonstrating nuclear prowess through testing, developing and deploying a nuclear arsenal. Consequently, a pure bean-counting

approach masks some important failures as well as some important nonproliferation victories.

How, then, do we determine nonproliferation success? Specifically, where has the United States been successful in halting or retarding the spread of nuclear weapons? And what tactics and strategies has it employed to do so?

### Defining Nonproliferation Success: The Rules of the Game.

Defining success and recognizing failure are essential ingredients of a competitive strategy. What constitutes a win for nonproliferation? Proliferation, after all, comes in many shapes and sizes, not all of which are equally threatening to U.S. security. One definition of winning is the complete elimination of proliferation activity or dismantlement of proliferated systems.<sup>1</sup> Although winning (and losing) can be difficult to distinguish when political rhetoric is used to claim success where none has occurred, or to put a positive spin on ambiguous situations, this definition has the merit of providing a clear standard for judgment. So what makes winning possible?

Nonproliferation is played on the field of international politics, in which states use power—in all its many forms—to pursue their interests. A winning strategy combines political, military, and economic power to prevent or rollback proliferation. It identifies potential avenues of influence and applies American strengths where they can most effectively alter proliferation behavior. A first step toward a winning strategy, therefore, is to identify the major factors that may shape the decision to acquire nuclear weapons, as well as the major constraints working against such a decision. This type of taxonomy, in turn, suggests avenues of possible nonproliferation influence for the United States.

*Domestic Political Incentives.* Former Speaker of the House of Representatives Tip O'Neill's observation that "All

politics are local" also applies to nuclear proliferation. Countries contemplate the acquisition of nuclear bombs for reasons that are, to varying degrees, domestic in nature. Domestic politics, history, culture, and other factors such as geography and economics are major influences on national decisions to acquire nuclear weapons. India, for example, puts a high value on its self-perception as a great nation; nuclear weapons are enshrined by nationalistic politicians as symbols of national greatness. Japan, on the other hand, holds close to its pacifist constitution. Other countries, such as Iraq, probably view nuclear weapons as important tools of national self-aggrandizement consonant with its (inflated) historical view of the country's (or the leader's) destiny. Still others may be tempted to satisfy important domestic constituencies, such as the military or the scientific community, that often exercise political influence on nuclear decisionmaking.

These domestic factors influence how far a state will go—part way (Taiwan, Sweden, South Korea), approaching or up to the line (Iraq, North Korea), or all the way like the five *de jure* weapon states plus India and Pakistan.

*Regional Power Dynamics.* A major motivation for a country to consider a nuclear option is the neighborhood in which it lives. Aggressive neighbors inspire defensive measures to deter or repel attack. Some countries may acquire a nuclear arsenal to conquer or dominate neighboring states and achieve regional hegemony. Iran, for example, may view nuclear weapons as a means to establish a predominant position in the Persian Gulf and Central Asia. India clearly sees itself as the dominant power in South Asia. Although regional dynamics can be a root cause for states to acquire nuclear weapons, such changes in a region's power dynamics seldom go unanswered. Perceptions of a neighbor's intentions and capabilities may spur a counterreaction leading to a nuclear weapons program, as illustrated in the Middle East and South Asia.



*The International Nonproliferation Regime.* The international nonproliferation regime consists of treaties, laws, organizations, and institutions that establish and uphold norms of international behavior. The rules are often lightly policed and weakly implemented, but remain an important barrier against casual, as opposed to dedicated, proliferators. The centerpiece of the regime, the NPT, uses inducements such as access to civil nuclear technology and verification to deter and detect cheating by the nonweapons states on their pledge not to use civil nuclear technology for military purposes. Technology control regimes (Nuclear Suppliers Group, Australia Group, Missile Technology Control Regime) and arms control agreements such as the CTBT and nuclear weapon-free zone treaties bolster the international nonproliferation norm.

While these constraints are insufficient to block a dedicated proliferator, they help cull out the casual proliferators who might be tempted to harbor nuclear options if it would not be viewed as a challenge to international order, or if they could carry out such a program at little or no political cost. When cheating is discovered, however, the global regime depends on the Great Powers to enforce the norms and punish noncompliance.

*Expected U.S. Response To Proliferation.* A proliferator's perception about how the United States will respond to its nuclear weapons program remains a powerful consideration for nearly all governments. The U.S. response to new nuclear states has ranged from resignation, as with the four other declared weapons states, to acceptance, as with Israel, to alarm, as in South Asia and Iran, to accommodation leading (hopefully) to long-term compliance, as in the case of North Korea. Obviously, none of these examples would satisfy our definition of winning. Notwithstanding frequent rhetoric about nonproliferation being a top priority of the United States, in practice other priorities often take precedence over nonproliferation and

detract from pursuing unambiguous nonproliferation victories.

Competing priorities, such as trade (China, India, Pakistan), domestic constituencies (Israel, and to a lesser extent, India), and bilateral relations (Russia, Europe) often determine whether the United States will oppose or accommodate new nuclear nations. The costs of opposing proliferation, most significantly the risk of starting a war (as in North Korea), have also been an unarticulated but compelling reason for U.S. policymakers to retreat from enforcing U.S. nonproliferation policies through military means.

In theory, the level of effort the United States devotes to stopping a particular nuclear weapons program is roughly commensurate with the threat that such weapons pose to the United States and its allies. Thus, instead of pursuing a winning strategy, the United States learned to live with a “bomb in the basement” in New Delhi, Tel Aviv, and Islamabad because those programs did not directly threaten the United States. Some bomb programs, however, could radically alter the global security architecture, and decisions were made to halt these nuclear weapons programs at all costs, perhaps even including the risk of war. For example, a nuclear-armed Germany or Japan would have produced a global balance of power very different from the one that exists today. In these two cases, the United States was willing to back up its nonproliferation policy with the full weight of its military and economic influence.

*Multilateral Diplomacy.* In some, perhaps most, cases, the United States cannot unilaterally impose its wishes on a potential proliferator, but seeks to enlist the support of coalitions of countries or multilateral mechanisms to block or roll back nuclear weapons programs. Such international diplomacy is possible when enough countries are sufficiently threatened by a particular nuclear program to engage in collective action. Unilateral military action to

eliminate a nuclear weapons capability, such as the June 1981 Israeli attack on Iraq's Osirak reactor, is rare. Like other collective security endeavors, United Nations Security Council enforcement of nonproliferation norms depends on coalitions (as well as unanimous consent by all five permanent members). The United States led a strong coalition against Iraq, a weaker coalition to restrain North Korea, and a yet weaker one still to restrain Iran. Strong coalitions increase the likelihood of success, while weak coalitions put more of the burden on their most motivated members.

### Matching Ends and Means: Playing the Game.

A winning competitive strategy matches resources with goals, selecting actions that have a high probability of achieving specific nonproliferation objectives within the context of other, sometimes competing U.S. objectives. Possible options cover a wide range from cooperation and engagement to war. Between the extremes of embracing proliferation and using force against it, however, diplomacy in its various manifestations has been, and will continue to be, the primary tool for realizing U.S. nonproliferation success.

*Unilateral Influence on the Internal Arrangements of a Proliferator.* Understanding the internal politics of a proliferator provides insights into the leverage points that can make or break a foreign nuclear program. Leverage makes use of comparative advantages to reverse, delay or otherwise rescind decisions to acquire nuclear weapons. Examples of positive leverage include economic and military assistance, prestigious meetings with top officials, military exchanges, technology transfers, development aid projects, inclusion in regimes, and more generally, good relations with the United States, which can bolster the status and enhance the legitimacy of a government.

Examples of negative leverage short of war include economic sanctions, nonrecognition, targeted export

controls, trade restrictions, aid cutoff, improved relations with adversaries, military assistance to adversaries, covert actions, and poor relations with the United States. It is worth noting that military equities are key to most positive and negative incentives.

*Regional Dynamics.* The United States can influence regional dynamics in many ways. Foremost, of course, is through defensive alliances. For example, NATO has been arguably the most effective nonproliferation tool ever employed by codifying the American commitment to come to the defense of Western Europe. Arms transfers can also shift a regional balance of power in ways that either reduce or accentuate the motivation for nuclear weapons. It is important to note that collective defense arrangements can encompass a wide range of military-political-economic relations, and are not limited to strictly military operations. Joint research, development, production and deployment of weapon systems, such as missile defenses, involve a wide array of civilian and military relationships. Stationing, training, and funding troops and supplies to support an alliance normally have socio-political consequences that extend beyond the military sphere. Economic ties, or the provision of access to high-technology items, have also been used effectively by Washington to persuade countries that they have more to gain by abstaining from nuclear weapons than by possessing them.

*Multilateral Influences: Regimes and Institutions.* While optimistic expectations that international institutions, especially the U.N., could control proliferation have not been met, the U.N. and other international bodies can make a difference. Proliferation, like conflict, has its roots in problems that defy purely legalistic or moralistic pronouncements.

The U.N. began its involvement in nuclear nonproliferation efforts with the Baruch Plan, in 1946, and sustained a role through the establishment of the IAEA in 1957, entry into force of the NPT in 1970, and creation of the

United Nations Special Commission on Iraq (UNSCOM) in 1991. These American-inspired initiatives have helped to shape global preferences against nuclear weapons. Other important multilateral institutions include the Chemical Weapons Convention, the Biological Weapons Convention, and the export control regimes such as the Nuclear Suppliers Group, the Australia Group, the Missile Technology Control Regime, and the Wassenaar Arrangement.

To varying degrees, these regimes limit access to weapons of mass destruction (WMD) technology and reinforce international standards for transferring technology that can be used to make WMD. They all contribute to a norm that ostracizes the development, possession and use of WMD. Despite the limitations and liabilities inherent in international institutions, they can make critical contributions to a winning nonproliferation policy. The U.N. and the IAEA, for example, lend legitimacy to verification and enforcement of nonproliferation obligations—even if they are not capable of enforcing those obligations without Great Power consent and support. In other words, they are analogous to fire alarms, not firemen. Institutions such as the IAEA and KEDO provide a means to influence the nuclear policies of sovereign states, but must be part of a more comprehensive strategy to be effective. Technology control regimes can force proliferators to resort to smuggling to get what they want, thereby increasing time and cost, and they, too, are a useful part of a more comprehensive winning strategy.

*Deterrence, Defense, and Counterproliferation.* Deterrence, of course, is a key component of competitive strategy. Credible deterrence capabilities, both conventional and unconventional, inform hostile proliferators that attacks against the United States or its allies would be self-defeating. Extended deterrence can reduce threats to allies, thereby obviating the need for independent nuclear forces. Defensive measures, both active and passive, enhance deterrence and mitigate

attacks if they occur. And, in extremis, counterproliferation capabilities enable the United States to conduct military operations against WMD-wielding adversaries.<sup>2</sup>

### Where the United States Has Won: The Importance of Security Commitments.

Under the definition of winning used to describe nonproliferation successes in this chapter—the complete elimination of proliferation activity or dismantlement of proliferated systems—where has the United States, either by acting unilaterally or in conjunction with others, scored victories?

There are several examples that stand out as nonproliferation success stories. The common denominator for each of the countries in this first category is the establishment of a *de facto* or *de jure* security alliance with the United States.

*The Federal Republic of Germany and NATO.* Although ultimately unsuccessful, Germany's wartime nuclear bomb project had advanced far enough to give credence to the possibility that it would someday reemerge. Having wisely rejected the post-World War I model of subjugating and punishing Germany, the Allies were faced with two options for dealing with a divided Germany: allow it to drift towards closer ties with the East, or expend the resources to integrate Bonn with the West. The second option held the best prospects for consolidating a democratic, market-driven Western Europe, and not least, preventing a revival of Germany's atomic bomb program.

Over the next 4 decades, Washington used the full weight of its military, economic, and political influence to shape West Germany's domestic, regional, and international environment. By the early 1950s, a number of West European countries had emerged from the ashes of World War II and were already developing nascent nuclear programs. Although the primary purpose of NATO was "to

keep the Russians out," it was also designed, as the aphorism went, to "keep the Americans in" and the Germans down. Keeping the Germans down meant, among other things, ensuring that Bonn never developed an independent nuclear weapons capability. The first international legal barrier to Bonn's acquisition of nuclear weapons was the 1954 London and Paris accords, under which the Federal Republic of Germany pledged:

not to manufacture in its territory any atomic weapons . . . defined as any weapon which contains . . . nuclear fuel . . . and which, by . . . uncontrolled nuclear transformation of the nuclear fuel . . . is capable of mass destruction...[or] any part, device, assembly, or material especially designed for . . . any [such] weapon.<sup>3</sup>

In May 1955, the occupation regime ended, and the Federal Republic became a full member of NATO.

But this "first nonproliferation promise," as Bonn characterized it, was actually less than airtight; Germany could import nuclear weapons, it could engage in bilateral or multilateral control of these weapons, and it could develop these weapons extraterritorially.<sup>4</sup>

Even without these potential loopholes, the question of Germany's nuclear future at this time remained potent, given the country's history and essential role in a postwar European recovery; in Catherine Kelleher's phrase, the dilemma for the Atlantic Alliance was how to handle a country "with a suspect past and a major mortgage on an uncertain political future."<sup>5</sup> The larger challenge for Washington was how to reassure its European allies that it was committed to Europe's defense, including, if necessary, the use of nuclear weapons.

The creation of NATO in 1949 went some way towards reassuring Germany and the other members of the Atlantic Alliance that they could rely on collective security, buttressed by the direct and visible involvement of U.S. forces in their defense. (This factor was crucial in

dissuading not only West Germany, but also Italy and Switzerland, from proceeding very far down a path towards nuclear weapons acquisition. Although Sweden was not a formal member of NATO, Stockholm understood that it nonetheless received the security benefits of membership—the NATO overhang—because of its geographical proximity to the likely military theater in which war would be waged with the Soviet Union.)<sup>6</sup>

Economic recovery and greater political self-confidence under Konrad Adenauer during the latter part of the 1950s and early 1960s brought with it a greater assertiveness by Bonn on nuclear issues. For many Germans, a chronic fear of abandonment and the desire for full political rehabilitation (to avoid “second-class” status) meant that the country needed the same degree of control over nuclear weapons in Europe as its allies in planning, decisionmaking and most sensitively, on operational control. Independently, influential U.S. policymakers believed that if Bonn was not fully integrated into NATO’s nuclear command, Germany would inevitably decide to build a national nuclear force, thereby creating perhaps irreparable tensions in NATO as well as undermining Washington’s broader nonproliferation goals. Bonn was not averse to playing on these fears to gain diplomatic advantage.<sup>7</sup> These trends, German anxiety over the U.S. security guarantee exacerbated by the Kennedy administration’s handling of the 1961-62 Berlin negotiations, and U.S. fears of a nuclear-armed Federal Republic, culminated in Washington starting discussions in 1960 with Bonn over the possibility of some form of joint control over a NATO strategic nuclear force. The attractions to Bonn of this multilateral force (MLF) option were several: it would further solidify the American commitment to European defense, it would acknowledge Bonn’s contribution to NATO, it would permit German access to some form of shared nuclear control (with details to be worked out later), and it would minimize chances of discrimination against Germany within the alliance by the



nuclear-armed British and French.<sup>8</sup> But as the prospect of an MLF became more thinkable, it became less likely, falling victim to its internal contradictions (what, exactly, did shared nuclear control mean?), clashing with Bonn's other foreign policy objectives of eventual German reunification and the preservation of close relations with France, and coming up against the opposition of a new American president, Lyndon Johnson, who was focused on prosecuting the war in Vietnam, a policy that had the unintended effect of reassuring Bonn of U.S. credibility as an ally.

In the aftermath of the MLF drama, any residual chance that the Federal Republic would acquire nuclear weapons, or even keep open its nuclear option, terminated with the U.S.-led diplomatic offensive concerning the NPT. Questions of American credibility, while never totally absent from Bonn's considerations, faded into the background and the Federal Republic concentrated on domestic issues and *Ostpolitik*.<sup>9</sup> Bonn signed the NPT in November 1969 and with little fanfare formally ratified it in May 1975.

*Japan.* A central U.S. objective following the end of World War II was to ensure that Japan would never again threaten peace and stability in the Pacific. Japan, too, had had a wartime nuclear weapons development program that the U.S. and Japan's neighbors did not want revived.<sup>10</sup> The cornerstone of this policy was Japan's peace constitution, drafted by the U.S. occupation forces, and American willingness to shoulder the burden of Japan's defense.

The understandable Japanese abhorrence of nuclear weapons after Hiroshima and Nagasaki was reinforced further by a security treaty with the United States in April 1952. Under the terms of the agreement, Washington conditionally pledged its forces to contribute to the security of Japan against armed attack from without. This relationship was strengthened in 1960 by the Treaty of Mutual Cooperation and Security, which eliminated some of

the more onerous provisions of the 1952 agreement. The extension of a U.S. nuclear umbrella over Japan, initially to protect the country against the former Soviet Union and after 1964 to protect it against a nuclear-armed China, has undoubtedly played a major role in preserving Japan's non-nuclear status.<sup>11</sup>

In the wake of the U.S. retreat from Vietnam in the 1970s, Tokyo and Washington recognized the need to reinforce their security ties. The Guidelines for Japan-United States Defense Cooperation outlined a plan for comprehensive military cooperation between the two countries. In the past few years, an uncertain regional security environment has again compelled Tokyo and Washington to strengthen defense planning under a new and invigorated set of defense guidelines.<sup>12</sup>

In addition to the security alliance, the United States promoted Japan's economic prosperity and its full integration into the full range of international institutions. With U.S. help, Japan became a world leader in nuclear energy as a means to cope with its lack of indigenous energy resources. NPT membership and full integration into the IAEA safeguards system have eased, but not eliminated, suspicions that Japan has preserved a nuclear option. Tokyo's interest in using plutonium fuel for civil reactors has, nevertheless, raised eyebrows.<sup>13</sup>

At important times in its postwar history, whenever Japan has felt itself threatened by external forces, it has moved closer to the United States rather than adopting a more independent defense posture through the acquisition of nuclear weapons. The U.S.-Japan defense relationship, however, is being tested by North Korean missiles and by the growing power of China.

*South Korea.* Few countries in the world are located in tougher neighborhoods than South Korea, yet the United States has successfully dissuaded Seoul from pursuing an independent nuclear force.<sup>14</sup> As with Japan, Washington structured a bilateral security alliance which included the

stationing in South Korea of U.S. troops, backed by nuclear weapons, to face the serious military threat posed by the belligerent and aggressive North.

In the mid-1970s, when the U.S. commitment to Asia was being questioned in the wake of its retreat from Vietnam, Washington addressed Seoul's anxiety by stepping up the level of military assistance and eventually reversing plans to draw down U.S. forces. The United States has also demonstrated its ongoing commitment to South Korea by generous economic assistance programs and terms of trade for South Korean-made goods. Like Germany and Japan, South Korea was encouraged to pursue nuclear energy and gained access to advanced nuclear reactor technology so long as Seoul remained fully faithful to its NPT-IAEA obligations. Unlike Germany and Japan, South Korea appeared at times to hedge on its non-weapons pledge, but stopped all suspicious activity when faced with U.S. pressure.

In the early 1990s, when North Korea's nuclear weapons program threatened the South, the United States worked closely with South Korea to bolster defense cooperation and to craft a regional and multilateral approach to denuclearize the North through the October 1994 Agreed Framework. The status of nuclear programs in a reunified Korea, like the status of U.S. military commitments, remains unknown.

*Taiwan.* A complete accounting of Taiwan's interest in acquiring nuclear weapons and the U.S. role in preventing that from happening has yet to be told, but the general contours are well-known.<sup>15</sup> As a small country threatened by a much larger nuclear-armed neighbor, and dubious about U.S. commitments after Nixon's rapprochement with Beijing and the U.S. retreat from Vietnam, Taipei in the mid-1970s demonstrated an interest in developing clandestine means to separate plutonium from spent fuel.

In this case, a full-blown bilateral security arrangement was out of the question for fear of upsetting Washington's

more important overtures toward Beijing. Economic assistance was unnecessary for a prosperous Taiwan, but preserving Taipei's access to international markets was key to its survival. A mix of arms sales, good relations with the United States, inclusion in international regimes such as the IAEA and the Asia-Pacific Economic Council (APEC), and support for Taiwan's international economic ventures enabled Washington to insist that the plutonium separation plant be dismantled and shipped to the United States.

### Success Without Alliances: Case Studies.

There is a second category of states where the United States, working with or supporting other countries, has also scored nonproliferation success. In these cases, security alliances were not offered. Here, economic, developmental, and regional factors helped tip the balance away from nuclear weapons.

*South Africa.* In March 1993, South African President F.W. de Klerk announced to a surprised world South Africa had constructed six nuclear bombs during the 1980s; moreover, Pretoria had voluntarily dismantled all six weapons in 1990-91.<sup>16</sup> Reasons for Pretoria's abrupt *volte-face* are many, but must include the recognition by de Klerk first, and only later by other members of his government, that the country's nuclear arsenal was unnecessary to meet the imagined threat of a total onslaught by world communism. Further, it was inconsistent with the country's larger foreign policy objectives of reintegrating itself into the global community (and especially the United States) and of normalizing relations with its African neighbors. The American role here is less direct than in other cases. During the latter half of the 1980s, Pretoria's security situation improved markedly. In August 1988, a cease-fire on the country's northern border with Namibia was signed; and a tripartite agreement with South Africa, Angola, and Cuba was initiated in December 1988 that called for the phased withdrawal of all Cuban

troops in Angola. By this time, it was clear that the influence of the Soviet Union and its regional proxies had lessened considerably, a fact brought home concretely by the fall of the Berlin Wall in October 1989. American victory in the Cold War eliminated the threat of onslaught to South Africa, which paved the way for de Klerk's denuclearization decision.

In addition, many South African officials understood that the country's nuclear stance prevented improved relations with the West generally and the United States in particular. It stood as a barrier to joining the NPT, which would legitimize Pretoria's access to peaceful nuclear technology and open the door to international cooperation on nuclear matters. South Africa realized that it could not gain access to sensitive technologies and fully integrate itself into the economic mainstream of the developed world. For Pretoria, the United States barred the door to its international political and economic rehabilitation unless it eliminated its nuclear weapons program.

*Ukraine.* With the disintegration of the Soviet Union, managing the far-flung nuclear inheritance became an immediate foreign policy priority for the United States. Washington initially calculated that persuading Ukraine to return the tactical and strategic nuclear weapons based on its territory would be fairly easy to achieve.<sup>17</sup> The April 1986 Chernobyl disaster had created a widespread nuclear allergy that grew only more virulent when the negligent engineering, haphazard evacuation, and shoddy cleanup gradually became known. In July 1990, the Rada, the Ukrainian parliament, had passed a declaration of state sovereignty that stated, *inter alia*, that the country's position was not to accept, not to produce, and not to acquire nuclear weapons. The Rada reiterated this non-nuclear pledge 2 months later, after the August coup attempt in Moscow.

This non-nuclear momentum continued after Ukraine voted for independence in December 1991. On December 21,

the newly established Commonwealth of Independent States (CIS), which Ukraine had joined, declared that Ukraine (along with Belarus and Kazakhstan) would help withdraw the tactical nuclear weapons from its territory by July 1, 1992. The momentum, however, slowed considerably, and new efforts were required to keep Ukraine on the road to nuclear disarmament.

In March 1992, Ukrainian President Leonid Kravchuk announced that Kiev was suspending the withdrawal of the tactical nuclear weapons. This prompted an angry U.S. Secretary of State James Baker to warn Ukraine that U.S. aid would be cut off and Kravchuk's upcoming meeting with President Bush canceled if Kiev did not fulfill its commitment on the tactical nuclear weapons. Ukraine immediately changed its course and re-pledged its support for complete withdrawal. Kravchuk visited Washington in May as planned. The United States also needed Ukraine's full cooperation before it could move forward with the Strategic Arms Reduction Treaty (START) negotiations. The demise of the Soviet Union had thrown a legal monkey wrench into the strategic arms reduction talks, because Russia, Ukraine, Kazakhstan, and Belarus had not been signatories to START. In late April 1992, the United States formally accepted that these countries succeeded the Soviet Union for START purposes. Washington drafted a new protocol recognizing this legal fact. One of the protocol's provisions obligated Ukraine, Kazakhstan, and Belarus to join the NPT as non-nuclear weapon states "in the shortest possible time." In addition, because not all of the strategic nuclear weapons located in Ukraine were covered by START, Washington drafted side letters under which Ukraine, Kazakhstan, and Belarus would return all the nuclear weapons of their territories to Russia. During Kravchuk's May 1992 visit to Washington, President Bush finalized the details with the Ukrainian leader.

The stage was set for the formal signing of what became known as the Lisbon Protocol. But at the last minute, Ukraine balked at setting a firm deadline for returning all

the nuclear weapons and joining the NPT. Ukraine had realized that it could hold hostage important arms control agreements and that the nuclear material in the warheads might have some commercial value. This sentiment manifested itself in calls for financial compensation for returning the nuclear weapons.

In late 1991, the U.S. Congress passed the Soviet Nuclear Threat Reduction Act, also known as the Nunn-Lugar Act after its two Senate champions. This legislation authorized the Defense Department to transfer \$400 million from other programs to assist in the safe dismantlement and storage of nuclear weapons in the former Soviet Union; Congress has allocated additional funds in subsequent years.<sup>18</sup> It was made clear to Kiev that it would receive some of these funds if it cooperated, but how much? Ukrainian demands escalated, topping out at \$3 billion.

The Clinton administration initially continued the Bush administration approach towards Ukraine: diplomatic pressure and isolation until Kiev fulfilled its disarmament pledges. Facing Ukrainian obstinance the administration stressed cooperative threat reduction as a means to persuade Ukraine that its security would be enhanced by a combination of denuclearization and closer ties with the West. The "three pillars" of this policy were dismantlement assistance, economic aid, and security assurances.

Despite this U.S. diplomatic effort, the Rada still refused to formalize the Lisbon Protocol. This led to another U.S. push, with Washington deciding to play a much more active role in mediating the dispute between Ukraine and Russia on divisive security issues, such as the future of the Black Sea Fleet and Russian energy supplies. Kravchuk was also informed that Clinton would not visit Kiev during his scheduled January trip to the region unless there was more progress in the nuclear sphere.

The breakthrough came with the signing of the Trilateral Agreement which included security assurances

from Washington and Moscow. Once START I entered into force and Ukraine became a non-nuclear weapon state party to the NPT, Washington and Moscow would reaffirm their support for Ukraine's territorial integrity, their obligation not to use or threaten to use military force or economic coercion against Ukraine, their commitment to seek immediate U.N. Security Council action if Ukraine became subject to a nuclear threat, and their promise not to use nuclear weapons against Ukraine. Under the U.S.-brokered agreement, Russia agreed to forgive the cost of the oil and gas supplies previously shipped from Russia to Ukraine and to provide Ukraine with 100 tons of low-enriched uranium fuel rods for its nuclear power reactors.

The following month, in February 1994, the Rada approved ratification of START and the Lisbon Protocol. In late January, the United States promised to double its financial assistance to \$310 million if the Rada endorsed the Trilateral Agreement. After the United States promised that Ukraine would soon receive \$700 million in Nunn-Lugar funding, in November 1994, the Rada overwhelmingly approved Ukraine's joining the NPT as a non-nuclear weapon state. At each step, economic aid, good relations with the United States, and security assurances moved Ukraine in the direction of denuclearization. Against great odds, the Clinton administration achieved a momentous nonproliferation success, one that remains largely underappreciated.

*Belarus.* Washington played an important supporting role to Moscow's lead in persuading Belarus to return the tactical and strategic nuclear warheads on its territory to Russia.<sup>19</sup> As the country that suffered most from the Chernobyl nuclear disaster, strong sentiment already existed that the country should be non-nuclear. Belorussian leaders understood that maintaining these weapons was expensive, that they required 35,000 members of the Strategic Rocket Forces (who were overwhelmingly Russian) on their territory to maintain and safeguard, that their presence made the country less, not more, secure, and



that they were in no position to haggle with Moscow, which was demanding their return.

Here, the United States provided additional incentives for Belarus to return these weapons to Russia, ratify the START I agreement and join the NPT. Adding the cost of other technical assistance programs, by January 1993 Washington had committed over \$7.5 million to denuclearization efforts and defense conversion in Belarus. These rather limited sums nonetheless whetted Minsk's appetite for additional aid pending ratification of START, the Lisbon Protocol and the NPT. The following month, the Belorussian Supreme Soviet ratified all three documents. Following through on its earlier promise, and wanting to send a signal to Ukraine and Kazakhstan that denuclearization would bring tangible benefits, the United States pledged an additional \$65 million in denuclearization assistance and offered a formal meeting between the Belorussian president and President Clinton. Here again, economic aid, security assurances, and good relations were sufficient to produce an optimal nonproliferation outcome.

*Kazakhstan.* With the end of the Soviet Union, Kazakhstan inherited 104 SS-18 intercontinental ballistic missiles (ICBMs), each carrying ten 550-kiloton warheads, 40 nuclear-capable "Bear" H long-range bombers, and an unspecified number of tactical nuclear weapons. Unlike Ukraine and Belarus, Kazakhstan had not suffered from the Chernobyl disaster. But it had developed its own sensitivity to nuclear weapons due to the estimated 500 nuclear tests, 200 of them above ground, that Moscow had conducted at the Semipalatinsk testing site in the northeastern part of the country. Still, Alma Ata was in no rush to send these weapons back to Russia. Kazakhstan President Nursultan Nazarbayev wanted to craft a special relationship with the United States, and astutely seized upon the nuclear issue as the best way to do so. The Kazakh leader wanted to ensure that Washington understood his

country's geographic vulnerability between Russia and China.<sup>20</sup>

Secretary of State James Baker invested significant diplomatic capital in 1991 and 1992 trying to win Alma Ata's commitment to denuclearization, and although he received numerous private assurances, Nazarbayev refused to commit himself in public. By the beginning of May 1992, it appeared as if Kazakhstan intended to retain strategic nuclear weapons on its territory for some time. Yet less than 3 weeks later, Nazarbayev stood by President Bush's side in the White House and pledged, for the first time, to ratify the START agreement, join the NPT in the shortest possible time, and eliminate all nuclear weapons on Kazakh territory within 7 years. In Lisbon 4 days later, Kazakhstan formalized these pledges.

U.S. policy played a large role in this turnaround. Secretary Baker repeatedly conveyed the security assurances the United States would extend to Kazakhstan if it joined the NPT as a non-nuclear weapon state. And, indeed, the two countries signed a host of economic and trade agreements during the May Bush-Nazarbayev meeting at the White House. Six weeks after the Lisbon summit, in July 1992, Kazakhstan quickly ratified the START agreement to demonstrate its good faith to the United States.

Getting Alma Ata to ratify the NPT proved more difficult. A main culprit was U.S. domestic politics. With the change of American administrations in 1993, Kazakhstan seized the opportunity to try to parlay NPT membership into further concessions, especially additional security commitments. Consequently, during Secretary of State Christopher's visit to Kazakhstan in October 1993, he was surprised by Nazarbayev's refusal to cooperate on denuclearization efforts and his insistence on meeting personally with President Clinton.

In the weeks and months after the Christopher visit, Washington told Alma Ata that Nazarbayev would only

meet with Clinton if his country joined the NPT. Kazakhstan would also receive \$84 million in dismantlement and other nuclear-related assistance, and \$200 million in economic assistance in Kazakhstan and other central Asian countries.

As in the other former Soviet states, the formula of limited economic assistance, cooperative threat reduction programs, security assurances, and good relations with the United States, proved to be a winner.

*Argentina.* During the 1970s, Argentina was widely thought to harbor aspirations as a nuclear weapons state. Motivations included its desire to win status and prestige; to justify its self-appointed notion of exceptionalism; to maintain a technological and scientific lead over its neighbors; and hedge against the possibility of a Brazilian bomb. A number of influences weaned Buenos Aires away from this path. The military's poor showing in the 1982 Falklands/Malvinas war discredited its leadership and paved the way for its return to the barracks, which, in turn, made possible the country's first popular election in 1983. Newly elected President Raul Alfonsin slashed the budget for the nuclear program by 40 percent and placed it under civilian control.

But Argentina still balked at signing the NPT and accepting full-scope safeguards on its nuclear activities. These steps came later, under the leadership of Carlos Menem, who was determined to chart a new path for Argentina that would improve relations with the United States, and allow Argentina to become more fully integrated into the First World's financial mainstream and the international community. Menem's approach was summarized by his famously saying, "I'd rather govern the last country in the First World than the first country in the Third World." To reorient Argentina's foreign policy, Menem withdrew from the Non-Aligned Movement, reestablished ties with Britain, and in 1990 announced the suspension of the Condor II ballistic missile program, which

Washington strongly opposed.<sup>21</sup> But the primary impediment to better relations was the country's nuclear program. In exchange for Argentina and Brazil signing an agreement to allow full-scope IAEA safeguards on both countries' nuclear programs, the Quadripartite Agreement, Washington rewarded Buenos Aires in December 1993 with a technology cooperation agreement that permitted Buenos Aires to purchase advanced computer equipment, nuclear technology, and aeronautical guidance systems; the deal itself symbolized American confidence in Argentina. Two months later, the United States approved the sale to Argentina of 36 A-4M Skyhawk jets with advanced radar technology, over British objections. Argentina was also invited to join the Missile Technology Control Regime in November 1993 and to become a full member of the Nuclear Suppliers Group in 1994. Argentina was the lone South American and Third World country to belong to both of these nonproliferation arrangements. In January 1994, Argentina ratified the Treaty of Tlatelolco, which called for a nuclear-weapon-free zone in Latin America, and a little over a year later joined the NPT.

*Brazil.* Brazil was also thought by many to aspire to nuclear weapons status. Its anti-NPT rhetoric, secret nuclear development program (the "parallel program") run by different branches of the armed services, interest in developing nuclear-powered submarines, and desire for international status commensurate with its leading position in the region all reinforced these suspicions.

Also like Argentina, a change in the direction of the country's nuclear program awaited a change in political leadership. In March 1990, Fernando Collor became Brazil's president. Staunchly anti-nuclear, (his father had been invited by the United States to witness a nuclear test in the Pacific and was horrified by what he saw) he moved to retake the nuclear program from the military and to halt all nuclear weapons-related research. Like Menem, Collor wanted to improve relations with the international community, especially the United States, to help pull

forward his country's lagging economy. The price for entry into the international community was allowing international inspections of its nuclear facilities. But after Brasilia signed the Quadripartite Agreement in December 1991, the Brazilian Senate refused to ratify it. It did not help matters that Collor was forced from office in December 1992 because of a bribery scandal, but cooperation and transparency with Argentina and the IAEA continued nonetheless. Diplomatic pressure from Germany, Brazil's main supplier of nuclear technology, augmented Washington's strictures that Brazil would remain on the margins of global economic, political and technological advancements so long as it remained outside of the NPT. With Argentina already reaping the benefits of nonproliferation, Brazil agreed to join. Ironically, the Brazilian legislature refused ratification until 1998. By that time, however, questions about Brazil's nuclear intentions had been laid to rest.

## Conclusion.

What do these case studies suggest for competitive nonproliferation strategy? First, the spread of nuclear weapons around the globe does not equally threaten U.S. national security. By and large, this has been recognized by U.S. policymakers, who have crafted differentiated strategies to deal with varying circumstances. It is striking, however, that during the past 50 years, in only one case—Iraq—did the United States employ military force (i.e., counterproliferation) to forcibly denuclearize a country. And it was Baghdad's invasion of Kuwait, not its well-known nuclear weapon program, that triggered military action. Although it may be useful to keep nuclear wannabees guessing as to U.S. intentions, it is in fact difficult to construct a scenario in which the United States would preemptively and unilaterally attempt to destroy another country's nuclear weapons facilities.

Second, Washington learned that the most successful nonproliferation policy for countries facing external threats was to address the root cause of their insecurity through an alliance with the United States. NATO is the premier example of a collective defense arrangement; U.S. security guarantees to Japan and South Korea are also noteworthy. In all of these cases, the U.S. commitment was manifested by the physical presence of U.S. troops and backed by nuclear weapons stationed on that country's territory. These formal security guarantees have been the most effective and the most costly. Security assurances have been less costly, but also useful, as witnessed in Ukraine. Finally, at the end of this continuum is the importance countries have attached to good relations with the United States—an importance whose stock has risen with the magnified American role after the end of the Cold War.

Third, what might be termed dollar diplomacy has also been used very successfully by Washington to persuade countries that they have more to gain by remaining non-nuclear than by acquiring the bomb. The end of the Cold War created new opportunities for Washington to push this policy further, both because of its economic strength and because of the reduced rationale for turning a blind eye on proliferation to maintain Cold War relationships. Financial inducements played an important role in keeping Germany, Japan, South Korea, and Taiwan from going nuclear. Similarly, economic factors helped tip the balance toward denuclearization in Ukraine, Kazakhstan, and Belarus. The United States pledged to Ukraine a total of \$900 million in Nunn-Lugar funding and other U.S. assistance. Kazakhstan and Belarus received lesser, but nonetheless substantial, sums from Washington to return the strategic nuclear weapons stationed on their territories.

Fourth, bilateral economic incentives were not directly offered by Washington to influence the nuclear decisions in South Africa, Argentina, and Brazil. At best, there was in these countries the generalized belief that tempering or eliminating their nuclear programs would accelerate and

expand commercial ties with the United States and other Western industrialized powers. They also hoped that changes in their nuclear programs would attract U.S. and Western investment and lift multilateral restrictions on sensitive technologies that could be used for economic development. In short, they hoped that good nonproliferation credentials would enable them to participate in multilateral trading arrangements and gain access to dual-use technologies useful for growing their increasingly technology-dependent economies.

Fifth, the U.S. role in promoting and subsidizing the peaceful uses of atomic energy by other countries might best be seen as a subset of dollar diplomacy. On a selective basis, the Atoms for Peace approach played a useful role in channeling interest in nuclear power technology toward legitimate purposes. Expectations were high that nuclear energy would satisfy the energy requirements of rapidly industrializing countries such as Germany, Japan, South Korea, and Taiwan. Bilateral safeguards and IAEA inspections provided assurances that nuclear power programs would not be used as a cover for nuclear weapons. However, it should be noted that this approach fueled proliferation in India, Iraq, and Iran, to name a few failures. Technology inducements, if not integrated into a broad competitive strategy, can backfire.

Finally, sometimes it is not possible for the United States (or the international community) to score complete and unambiguous nonproliferation wins. In these cases, the best Washington can do is to develop and implement a patient coping strategy that offers the best chance of victory not immediately, but over time. These cases are frustrating; they are subject to easy criticism by media pundits and political opponents. But some of the cases identified in this paper formerly fell into this category—Argentina and Brazil in particular. Any competitive strategy that aims at victory must recognize that patience is a tool that can be just as important as security arrangements, economic assistance,

or good relations. In some cases, benign neglect may even be an appropriate strategy.

Winning requires positive and negative inducements that leverage U.S. political, military, and economic strengths against the vulnerabilities of a proliferator. When the United States has had the will to win, the scorecard is impressive. Some of the losses might have been wins, but other priorities took precedence. And there will always be intractable or ambiguous cases that can only be handled by a coping approach.

Looking ahead, the ingredients are available to win future proliferation challenges, but they will remain disconnected pieces unless policymakers integrate them into competitive strategies. Without such strategies, the United States may find itself relying more on luck than brains to avoid proliferation that could have been prevented.

## CHAPTER 4 - ENDNOTES

1. We have adopted the definition of success elaborated by Henry Sokolski in Chapter 3.

2. William Perry, "US Counterproliferation Efforts: Prevent, Deter, Defend," in Barry Schneider and William Dowdy, eds., *Pulling Back From the Brink: Reducing and Countering Nuclear Threats*, Portland, OR: Frank Cass, 1998.

3. Quoted in Catherine McArdle Kelleher, *Germany and the Politics of Nuclear Weapons*, New York: Columbia University Press, 1975, p. 9. Kelleher's book remains the best treatment of this subject.

4. *Ibid.*

5. *Ibid.*, p. 5. See also, John D. Steinbruner, *The Cybernetic Theory of Decision: New Dimensions of Political Analysis*, Princeton, NJ: Princeton University Press, 1974.

6. On Sweden's nuclear program see Mitchell Reiss, *Without the Bomb: The Politics of Nuclear Nonproliferation*, New York: Columbia University Press, 1988, pp. 37-87.

7. See Kelleher.



8. *Ibid.*, p. 266. See also, David N. Schwartz, *NATO's Nuclear Dilemmas*, Washington, DC: Brookings Institution, 1983, pp. 82-135; and Steinbruner, pp. 153-326.

9. Kelleher, pp. 300-301.

10. Deborah Shapley, "Nuclear Weapons History: Japan's Wartime Bomb Projects Revealed," *Science*, Vol. 199, No. 4325, January 13, 1978; Leslie Groves, *Now It Can Be Told*, London: Andre Deutsch, 1963, pp. 367-372; Richard Rhodes, *The Making of the Atomic Bomb*, New York: Simon and Schuster, 1986, pp. 457-459; and Reiss, *Without the Bomb*, pp. 109-137.

11. For recent scholarship on the history of the U.S.-Japan nuclear alliance, see Morton Halperin, *The Nuclear Dimension of the US-Japan Alliance*, and Hans Kristensen, *Japan Under the Nuclear Umbrella* both papers written for the Nautilus Institute, 1999, available at <http://nautilus.org>

12. Joint Statement on U.S.-Japan Defense Guidelines, U.S.-Japan Security Consultative Committee (SCC), September 23, 1997. The SCC approved the initial guidelines in 1978. Presidents Clinton and Hashimoto agreed to review the guidelines in 1996. The new guidelines were announced September 23, 1997.

13. Selig Harrison, ed., *Japan's Nuclear Future: The Plutonium Debate and East Asian Security*, Washington DC: Carnegie Endowment for International Peace, 1996.

14. "South Korea Planned Nuclear Weapons," *Jane's Defense Weekly*, February 27, 1993, p. 6; "South Korea's Emerging Nuclear Potential," in *Foreign Broadcast Information Service, Special Memorandum*, (henceforth *FB-SM*)-96-10002, February 22, 1996.

15. David Albright and Corey Gay, "Taiwan: Nuclear Nightmare Averted," *Bulletin of the Atomic Scientists*, Vol. 54, No. 1, January/February 1998, p. 54.

16. On South Africa's nuclear program see Mitchell Reiss, *Bridled Ambition: Why Countries Constrain Their Nuclear Capabilities*, Washington DC: Wilson Center Press/Johns Hopkins University Press, 1995, pp. 7-43; David Albright, *South Africa's Secret Nuclear Weapons* Institute for Science and International Security, Washington DC, May 1994, available on the ISIS web site at [www.isis-online.org](http://www.isis-online.org).

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20. On Kazakhstan, see Reiss, pp. 138-150.

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## CHAPTER 5

# COUNTERPROLIFERATION: SHY OF WINNING

Thomas G. Mahnken

Hostile nations with nuclear, biological, and chemical weapons and the ability to deliver them over long distances pose a growing threat to the United States. In recent years, the U.S. Government has invested a substantial amount of capital—both diplomatic and financial—to halt the proliferation of such technology. While current efforts to stem the spread of strategic weapons and limit the damage they cause are both necessary and useful, neither individually nor in combination do they constitute a winning formula for combating proliferation. The reason is simple: neither consciously leverage the comparative strengths of the United States and its allies against the enduring weaknesses of specific proliferators. To do this requires the development of more competitive strategies that would encourage proliferators to spend more time and effort shoring up their weaknesses and less acquiring capabilities that can threaten the United States, our friends and allies.

From Nonproliferation to Counterproliferation.

The United States has historically pursued two approaches to combating the proliferation of strategic weapon technology. Until the late 1980s, the U.S. Government focused upon nonproliferation policies aimed at halting the spread of nuclear, biological, and chemical (NBC) weapons and missiles. Nonproliferation policy, formulated largely by the State Department, attempts to prevent states from acquiring strategic weapons technology by promising them rewards and threatening them with

sanctions. It is, at its heart, a diplomatic policy that is aimed at establishing a norm against the possession of WMD. Such an approach is embodied in the Nuclear Nonproliferation Treaty (NPT), the Chemical Weapons Convention, and the Biological Weapons Convention, as well as export control regimes such as the Nuclear Suppliers Group, Australia Group for chemical weapons, and the Missile Technology Control Regime.

There are several problems with looking to diplomacy to halt the spread of WMD. First, diplomatic measures have limited utility for dealing with those states that are of greatest concern to the United States. Many of these regimes are unlikely to limit their strategic weapons capabilities, and even less likely to adhere to any treaties they sign. Determined states can and will cheat on agreements that restrict their access to strategic weapon technology, as Iraq's record of violating the NPT. While North Korea agreed in 1994 to halt its nuclear weapons program in exchange for a massive infusion of U.S. and South Korean economic aid, there have been persistent reports that Pyongyang's nuclear activities continue.

Beginning in the late 1980s, the U.S. Government began to augment its efforts to prevent the proliferation of strategic weapon technology with measures to limit the damage they could cause if used. While current nonproliferation policy seeks to create a norm against the possession of WMD, counterproliferation accepts the spread of such weapons as inevitable. Indeed, counterproliferation policy represents a tacit acknowledgment of the limits of current nonproliferation policies. While nonproliferation is primarily a diplomatic approach, counterproliferation has a strictly military focus. It seeks to augment preventive efforts with measures to protect U.S. forces, friends, and allies by acquiring passive chemical and biological defenses; deploying theater missile defenses; and improving our ability to attack nuclear, biological, and chemical production and storage facilities and missile launchers.<sup>1</sup> Some have even argued that current and projected efforts to

defend against WMD will yield a “revolution in counter-proliferation affairs.”<sup>2</sup>

### Why Counterproliferation is Uncompetitive.

The main difficulty with counterproliferation policy stems from the fact that defense against WMD and missiles is extremely difficult. The United States currently lacks the ability to destroy the deeply buried facilities that many states use to produce and store WMD and missiles. Nor have the U.S. armed forces developed the capability to find and attack mobile missile launchers or reliably destroy missiles in flight.<sup>3</sup> By focusing on defense against WMD and missiles, the United States is operating from a position of considerable weakness. Indeed, we may be playing a game that we cannot win.

Indeed, in a number of cases, counterproliferation policies divorced from a larger strategic context may prove counterproductive. For example, one way to reduce the threat to U.S. forces from WMD and missiles is to improve passive defense measures. Some argue that because the spread of WMD and missiles increases the vulnerability of American forward bases, U.S. armed forces should increasingly operate “off-shore” or from the continental United States. While measures to protect U.S. forces abroad against an expanding range of threats are laudable, they do bear a cost. The forward deployment of U.S. forces across the globe deters aggression, bolsters alliance commitments, ensures access to natural resources, and ultimately fosters regional stability. Were the United States to remove its forces and forward bases from allied territory, we would render our friends and allies more susceptible to coercion by regional aggressors and might tempt them to acquire WMD of their own.

One can imagine situations in which the clumsy deployment of active defenses would undermine U.S. national security as well. Improvements to China and North Korea’s missile arsenals are increasing interest in ballistic

missile defense in Japan, Taiwan, and South Korea. Indeed, ballistic missile defense can play an important role in allowing these states to resist coercion and protecting them against WMD. Yet we must be careful how we deploy theater ballistic missile defenses in Asia. An ill-conceived approach could easily spur China to expand and improve its arsenal in a way that would decrease the security of the United States, its friends and allies in the long run.

Ill-considered efforts to deter the use of WMD may also prove counterproductive. U.S. threats to respond to the use of chemical and biological weapons with nuclear weapons could, conceivably, accelerate efforts by potential adversaries to acquire their own nuclear weapons.

The point here is not that we should not attempt to protect U.S. forces, friends, and allies against WMD and missiles. Such measures are both necessary and desirable. We must, however, pay close attention to how we implement such policies.

### More Competitive Strategies Needed.

Neither nonproliferation nor counterproliferation offers a formula for halting and rolling back WMD and missiles. What is needed is a new approach to weapon proliferation, one built upon a reasoned assessment of the relative strengths and weaknesses of each individual proliferator. Such an approach requires a detailed case-by-case assessment of those states that are interested in acquiring strategic weapons, one that yields an appreciation of their political objectives and value structure. It also requires a net assessment of the strengths and weaknesses of the United States and potential proliferators. Such an assessment should yield a strategy to leverage U.S. strengths against the proliferators' weaknesses in such a way as to reduce the threat they pose to the United States and our friends and allies.

A competitive strategies approach to proliferation should proceed from the recognition that the United States is engaged in a long-term competition with a number of states that are seeking WMD. It is a competition because proliferators have goals—including the acquisition of WMD and missiles—that conflict with the objectives of the United States. Indeed, the spread of these weapons, among others, threatens to constrain the ability of the U.S. armed forces to project power across the globe in defense of U.S. national interests.<sup>4</sup> Without the capability to intervene at the time and place of our choosing, we will face a diminished capability to protect our interests, either unilaterally or in concert with friends and allies. Such an approach to WMD would attempt to steer the competition in directions that allow us to reduce the danger these weapons pose to the United States by building on our strengths and exploiting our competitors' weaknesses. While commonsense, such an approach stands in stark contrast to current efforts to cope with proliferation, which attempt to redress U.S. weaknesses in the areas of passive chemical and biological defense and missile defense.<sup>5</sup>

### Missile Defense: Counterproliferation or Competitive Strategy?

A central feature of any competition is interaction, and that between the United States and those seeking WMD is no exception. The competition is interactive, in that the United States has the ability—to a certain extent—to influence the behavior of proliferators, just as they have the ability—to a certain extent—to influence ours. The advent of the Defense Counterproliferation Initiative and the increased urgency of deploying theater missile defenses in response to the spread of nuclear, biological, and chemical weapons and missiles is but one of the most obvious cases of interaction. The key to developing a winning strategy is to identify those political, military, and economic instruments that give us the greatest leverage over a particular proliferator.

A second feature of the competition is that it is long-term. Attempts by potential proliferators to acquire strategic weapons technology often unfold over years or decades, as do our efforts to deny them that technology. A strategic approach must therefore rigorously assess U.S. options and adversarial responses over years or decades. To take the above example a step further, the spread of theater ballistic missiles represents the first move in this competition, with the deployment of theater ballistic missile defenses the U.S. response. For our policies to be effective, however, we must also consider an adversary's potential counters to our response. While the United States has in recent years devoted increased attention to theater ballistic missile defense, it is unclear whether we have fully thought through the competition. If currently planned missile defense programs are successful, then the United States will possess by 2010 the ability to limit the amount of damage an adversary will be able to inflict upon our forces, friends, and allies. If we continue down this path, we should expect states with ballistic missiles to respond to our deployment of missile defenses. They may, for example, expand their missile arsenals in an attempt to overwhelm our defenses. They may also develop countermeasures against our defensive systems, such as separating warheads and decoys. Indeed, a recent assessment by the National Intelligence Council concluded that a number of states with ballistic missiles will develop or purchase missile defense countermeasures over the next 15 years.<sup>6</sup> They may also attempt to change the terms of the competition by shifting from ballistic missiles to stealthy land-attack cruise missiles. Some of these moves could weaken our competitive position drastically. For the United States, the key challenge is to determine which moves strengthen our competitive position and which weaken it. We should then take actions that drive our competitor toward those actions we desire and away from those we do not.



Whether missile defenses will be effective will depend on whether or not the efforts to deploy them are part of a larger strategy to dominate the long-term competition against a specific proliferator. If U.S. missile defense efforts are not part of a larger strategy, they may succeed in being a counterproliferation move that limits possible damage for a short time, but a move with little chance of succeeding over the long term.

### Toward A Competitive Strategies Approach to Proliferation.

History offers a number of compelling examples of competitive strategies, including the competition between the U.S. strategic bomber force and Soviet air defenses throughout the Cold War and U.S. Navy's adoption of the Maritime Strategy in the late 1970s and early 1980s. Of course, the American victory over the Soviet Union involved far more than military competition. Indeed, during the early 1980s, the U.S. Government developed a comprehensive strategy to contain and reverse Soviet expansion by competing effectively with the Soviet Union in all international arenas, to promote political and economic change within the Soviet Union toward a more pluralistic system, and to engage the Soviet Union in negotiations to resolve outstanding disagreements. Moreover, the government used military, economic, political, ideological, and cultural levers to exploit weaknesses in the Soviet system.<sup>7</sup> This more comprehensive competitive strategy played a central role in the U.S. victory over the Soviet Union in the Cold War.

What is needed now is a similarly comprehensive set of competitive strategies against proliferation. At the most basic level, our objective should be to reduce the threat that WMD and missiles pose to the United States, our friends, and allies. In the military realm, we may achieve this in a number of ways.<sup>8</sup> First, we might seek to force a proliferator to divert resources away from WMD and missiles and

toward less threatening capabilities. We might, for example, attempt to convince him to shift assets away from systems that allow him to strike his neighbors. Second, we might seek to force proliferators to retain weapons that are relatively easy for us to defeat, rather than moving toward systems that are more difficult for us to counter. Regardless of the difficulty the United States is currently experiencing in developing an effective defense against WMD, it may very well be that it is easier to shoot down ballistic missiles than stealthy cruise missiles. If so, we should take steps that encourage proliferators to retain their ballistic missile forces rather than shift toward cruise missiles. Third, we might seek to render his investments in WMD and missiles obsolete as a way of imposing costs upon his regime. A truly effective theater ballistic missile defense system would do precisely this to ballistic missile arsenals. The best that can be hoped for from current and programmed missile defense systems is that they might reduce an adversary's faith in the combat effectiveness of his forces.

What is needed beyond purely military measures is a more general effort to convince proliferators that they cannot achieve their political objectives through the use of WMD. Such a strategy should be the result of a comprehensive net assessment of the enduring strengths and weaknesses of the United States, the proliferator, and other key players.<sup>9</sup> A net assessment must include an in-depth understanding of why a particular state seeks WMD. What, in other words, are its motives and objectives? Both theorists and practitioners often assume that states seek WMD as a means of countering the military capabilities of regional rivals. While such motives often exist, in many—if not most—cases, internal politics also play a role. An understanding of these incentives may reveal levers that we can use to force proliferators away from WMD and missiles.

It is important to understand the value a particular state attaches to WMD. It is often assumed that states seeking WMD will mindlessly pursue their course no matter what

obstacles are thrown in front of them. In practice, however, states differ in the value they attach to the acquisition of strategic weapons. In some cases, a state's leadership views the possession of nuclear, biological, or chemical weapons as an issue of national survival; in others it is not. Indeed, some states, such as Sweden, have eschewed WMD, even when the acquisition of such systems was clearly within their reach. In Sweden's case, the decreasing popularity of nuclear weapons, the prohibitive cost of acquiring an arsenal, the remote possibility of U.S. assistance, and divisions within the Swedish political leadership all contributed to the decision to forego nuclear weapons.<sup>10</sup> The case illustrates the variety of factors that influence the decision to acquire WMD.

An understanding of the reasons that states renounce WMD can shed light upon levers that the United States can use to influence their behavior. The United States forced South Korea to halt its ballistic missile program both by exerting political pressure on Seoul and offering it access to a wide range of military technology. Indeed, the fact that allies look to the United States for political support as well as economic and military aid offers us a variety of levers that we can use to restrain their WMD and missile programs. The white government of South Africa decided to dismantle its nuclear stockpile when it became clear that it would cede power to a government representing the nation's black majority. The Argentine government of Carlos Menem shut down the Condor II ballistic missile program when it found out that the armed forces were developing the missile without the government's knowledge. The United States assisted Menem by providing him with detailed intelligence on the missile program, information that his own military had hidden from him. It also held out the prospect of access to Western financial markets and renewed military-to-military contacts if Argentina scrapped the Condor II.<sup>11</sup> In both South Africa and Argentina, regime change offered an opportunity to get a state to roll back proliferation. In some cases, the best policy

may be for the United States to remain aloof; in others we may want to actively assist the process.

Any effective strategy must take interaction into account. In many cases, proliferation may attempt to circumvent our leverage. A thoughtful strategy should anticipate these moves. What options does the proliferator have to counter our strategy? What path would we most like to see him follow? What can we do to ensure that he does follow that path? What paths would we least like to see him follow? What can we do to ensure that he does not follow these paths?

Seen in this light, current counterproliferation policy suffers from some significant shortcomings. It does not offer us the means to reduce the threat those weapons pose to the United States, our friends, and allies over the long term. The best it can do is limit the damage that an adversary can inflict upon our forces. While this is both necessary and desirable, it is by itself insufficient. Nor do current efforts to deal with WMD pit our strengths against the weaknesses of potential adversaries. Rather, too often we do the opposite. Passive defenses against WMD, active defenses against ballistic missiles, and attack operations against nuclear, biological, chemical, and missile production and storage facilities are insufficient to render an adversary's forces obsolete. Nor can they shift the terms of the competition appreciably. Rather, they force us to compete with proliferators on terms that are highly unfavorable to the United States. It is, for example, even unclear whether a protracted competition between third-world ballistic missiles and U.S. ballistic missile defenses will leave us better off.

More, of course, can be done to upgrade our counterproliferation efforts. We must develop a military strategy that pits our enduring strengths against the enduring weaknesses of potential adversaries. We should radically reconfigure our armed forces to reduce their vulnerability to WMD and missiles. The services should, for

example, study how to reduce their dependence upon vulnerable fixed infrastructure such as ports and airfields. Rather than closing with an adversary, they should explore options to allow them to strike an adversary from a distance. Similarly, they should develop concepts to reduce their vulnerability to WMD through dispersion and mobility.

In the end, however, there are inherent limits to what any counterproliferation initiative can accomplish by itself. The key to ultimate success lies in exploiting nonmilitary levers against potential adversaries. Certainly for many proliferators key weaknesses may be political, economic, and social, not military. We should think seriously about how to mobilize social and political forces within countries of concern to oppose the acquisition of WMD and missiles. Indeed, whatever military counterproliferation efforts the United States and its allies make should be designed to complement rather than undermine such efforts.

## CHAPTER 5 - ENDNOTES

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11. See Chapter 3. See also Daniel Santoro, *Operation Condor-2: The Secret History of the Missile Menem Dismantled*, Buenos Aires: Ediciones Letra Buena, 1992.

## PART III

### IRAN: TWO COMPETITIVE STRATEGIES

## CHAPTER 6

### FIGHTING PROLIFERATION THROUGH DEMOCRACY: A COMPETITIVE STRATEGIES APPROACH TOWARD IRAN

Kenneth R. Timmerman

#### Overview.

Current U.S. policy toward Iran has made important strides toward limiting the freedom of action of the Tehran regime, but it has not won support from key U.S. allies in Europe and the Middle East. The U.S. secondary boycott<sup>1</sup> has alienated many European countries and U.S. businesses, who are angry with the administration for seeking to interfere with free trade. It has also caused concern among our allies in the Persian Gulf, who fear the U.S. Government has not taken the full measure of Tehran's anger over sanctions aimed at impeding the development of Iran's oil and gas resources, the regime's primary source of the hard currency it needs to pursue its proliferation goals. In the end, these allies argue, Tehran will strike out against the United States by hitting those targets closest at hand, many of which are vulnerable to terrorism and to foreign-backed subversion.

If the United States retaliates militarily against Iran for Dhahran,<sup>2</sup> these allies fear, Iran will strike back at Saudi Arabia. This paper argues that the United States is misguided in limiting its policy objectives to changing the behavior of the Islamic regime in Tehran. This is because the very behavior we seek to change—Iran's violent opposition to the peace process, its predilection to choose terrorism as a tool of foreign policy, its nuclear weapons program, *inter alia*—constitute core beliefs of the current regime, even with the advent of a superficially more "moderate" President, Hojjat-ol islam Mohammad



Khatami. Asking them to abandon these beliefs is like pleading with a heroin addict to kick the habit. Instead, we should seek to encourage Iranian democrats to change the regime. This emphasis on the nature of the regime itself is the basic difference between containment and a competitive strategies approach toward Iran.

Advocates of reconciliation with Tehran argue that factions exist within the current ruling elite who would be prepared to abandon the behavior the United States finds objectionable if the price were right. Instead of more pressure, they argue, the United States should be offering sweeteners and should treat the regime as a reasonable interlocutor, not an outlaw.<sup>3</sup>

So far, however, the virtues of accommodation have failed to materialize. Europe's example comes first to mind. For most of the past 18 years, European nations have pursued a quietist approach toward the Islamic revolution, in pursuit of their own mercantile interests. When tough issues came up, such as the death edict against British writer Salman Rushdie, the Europeans found that their commercial engagement afforded them no leverage with the regime. Accordingly, they adopted a somewhat tougher policy in 1992, known as "critical dialogue," which was intended to couple economic carrots with open criticism of the regime on human rights issues.

The European Union (EU) suspended this approach in April 1997, when a German court convicted Iranian intelligence agents for the September 1992 assassination of four Kurdish opposition leaders in Berlin's Mykonos restaurant, and accused the senior leadership of the Islamic Republic of having ordered the killings. When European ambassadors returned to Tehran a few months later, all pretense of criticizing the regime was dropped. Since early 1998, the Europeans have greatly expanded commercial ties with Iran, without resolving any of the outstanding political issues between the European countries and Iran.<sup>4</sup>

The United States has also sought contact with “moderates” in Tehran, hoping they would be able to change the regime’s behavior. But under the leadership of the most “moderate,” pro-Western faction, led by President Ali Akbar Hashemi-Rafsanjani, the Islamic Republic actually stepped up its terrorist attacks overseas in the late 1980s and early 1990s, and accelerated its nuclear weapons and ballistic missile programs. Neither has his “moderate” successor, Hojjat-ol islam Mohammad Khatami even attempted to reign in the type of behavior the United States and its allies find threatening.<sup>5</sup>

Instead, the regime has used so-called “moderates” as a ploy to gain concessions from the West, much as the Soviet Union used détente during the Cold War. Rather than trying to patch up the current policy, this paper outlines a bottoms-up review of U.S.-Iranian relations by asking a series of basic questions to better define the nature and the goals of the Islamic Republic of Iran and of the United States. It will then examine the vulnerabilities of the Islamic regime to identify points of leverage the United States can exploit to further its interests, using a competitive strategies approach similar to that applied by the Pentagon to the U.S.-Soviet relationship in the 1980s.<sup>6</sup>

### Proliferation Concerns.

In the proliferation arena, it should be underscored that while any regime in Tehran might seek weapons of mass destruction (WMD) as part of a defensive strategy, the current Islamic regime is unique in seeking these weapons for offensive purposes. This distinction has far reaching implications for long-term U.S. policy decisions. The outcome the United States must avoid at any cost is therefore an Iranian regime that maintains its current aggressive behavior and that is also equipped with WMD. Our analysis will show that this is the most likely outcome of the current U.S. containment policy as well as of Europe’s policy of accommodation.

This risk has been dramatically increased by the waiver of ILSA sanctions against the French oil company CFP-Total on May 18, 1998. Waiving the sanctions flashed a green light to other international oil companies to invest in Iran, thereby helping the Islamic Republic overcome its economic difficulties. The preferable outcome of U.S. policy would be to see the emergence of a democratic Iran that foregoes WMD. But there is nothing in current administration policy—or Europe’s policy of accommodation—that would lead to this goal.

While some argue that conventional tools of nonproliferation (export controls, treaty obligations, international standards of behavior) have slowed Iran’s WMD development, U.S. influence has been limited because the administration has been unwilling to exert political pressure on Iran’s primary suppliers, Russia and China. Furthermore, the international nonproliferation norms are structured to tolerate “threshold” behavior, allowing a determined proliferator to build dual-use programs over time, reserving the political decision to declare their military purpose at a moment of their own choosing, as India and Pakistan did in the spring of 1998. If tested, traditional nonproliferation alone becomes a dangerous exercise in political brinkmanship, as the North Korean case shows; when coupled to economic engagement, as was the case with Iraq in the late 1980s, such an approach can lead to war.

Even if the current policy succeeded in containing the expansion of Iran’s military capabilities and prevented it from going nuclear—a best case scenario—the United States would still find it faced a major threat from the Islamic Republic of Iran. An aggressive regime will always seek ways of striking against U.S. interests, using whatever means are at hand, whether they be nuclear-tipped missiles or individual terrorists planting barometric bombs on commercial airliners. Because the threat emanates from the regime, more than from any specific weapon, the United

States should refocus its policy on weakening the regime to promote a basic change of orientation.

### Context and Timing of U.S. Policy.

Any competitive strategy toward Iran will need to evaluate the impact of U.S. policies on U.S. allies in the region. At the very least, any strategy toward Iran must do no harm to these alliances or to the strategic interests of these allies. For example, if promoting democracy in Iran discomfits U.S. allies in the Gulf, who will feel their regimes are also at risk, we must demonstrate to those allies that any alternative policy toward Iran would bring even worse consequences for them, such as a war of aggression by Iran, nuclear blackmail, or active subversion of their regimes. Instead of alienating our Persian Gulf allies, we should actively enlist their support through intelligence sharing and other means, and support them where possible in their efforts to find reasonable solutions to their own domestic problems. We should also exhibit a certain tolerance for the needs of our allies in the region to seek immediate accommodation with the Tehran regime, if by so doing they enhance their own security and do not harm the overall U.S. goals of promoting democracy in Iran.<sup>7</sup>

Any strategy toward Iran must be plotted in time, with three different clocks influencing our decisions.

1. Iranian progress in developing WMD.
2. Timeliness of developing the energy reserves of the Caspian Sea basin, and specifically, of determining export routes.
3. Growth of political unrest in Saudi Arabia, and the inevitable passing of power in other Gulf Cooperation Council (GCC) countries from the current generation to the next.

Without a more determined U.S. policy toward Iran, these timelines will converge at some time over the next 5

years to our disadvantage. In other words, without a U.S. policy whose goal is to promote a change of regime in Tehran (or a change in the very nature of the regime, which amounts to the same thing), the current Islamic regime is likely to acquire a nuclear weapons capability and to sit astride vast new oil reserves, at a time when a new and untested generation of rulers comes to power on the Arabian peninsula. This favorable convergence will give the Islamic regime in Tehran extraordinary power and influence which it lacks today, and make it much less vulnerable to outside pressure. Another factor is the post-Cold War strategic environment.

On the one hand, the United States has emerged as the unchallenged military power of the world, giving us greater latitude for unilateral action. But this is tempered by the increased emphasis in the United States on domestic—and primarily, economic—concerns, and by the growing preference in Washington for multilateral instead of unilateral action. Barring an aggressive act by the Islamic Republic comparable to Iraq's August 1990 invasion of Kuwait, it is unlikely that U.S. public opinion would support major military action against Iran. However, public opinion would be more likely to support military retaliation for terrorist attacks.

U.S. goals in Iran face potential competition from third parties, including Russia, China, and the EU, all of whom are aggressively pursuing economic (and in the case of Russia and China) military relations with Iran. Furthermore, the April-May 1998 campaign of nuclear tests by India and Pakistan, and the lack of a vigorous response by the United States or the world community, will undoubtedly encourage Iran to put its nuclear program into high gear.

Without significant progress toward democracy in Iran within the next 2-3 years (i.e., by the year 2000-2001), the trend lines become all negative. Already the U.S. business community has begun lobbying the administration to lift

the U.S. embargo on trade with Iran, following the May 18, 1998, decision to waive the ILSA sanctions against European oil firms investing in Iran.<sup>8</sup> Through its own actions, the administration has squandered an important policy tool that had succeeded for more than 2 years in preventing new oil and gas investment in Iran. The administration's failure to enforce ILSA was taken as a sign of weakness by Tehran. If past behavior is any guide, this will only embolden the regime in its aggressive behavior. Therefore, if the United States is to have any impact on the future of Iran, the time for new measures is very limited.

### Defining the Threat.

The nature of the threat from the Islamic Republic lies as much in its intentions as in its capabilities. Until now, however, U.S. policy toward Iran has focused uniquely on containing Iran's capabilities. But even here, the United States has fewer tools of containment than during the Cold War. With the demise of a multilateral export control regime in March 1994, the United States can no longer veto sales by others of dual-use technology to Iran that strengthens Iran's growing military-industrial complex. Iran is buying machine-tools from Germany, computers and scientific instruments from France, and entire military factories (not to mention major weapons systems) from Russia and China.

International inspections, such as those carried out in Iran by the International Atomic Energy Agency (IAEA), are cooperative in nature, making it unlikely inspectors would discover a covert nuclear weapons program. Even so, the only event that would eventually trigger some form of international punishment of Iran under the current nonproliferation norms would be the discovery of an actual bomb plant. The IAEA has long had evidence that Iran was acquiring an indigenous uranium enrichment capability with help from Russia and China, and has been unable to protest, since these are permitted activities under the

nuclear nonproliferation treaty (NPT). But the threat from Iran is not just proliferation; it is systemic.

In some ways, it parallels the Soviet threat during the Cold War, although on a vastly smaller scale. The Islamic Republic leaders view their system as an alternative model for Third World development, just as Soviet leaders did. In seeking to export their revolution, the Islamic Republic has chosen to use Islam as a political weapon, not as a religious force, to undermine regional competitors such as Bahrain and Saudi Arabia. In their effort to convince major international oil companies to build pipelines across Iran instead of neighboring countries, they have repeatedly resorted to terrorist attacks to destabilize neighbors such as Turkey, Azerbaijan, and Pakistan.<sup>9</sup>

Until now, U.S. policy has focused on specific threats posed by the Islamic Republic's nuclear weapons program, its use of terrorism as a tool of foreign policy, its active attempts to subvert neighboring regimes that are friendly to the United States, its violent opposition to the Middle East peace process, its conventional rearmament and especially its naval buildup. But while containment policies may temporarily diminish these threats, they cannot eliminate them because unilateral containment cannot be sustained over time and because the regime has demonstrated a high tolerance for pain. Even if containment succeeded in eliminating a specific threat, new threats would emerge for as long as the current aggressively anti-American regime remains in power. Traditional nonproliferation tools are treating the symptom, not the root cause of the problem, which is the regime.

### Iran's Goals.

A competitive strategies approach toward Iran needs to examine the goals and the nature of the Islamic regime in Iran, and then examine how we can leverage our strengths against their enduring vulnerabilities. In this case, gaining leverage means pressing U.S. advantages in ways that

weaken the regime, exploit its internal contradictions, and motivate the regime to dig its own grave deeper. Many American and European analysts argue that the bad behavior the U.S. objects to in Iran is the work of a single faction. Sideline this faction by supporting its rivals, and most of the bad behavior will become moot, this argument goes. There is a keen political debate inside Iran on many issues. Factional disputes have made it impossible, for instance, for the Parliament (Majlis) to pass a foreign investment law, despite numerous attempts since 1989. One faction argues that allowing foreign companies to own assets in Iran amounts to inviting a neocolonial invasion, while others contend that without foreign capital Iran will be incapable of development. Similar disputes have erupted over many social and cultural issues, such as sexual segregation at Iran's universities.

But these disputes occur solely among select members of Iran's body politic, who have demonstrated their loyalty to the regime. On issues of national security and regime survival, no significant divergence separates the different ruling factions. A social and political "moderate" such as President Mohammad Khatami, has been closely allied in the past with foreign terrorist organizations.<sup>10</sup> An economic "liberal" such as Hashemi-Rafsanjani has been the greatest supporter of Iran's nuclear weapons program. There has never been parliamentary debate on the wisdom of pursuing ballistic missile programs, or nuclear weapons research, or even of pursuing a civilian nuclear power program. On such issues, the regime speaks as one.

Five goals unite the ruling clerical elite:

- Maintenance of the Islamic Republic at all costs, including the system of *Velayat-e faghih* (absolute clerical rule). The harsh treatment meted out to intellectuals such as Abdolkarim Soroush or writers such as Faraj Sarkuhi, who dared challenge clerical rule, shows that regime survival is an existential concern and far outweighs any



factional differences. Indeed, all other goals are subservient to this;

- Aggressive expansion of Iran's influence in the Persian Gulf region to become the predominant power, militarily, politically, and eventually economically. While any nationalist government will also seek to enhance Iran's regional standing (as did the former Shah), the Islamic Republic has used much more aggressive means, including terrorism and the subversion of neighboring regimes to achieve its goals;

- An end to the U.S. military presence in the Persian Gulf, which the Islamic Republic views as a direct challenge to its predominance;

- Active subversion of the Middle East peace process. The Islamic Republic views Israel as a competitor, and fears that if the peace process succeeds, Israel will become the predominant economic power in the region and the partner of choice for the Arab world, Turkey, and Central Asia, instead of Iran;

- Determination to develop a broad spectrum of WMD, including nuclear and biological weapons, as relatively low cost force multipliers.

Only the last of these goals is likely to be shared by a nationalist or democratic regime. However, such a regime is also far more likely to respond to traditional nonproliferation tools and regional confidence-building measures, making the threat that a democratic or nationalist Iran will actually use WMD far less likely than it is today.

Through all the ups and downs of U.S. policy toward Iran since the 1978-79 Iranian Revolution, U.S. policymakers have consistently acted as if they believed it was possible to play one faction off of another. The same search for "moderates" that drove the Iran-Contra fiasco can be seen today in the Clinton Administration's campaign of friendly gestures toward President Khatami. The United States can

use Khatami's call for a "dialogue of civilizations" between the two countries to its advantage; however, it should abandon efforts currently underway to cut a secret deal with Tehran that would leave the Islamic regime unchallenged.<sup>11</sup>

### Leveraging Iran's Vulnerabilities.

While the Islamic Republic, as a system, appears extremely cohesive, it has maintained its grasp on power through a large and often brutal repressive apparatus. Numerous points of fracture exist within Iranian society than can be leveraged through careful policies. Despite major efforts in recent years, Iran remains an oil-based economy, and thus is extremely vulnerable to oil price fluctuations. To expand capacity beyond the January 1998 Organization of Petroleum Exporting Countries (OPEC) production ceiling of 3.9 million b/d, Iran's oil industry requires a massive infusion of foreign capital and advanced technology, to compensate for a near total lack of maintenance and exploration since the Revolution. And yet, in 1997 the National Iranian Oil Company drilled fewer exploratory wells in Iran in a year than were drilled in the state of Texas in a single month. Clearly, this is an area where the U.S. policy of unilateral economic sanctions had been successful, by preventing capital and technology inflows. U.S. opposition to World Bank loans to Iran compounded the impact.

Economic mismanagement has weakened the Iranian economy across the board. The standard of living in 1998 was a fraction of what it was in 1978, the last year before the fall of the Shah, and most Iranians are aware of what they have lost. High unemployment, rampant inflation, and failure of the regime to make good on its promises to the "dispossessed" have generated resentment among ordinary Iranians and potential instability. Widespread corruption among the ruling elite has exacerbated the problem, leading to a general impression, noted by most analysts of Iranian

affairs, that the Islamic Revolution is "losing its steam." Here, too, the regime is vulnerable.

The May 1997 presidential election campaign and the massive vote against the regime's hand-picked candidate, Majlis-speaker Ali Akbar Nateq-Nouri, demonstrated that discontent with the regime is broad-based and deep. Young people have had enough of the repressive social atmosphere and are turning toward the West, especially the United States. There is abundant anecdotal evidence of this, from reports by visiting U.S. journalists who are told at every encounter with ordinary Iranians that they harbor no ill intentions toward the United States, to the rousing welcome given a team of U.S. wrestlers who visited Tehran in February 1998 and were cheered when they paraded the American flag around the stadium to the tune of the American national anthem. Iran's traditional Shiite clergy has opposed the regime quietly since the death of Ayatollah Khomeini in 1989, because they reject the religious credentials of the new absolute religious leader, Hojjat-ol-islam Ali Khamene'i. Most of the Grand Ayatollahs still alive in Iran have been under house arrest for more than 10 years.

In addition, there is the intense and often bitter disaffection of Iran's minority Sunni Muslim community, variously estimated at 25-30 percent of the total population. Because Sunni Muslim tradition rejects the dogma of *Velayat-e faghih*, Iran's Sunnis find themselves barred from government employment. Sunnis are a majority in all of Iran's border areas, touching Iraq, Pakistan, Afghanistan, the Central Asian republics and most of the Persian Gulf coast. Both of these factors constitute major weaknesses for a so-called "religious" regime, and can be exploited through skillful efforts. Iranian leaders speak often about "Western cultural invasion," a term they have coined to express both a problem and their frustration at being unable to solve it.

Half of Iran's population has been born since the 1979 revolution. To the minds of Iran's clerical leaders, these

young people—the first “pure” products of a new, “Islamic” education system—should have become stalwart supporters of the regime. Instead, they listen to Western music, buy bootleg Western video cassettes, and watch “Baywatch” and other Hollywood shows on satellite TV. Attempts in 1995 and 1996 to crack down on satellite dishes failed miserably; in February 1997, the authorities launched raids on clothing shops, seizing T-shirts bearing pictures of the American flag, the Statue of Liberty, and other Western symbols, setting them on fire in public ceremonies reminiscent of book-burning.<sup>12</sup> Today, Western-style clothing has become the norm on Iranian university campuses. The regime’s attempts to isolate Iranians from outside influence have not only failed; they have generated greater interest in things Western among Iranians.

#### Promoting Democracy.

The areas where the United States has greatest leverage over the regime in Tehran are mainly cultural. Economic pressure worked for a time to choke off investment in the oil and gas sector; but once again, this amounts to treating the symptom, not the cause of the U.S. problem with the regime. Unless it is coupled with other, cultural measures, an economic and military containment policy will ultimately fail. Indeed, critics of the current “dual containment” strategy argue that the failure of economic and military containment to bring about changes in the behavior of the regime should cause the United States to abandon containment and seek accommodation with the regime. I believe, on the contrary, that the current policy does not go far enough, and fails to recognize that accommodation will only strengthen the regime and, as a result, the very behavior we seek to change.

The United States has shown throughout the world that it can “compete” head to head with dictatorships and win. Freedom and democracy are extremely attractive

“products” to sell to young people who have been brought up under a repressive, inward-driven system. In competing with the Islamic regime for the attention of this audience, the United States has powerful tools the regime lacks. In its most basic form, a competitive strategy amounts to a successful marketing campaign. The most powerful tool of any marketing campaign is advertising. Since the United States has no access to the Iranian media, this leaves one option: creating our own. In November 1997, Congress appropriated \$4 million to create a surrogate Radio Free Iran under the banner of Radio Free Europe/Radio Liberty. It is no coincidence that the Iranian regime has targeted this radio as a threat, and has made offers through back-channel discussions with American intermediaries to open a secret political dialogue with the United States in exchange for killing the new radio. These efforts were eventually blocked in mid-April 1998 by intense pressure on the administration from Congress.<sup>13</sup>

The audience the United States needs to reach via Radio Free Iran are the 30 million young Iranians born since the revolution. Programming should not be overtly political (the Iranian media is full of hyperventilating political commentary), but should focus on the stuff of freedom—free choice, free expression, freedom to travel, freedom from government repression, and respect for human rights. While the United States can only get involved with opposition groups inside Iran at great risk, it can nurture opposition to the regime through broadcasting and the distribution of guides to political defiance and organization.<sup>14</sup> The freedom radios had a tremendous impact during the Cold War throughout Eastern Europe in keeping alive a defiant spirit among captive peoples. Czech President Vaclav Havel, who spent many years in a Communist jail, expressed his country's gratitude for Radio Free Europe by turning over the former Parliament building in Prague to the RFE/RL to use as a new worldwide broadcasting center, for a token one dollar yearly rent.

Radio Free Iran should also work to establish an on-the-ground reporting capability, that can be deployed in times of crisis inside Iran to provide breaking news that the regime is eager to suppress, and to report on human rights abuses. Such a capability was sorely lacking during riots that broke out in a variety of cities (Qazvin, Tabriz, Isfahan, Zahedan, as well as the Tehran suburbs) in recent years. The lack of information allowed the regime to successfully isolate these disturbances and keep them from taking on national significance. How the regime reacts to Radio Free Iran will depend to a large extent on the content of the broadcasts. If they are strident in tone, or become the tool of Iranian exiles, the regime is likely to jam them as it did throughout the 1980s and early 1990s to Central Intelligence Agency (CIA)-sponsored broadcasts run by Dr. Manoucher Ganji, an exile based in Paris.<sup>15</sup> However, if the broadcasts remain factual and strike the right tone, they could gain a wide audience inside Iran, making moves by the regime to jam them or to punish Iranians caught listening to them politically risky.

Repression of this sort could in turn increase the audience for the broadcasts and further encourage the nascent pro-democracy movement inside Iran, just as the regime's ban on satellite dishes only increased the appetite of Iranians to watch banned Western television programs.<sup>16</sup> In addition to broadcasting, the United States needs to send a clear message to the Iranian people about U.S. goals. While the Clinton administration has subtly and correctly altered the official U.S. policy line since President Khatami's election, stressing the friendship between the U.S. and Iranian peoples, we still need to dispel the lingering suspicion in the minds of many Iranians that the United States is somehow conspiring with the ruling clerics to keep the Islamic regime in power. Instead of the usual statements that the United States is "not opposed to Islamic government" in Iran, or that it sees the regime as "a permanent feature of the Middle East," U.S. policymakers should state publicly that the United States supports the

sovereign right of the Iranian people to choose their form of government by democratic means. The United States should also make it clear that economic sanctions are tied to the regime's behavior, and do not result from any enmity toward the Iranian people—a message that is already getting across.

The administration should also try to coordinate its policy approach toward Iran with nongovernmental actors. The perceived lack of any U.S. commitment, for or against sanctions, has encouraged a wide variety of actors on all sides of the issue to get involved, pretending to express the underlying intentions of the Clinton administration. One notable example was the April 15, 1998, speech before the Council on Foreign Relations in New York by outgoing Representative Lee Hamilton (Democrat, Indiana), the ranking Minority member of the House International Relations Committee who has announced his retirement from the House. Hamilton called for an end to U.S. sanctions and encouraged the Clinton Administration to open a dialogue with the Iranian regime.<sup>17</sup> If the United States seeks to promote democracy in Iran, it should clearly indicate that such statements do not square with U.S. policy or U.S. goals.

Iranian exiles would like to see the United States back this or that political faction in Iran, but direct involvement in Iranian politics is a mine field that promises no prize for the risks of being crossed. Given the advanced state of decay of the regime, exposure of U.S. covert operations in support of opposition groups could give regime leaders a welcome boost in popularity that far outweighed any potential gains. The United States should encourage other countries in the region to support opposition Shiite religious leaders and Iranian Sunnis in Balouchistan, along the Gulf coast, and along the border with Azerbaijan.<sup>18</sup>

In the public policy arena, the United States should take up President Khatami's call for a "dialogue of civilizations" with care. While on the surface, greater exchanges of

academics, journalists, athletes, and artists seems appealing, Tehran's goal is to create a lobby in the United States that can put pressure on Congress to lift economic sanctions on Iran. For such exchanges to be meaningful, the United States should insist that American "emissaries" to Tehran be granted direct access to the Iranian media, to Iranian students, and to local groups, so they can make the case for democracy and freedom directly to the Iranian people. This is clearly not what President Khatami had in mind.

### Monitoring Democratic Change.

The United States can have only very limited influence on events inside Iran, and should have no illusion about the type of government that will emerge even in a best case scenario from the ashes of the Islamic Republic. It is likely to remain Islamic—at least, in name; and it is likely to include some of the historic figures of the 1978-79 revolution. We should not expect or even hope for a pro-American puppet regime. U.S. public policy statements should make clear that it is in America's interests to see a strong, free, and democratic Iran, whatever its political coloration. But we should also monitor the shift from dictatorship to democracy carefully, because how it happens will affect what happens. Signs of positive change will include:

- authorization of political parties, with the right to organize and unimpeded access to the domestic media, including those that do not accept clerical rule;
- authorization of labor unions and the right of workers to organize freely and engage in contract negotiations;
- dismantling of the repressive apparatus, especially the "vice squads" and secret police;
- an end to the assassination of Iranian dissidents living in exile and to the harassment of the Iranian exile community;



- putting into practice the International Covenant for Civil and Political Rights, a binding international agreement signed by the Islamic Republic which guarantees the rights of minorities and of political representation for all citizens. (President Khatami's vow to respect the "rule of law" is a fig leaf for repression, in that he refers to the laws of the Islamic Republic which enshrine discrimination against women, minorities, and political opponents);

- an end to press censorship and ownership laws that restrict press freedom, and free access to the international media for all Iranians;

- prosecution of individuals and groups responsible for mob violence;

- an end to the training and support of foreign terrorist groups.

Some analysts see in the tremendous changes occurring within Iranian society today real signs of a change of heart—if not yet behavior—of the regime. Such a conclusion underestimates the import of the May 1997 presidential elections, which were a resounding defeat for the regime, and overestimates the regime's ability to keep the lid on popular dissent. Iran's continued support for terrorism, its dramatic recent successes in developing long-range ballistic missiles, and its continued rejection of the Middle East peace process have demonstrated that the current regime is incapable of reform in any meaningful way. Indeed, if President Khatami were to attempt to implement the reforms listed above, the Tehran rumor mills suggest he would be removed by the Supreme Leader, Ayatollah Khamene'i. The advent of a real democracy in Iran, with open debate and empowerment of minority groups, would spell the end of the Islamic Republic as we know it.

Democracy would have a dramatic impact on Iran's WMD programs as well. For instance, it is hard to believe that a truly open debate in an Iranian parliament composed

of representatives of all segments of Iranian society (instead of the majority of clerical supporters of the regime we still see today) would approve the massive expenditures being made to build nuclear power plants along the Persian Gulf coast at Busheir. If nothing else, a democratic debate would lead Parliament to consider the economic and environmental impact of pursuing the Busheir nuclear plants.

Similarly, while a democratic Iran might want to build missiles capable of hitting Baghdad, it would see little interest in longer-range missiles that would bring Tel Aviv into reach, knowing that such a capability calls for a response. The regime itself has boasted that every capitulation by the United States, whether a relaxation of economic sanctions or the recognition of the political legitimacy of the Islamic Republic, is tantamount to a show of support for the regime. In this context, negotiating with Tehran only reinforces the current regime, while discouraging Iranian reformers whose influence is growing on a daily basis. Instead, a competitive strategy would seek to drive a wedge between the regime and the Iranian people, to encourage Iranian democrats to organize themselves into an effective opposition capable of using the tools of political defiance to bring about real change in Iran.

## CHAPTER 6 - ENDNOTES

1. The Iran Libya Sanctions Act (ILSA), signed into law by President Clinton on August 5, 1996, requires the President to impose three of five possible sanctions against foreign companies investing more than \$40 million dollars in Iran's oil and gas industry, with the investment trigger reduced to \$20 million after the first year of the Act. The possible sanctions are: a prohibition on the importation of goods into the United States from a sanctioned foreign person or company; a prohibition on Export-Import Bank assistance for exports to the foreign person; a ban on export licenses for dual-use technology; a ban on U.S. financial institutions from making loans or credits to the sanctioned person or company; and for foreign financial institutions, the loss of their designation as a "primary dealer" in U.S. securities or as a repository of

U.S. Government funds. On May 18, the State Department announced it was waiving sanctions against the French company CFP-Total. Even more significantly, Secretary of State Madeleine Albright said the United States would issue future waivers for European companies because of unspecified cooperation from the EU on preventing Iran from acquiring WMD technologies. These U.S. waivers were greeted as a "great victory" by Iran and a defeat for U.S. policy.

2. While Saudi Arabia has never accused Iran publicly, Saudi officials say privately there is "no doubt" that Iran was behind the bombing of the Khobar Towers barracks in Dhahran, Saudi Arabia, on June 26, 1996, which killed 19 U.S. servicemen. (Source: private conversation with Saudi officials, Washington, DC, March 1998). However, Saudi dissidents encountered by the author in London in February 1998 insisted that Saudi Sunnis tied to renegade Saudi financier Osama Bin Ladin were behind the blast (see Kenneth R. Timmerman, "This Man Wants You Dead," *Reader's Digest*, July 1998, p. 56).

3. The most well-known presentation of this approach resulted from a Council on Foreign Relations study prompted by the U.S. oil industry and others, authored by Zbigniew Brzezinski, Richard Murphy, and Brent Scowcroft, "Differentiated Containment," *Foreign Policy*, May/June 1997.

4. In January, the Iranian Foreign Minister traveled to Rome to examine new export credits with the Italian government; in March, Italy's largest energy group, ENI, said it was expecting new contracts in Iran; in late April, several British oil and gas firms announced they were preparing to tender for new Iranian oil and gas field development projects, and in May a French commercial delegation with representatives of more than 30 major French exporters traveled to Iran. Commercial news exploded after the May 18 announcement by the United States to waive the ILSA sanctions against Total, with more than a half dozen European companies announcing they planned to open offices in Tehran. (Source: Middle East Data Project chron files; *The Iran Brief*, various issues).

5. One of Khatami's first acts as President, in early September 1997, was to meet with representatives of Lebanon's Hezbollah militia and pledge continued Iranian government support to their struggle against Israel. See "Khatami supports Hezbollah," *The Iran Brief*, September 8, 1997. On May 2, 1998, Khatami publicly acclaimed Hamas leader Sheikh Ahmed Yassin, who was visiting Tehran, and vowed Iranian government support to Hamas in its struggle against "Zionist fascism." "Hamas leader visits Tehran," *The Iran Brief*, May 4, 1998.

6. The 14 competitive strategies questions are laid out by former Pentagon strategist David Andre, in "Competitive Strategies: An Approach Against Proliferation," in Henry Sokolski, ed., *Fighting Proliferation: New Concerns for the Nineties*, Maxwell Air Force Base, AL: Air University Press, September 1996, pp. 257-276.

7. The Saudi rapprochement with Iran, which began during the December 1997 Tehran summit meeting of the Organization of the Islamic Conference, should be seen in this light. More than forging an alliance with Tehran, the Saudis seem intent on limiting Iran's ability to undermine the Saudi regime by supporting Shiite oppositionists in the Eastern Province. See "Gulf Arab leaders welcome Khatami," *The Iran Brief*, January 12, 1998.

8. Leading the charge to lift the trade embargo is USA\*Engage, an oil-industry lobbying group. See "U.S. waives ILSA sanctions," *The Iran Brief*, June 1, 1998.

9. The President of Azerbaijan accused Tehran of funding a violent Islamic opposition movement in his country in 1996, and senior Pakistan officials told the author in interviews in Islamabad in March 1998 that Iran was arming the Northern Alliance in Afghanistan to fight the Pakistani-backed Taliban, in order to maintain instability in Afghanistan and thus prevent UNOCAL from building a \$2.5 billion gas pipeline across the country to Pakistan from Turkmenistan. Iran is hoping to convince BHP of Australia to build an alternate route, across Iran. See "The Great Game in Afghanistan," *The Iran Brief*, April 4, 1998; Kenneth R. Timmerman, "Conflict Intensifies over Asian Pipeline Routes," *Washington Times*, April 11, 1998.

10. See "Khatami tied to mid-80s terror," *The Iran Brief*, July 3, 1997, which details Khatami's role in orchestrating a wave of anti-Western violence in Lebanon in 1984 while he was serving as Minister of Islamic Guidance. Since Khatami assumed the presidency in August 1997, the U.S. intelligence community has detected MOIS intelligence agents "stalking" U.S. diplomats in Bosnia and Tajikistan. See Bill Gertz, "Intelligence agency highlights threat of anti-American terror," *Washington Times*, December 9, 1997.

11. See "The Public Policy Dance . . . and the Secret Track," *The Iran Brief*, April 4, 1998.

12. See "Authorities Seize T-shirts," *The Iran Brief*, March 3, 1997.

13. See Elaine Sciolino, "White House Agrees to Radio Broadcasts to Iran," *New York Times*, April 15, 1998; and "Radio Free Iran: Down but Not Out," *The Iran Brief*, April 4, 1998.

14. One example would be "From Dictatorship to Democracy," a pamphlet written by Gene Sharp, a scholar at the Albert Einstein Institution (Printed in 1994 by the Committee for the Restoration of Democracy in Burma, and available from the Albert Einstein Institution in Boston, MA). Sharp's writings on the use of nonviolent political defiance as "weapons systems" to defeat dictatorship provide useful references for Iranian opposition groups seeking to conceive of plan of action for undermining the current regime. Sharp is the author of a landmark three-volume study, *The Politics of Nonviolent Action* (Porter Sergeant, Boston, 1973) that has inspired the Burmese pro-democracy movement.

15. "Confused Signals from Washington," *The Iran Brief*, February 6, 1995.

16. Former Tehran University professor Azar Nafisi tells of Iranians with satellite dishes in the poor suburbs south of Tehran selling tickets to their neighbors to watch weekly broadcasts of "Baywatch." (Conversation with the author, April 1998).

17. Ben Barber, "Democrat calls for policy change on Iran," *Washington Times*, April 16, 1998.

18. This writer would also support preventive measures aimed at containing any hostile military moves by Iran. These would include deploying theater ballistic missile defenses, and maintaining the U.S. naval presence in the Persian Gulf.

## CHAPTER 7

### DUAL CONTAINMENT AS AN EFFECTIVE COMPETITIVE STRATEGY

Patrick Clawson

I wish to demonstrate that the dual containment strategy in the Persian Gulf plays to enduring U.S. strengths and exploits the vulnerabilities of U.S. competitors. As an economist, I am at a considerable disadvantage in making such an argument in front of a distinguished group of political scientists, because I have never taken a political science course in my life. Therefore, my method will be to make use of a competitive strategy: I will make use of my enduring strengths by using the tools of economics, while I will avoid my weakness, which is my ignorance of political science. I will also focus the argument on Iran, both because I know that case better and because it has been the more controversial.

My thesis is that dual containment has been an effective competitive strategy because it has aligned the enduring U.S. strengths in the realms of military power projection and of economic power against enduring Iranian weaknesses, especially socio-economic discontent and a troubled oil industry. In the jargon of economists, dual containment has been the least cost approach for achieving U.S. aims, with its benefits substantially exceeding the costs.

This chapter is structured to follow a set of questions posed by the organizers. I am afraid that makes the presentation rather disjointed, but it has the advantage of facilitating comparison between this case and other cases examined with the same methodology.

## The Context of U.S. Strategy.

Formulating an effective U.S. competitive strategy for the Persian Gulf is a challenge because of the peculiar strategic situation. The United States has vital interests in the Persian Gulf: ensuring the steady supply of oil at a reasonable price and preventing implacably anti-Western governments from acquiring the modern armaments with which to pose an intolerable threat to the United States and its allies. The problem for the United States in securing those interests is that the Gulf has two large powers (Iraq and Iran), both of which are hostile to the United States, and one medium-sized power (Saudi Arabia), which has a political and social system alien to U.S. values and which is uncomfortable with too close an association with the United States.

## Evolving Nature of the Strategic Environment.

The strategic environment in which U.S. policy towards Iran is being shaped includes five major trends which, starting with the most favorable, are:

- The Iranian regime faces popular discontent and the indifference of the senior clergy. To be sure, the Islamic Republic is unlikely to fall, in part because it adapts to domestic pressure, expressed through hotly contested elections fought between candidates carefully screened to ensure their loyalty to the revolution. However, dramatic changes in Iran's hostility to the West could well occur.

- Oil is in ample supply, which reduces U.S. concern about an Iranian-induced oil shock. Crude oil prices are at about the same as in the mid 1980s, while the average price level for other goods has risen about 35 percent. Prices are likely to be kept low by the drop in the cost of producing oil, thanks to rapidly advancing technology. As costs drop, more output is coming from less attractive oil fields in countries outside the Gulf, e.g., Venezuela is on track to increase its oil

output capacity from 3.5 million barrels per day (mbd) to 6 mbd by 2002.

- The United States has had some limited success in generating support for its campaign against Iran's unacceptable behavior. European Union (EU) members and Japan enforce their bans on sales to Iran of arms and dual-use technology, but they reject U.S. arguments for economic pressure on Iran. China has suspended deliveries to Iran of the most destabilizing arms it was selling—namely, advanced anti-ship missiles—due both to U.S. pressure and \$900 million in Iranian arrears in payments for arms. Russia cooperates some on blocking dual-use technology, but it is building a nuclear power plant and continues arms deliveries; President Boris Yeltsin's agreement not to enter into new arms contracts has had little practical effect, since so much remains undelivered under a 1989 agreement, which Iran had to stretch out as its finances deteriorated.

- The United States is losing the propaganda war about Iran. Washington is seen as the barrier to dialogue, whereas in fact Ayatollah Khamenei and the other senior clerics categorically refuse to talk. U.S. sanctions are seen as ineffective, whereas in fact Iran has been unable to attract the foreign financing it needs to remain an oil exporter over the long run.

- Iran's pursuit of unconventional weapons continues. Its nuclear weapons program appears to be advancing slower than had been feared in the early 1990s, and its adherence to the Chemical Weapons Convention suggests an avenue to eliminate its chemical weapons over the next decade. On the other hand, after years of little progress, its missile program is finally moving ahead. And in his criticism of the government of President Mohammad Khatemi, the new commander of the Islamic Republican Guard Corps (IRGC), Yahya Rahim Safavi, signaled the military's continuing interest in unconventional weapons, saying, "Can we withstand American threats and



domineering attitude with a policy of détente? Will we be able to protect the Islamic Republic from international Zionism by signing conventions to ban proliferation of chemical and nuclear weapons?"<sup>1</sup>

Futures the United States Prefers and Futures It Wishes to Avoid.

The United States would prefer continued access to ample Gulf oil supplies at reasonable prices and stable non-aggressive governments friendly to the West in each of the major Gulf powers—Iran, Iraq, and Saudi Arabia. The first of those goals seem eminently attainable, both for the short run and the long run. The second goal is implausible. For the near future, Iran and Iraq are likely to remain hostile to the West and at least Iraq will be probing to see if it can get away with external aggression. For the medium term, Iran and Iraq may become less problematic for the West—Iranian politics may evolve and Saddam may be replaced—but it is possible that Saudi Arabia will become more of a problem, if succession to the next generation of leaders goes poorly or if structural economic reforms are delayed so long that socio-economic discontent feeds the ever-present religio-cultural hostility to the West.

The future of the Gulf could become unpleasant for the United States in several ways, most likely of which are:

- Violent bid for domination of the Gulf. There is every reason to worry about Iraq's intentions. As National Security Council Near East and South Asian Director Bruce Reidel told The Washington Institute,

We all know it is not over. Saddam Hussein's track record is all too clear. He will continue to challenge the international community because his goals remain regional domination and revenge for past defeats. That is why he started two wars and tried to assassinate President Bush and the Amir of Kuwait.<sup>2</sup>

- Loss of a key ally. Saudi Arabia could become distinctly less friendly to the United States, either under a more Arab

nationalist monarchy or under the influence of conservative religious forces opposed to a close relationship with the West.

- Loss of prestige from mishandled initiatives to improve relations. The last U.S. initiative towards Iran, i.e., clandestinely selling Iran arms during the Iran-Contra affair, was not a success. It hurt the prestige of a popular U.S. president.

- Oil price rise. Were the world economy to become as heavily dependent on Gulf oil as it was in the early 1970s, the Gulf producers might be able to reform the cartel that drove up prices in 1973 and 1979. Those price increases reduced world economic output by approximately 2 percent for a period of 2 to 4 years. For the United States, that translates into a loss of national income of \$150 billion to \$300 billion.

The focus of U.S. efforts has been on avoiding the first in that list, namely a violent bid for domination of the Gulf. The U.S. approach is to deter external aggression. Deterrence in the Gulf is quite different from deterrence in Cold War Europe. In the Gulf, unlike Europe, there is no doubt that the United States could bring into the region sufficient force to reverse any aggression. It is obvious that the United States could, if it so wished, prevail in the Gulf if a conflict were to erupt: its national power vastly exceeds that of its potential opponents. But the U.S. aim is more ambitious than prevailing in a conflict were one to occur—its aim is to deter any conflict from ever occurring.

The Gulf deterrence problem is demonstrating that the United States has the will to bring sufficient force to bear, so as to prevent aggression rather than reversing it after the fact. It can be argued that Saddam would never have attacked Kuwait had he known how far the United States would go in opposing his invasion, and a larger U.S. presence in the Gulf might well have shown Saddam just how seriously the United States would oppose aggression there. Deterrence in the Gulf requires a level and type of

U.S. presence sufficient to persuade an opponent not to risk war, by demonstrating the degree of U.S. commitment. That may well be a level of presence greater than would be suggested by the method of war planning developed for the European Cold War theater, based on measuring the forces of the potential adversaries and calculating how much is needed to hold the line until reinforcements from the United States arrive.

### Competitors and Key Third Parties.

Iran is the competitor that is the focus of this analysis. Iran is obviously not competitive with the United States on a global scale; the most it can achieve is to raise the cost to the United States of pursuing certain U.S. objectives, with the hope that these costs will induce the United States to decide the game is not worth the candle.

The question of third parties is quite complex. The most important third party for U.S. policy towards Iran is Russia. Iran places great store on its relation with Russia, with which it proclaims it has a strategic alliance against the West and which is its principal arms supplier. It is not clear to what extent Russia shares these sentiments. However, Iran and Russia have important common interests. Both are large producers of oil and gas, whose interests are ill served if Caspian Basin oil and gas reach markets that they could themselves serve. Under these circumstances, it is hardly surprising that Iran has cooperated closely with Russia on regional issues, such as establishing peace in Tajikistan.

The next most important third parties are U.S. allies, both in the Gulf and in Europe. As discussed below, a principal Iranian strategy has been to play those allies off against the United States.

The final important third party is Israel. The Islamic Republic has a strong ideological objection to the existence of the state of Israel, which it has backed up with financial and material support to those who would disrupt the peace

process with terrorist attacks. Iran has also concentrated on developing missiles with sufficient range to reach Israel. Not surprisingly, Israel's response has been to regard the Islamic Republic as an implacable foe, increasing its military budget to offset the Iranian threat and encouraging its friends in the United States to point out the dangers from the Islamic Republic.

In theory, Iraq could be an important third party, because Iranian-Iraqi cooperation could represent a more serious threat than either could pose alone. In practice, the two sides have been unable to cooperate much, due to historical rivalries, residual hostilities from their 7-year war, and the arrogance of each side towards the other.

#### Goals and Strategies of Competitors and Third Parties.

There is a broad consensus in Iran in favor of active assertion of Iranian interests in its neighborhood, including the Persian Gulf, the Caspian basin, and the Levant. Many of the reasons are based on Iranian national interests that would not change irrespective of who held power in Tehran. At the same time, some of the Iranian behavior to which Washington most objects—its use of terrorism, its destabilization of neighboring governments, and its opposition to the Arab-Israeli peace process—are largely specific to the Islamic Republic. Indeed, they are so intrinsic to that regime's self-conception that it is difficult to foresee them being changed as long as the Islamic Republic continues in its present form.

The major motives for Iran's policy towards its neighborhood are seeking economic advantage, realizing its self-conception as a great power, asserting leadership of the world's Muslims, forestalling unrest among Iran's minorities, and preventing attack. In general, the Islamic Republic of Iran behaves less assertively in its immediate neighborhood than in far distant areas, like Israel or the Balkans, where it is quite adventurous. In the Gulf, Iran

seems more interested in exercising influence, and perhaps supporting subversion, than in open aggression.

That said, the Islamic Republic is doing an effective job at persuading the United States that Tehran is in fact a conventional military threat to vital U.S. interests in the Gulf. Iran has concentrated on buying every ship-sinking system it can get its hands on, while doing little to improve its ability to defend against a land attack from Iraq. The apparent strategy is not to permanently close the Strait but instead to raise the cost to the United States of any power projection in a conflict. Specifically, Iran could pose a considerable danger to shipping which could affect world oil markets—the potential for damage to U.S. economic interests could conceivably deter U.S. intervention. Iran's threats to shipping could also complicate military operations. Civilian ships would be less willing to move in supplies vital to U.S. forces. It is even conceivable that Iran could be lucky enough to sink a U.S. Navy ship, allowing it to claim a propaganda victory irrespective of what its forces then suffered.

Iran seems to have in mind a repetition of the disastrous strategy of the tanker war of 1987-88. That is, if Iran comes under attack, its response could be to impede shipping in the Straits, to raise the stakes. When done last time, the result was to unite the industrial world against Iran, to bring the navies of eight countries into the Gulf to sweep for Iranian mines. And the tanker war brought the United States to support Iraq more actively—in Iranian eyes, to enter the war on Iraq's side (their interpretation of the Airbus downing). Despite this demonstrated record of failure, the strategy of impeding shipping seems to be what Iran is planning to do once again if attacked.

Statements by IRGC leaders suggest that Iran's strategy might also be horizontal escalation, that is, terrorism elsewhere in the region. Mohsen Rezai, IRGC commander from 1980 to 1997, warned that if the

slightest incident occurs in the region, it may lead to a massive war which might spill over to other places, with the Americans losing the game. If the slightest pressure is exerted on us, we will disregard all restrictions and become engaged in conflict with the United States throughout the Persian Gulf up to the Sea of Oman.<sup>3</sup>

Iran's leaders seem to take a sanguine view of their prospects against the United States. They frequently refer to the ease with which the United States was forced out of Lebanon by terrorist attacks against U.S. forces. Even the risk of all-out war seems to be accepted. Rezai explained a strategy that could be used against U.S. forces: "If a war like that of the U.S. with Iraq were to be waged against Iran, at least 20,000 American troops would be captured before the United States had even launched its first attack. And this while the United States would be prepared to sit at the negotiation table even with the first thousand prisoners."<sup>4</sup> Asked about what would happen if the United States attacked Iran with military force, then-Foreign Minister Velayati replied, "Iran is not weaker than Vietnam, and America is not stronger than it was at that time."<sup>5</sup>

As for the goals and strategies of third parties regarding U.S.-Iran relations, there is a widespread view in Washington that Europe is interested primarily in commercial advantage, the Gulf Cooperation Council (GCC) countries wish to avoid confrontation with a powerful neighbor, and Russian hardliners see Iran as a useful source of revenue and as a way to annoy the United States. There is a large element of truth in each of these characterizations, but it is also the case that each of these third parties sees engagement with Iran as the most effective means to encourage more moderate elements. It is particularly worth noting that to date, there is little indication Russia wants a strategic partnership with Iran: for Moscow, the relationship is tactical, based on the political inferiority complex in both countries and on Iran's role as a potentially attractive arms customer.

## Current and Future States of the Competition.

It is obvious that the United States has vastly more national power in every realm than does Iran. Indeed, the question can be posed whether Iran represents in any meaningful sense a threat to the United States. In fact, there is one area in which there is some degree of competition, and that is for the control of the Strait of Hormuz. Iran has been acquiring a potent set of assets with which to dominate the Strait of Hormuz area, to harass shipping and threaten Gulf islands, including:

- three Russian *Kilo*-class submarines;
- 100 older model antiship HY2 missiles (based on the Soviet *Styx*) on 8-10 mobile launchers near the Strait;
- more than 100 C801 antiship missiles, with a 40 km range and a 165 kg payload, including some modified to be launched from planes;
- on Qeshm Island near the Strait, batteries of C802 antiship missiles, each with a 165 kg payload and a turbojet engine giving a 95-135 km range;
- 10 *Hudong* fast attack craft, each with 4 C802 antiship missiles;
- 10 *Combattante* patrol boats, which are being outfitted to carry C802 antiship missiles;
- 2,000 modern mines;
- 51 Swedish *Boghammer* boats capable of harassing shipping;
- 3 frigates and 3 light frigates;
- 6 landing ships of more than 2,000 tons each.

In view of these assets, it would be inappropriate to assume that a conflict in the Strait would be as one-sided as the U.S. victory over Iraq in DESERT STORM.

In response to the threats from Iran, the United States has relied on a light approach with assets that can be used either against Iran or Iraq. There is no need for large, permanent bases of the sort America has in Europe and East Asia. Instead, the United States relies on a combination of modern technologies that allow precise strikes from a long distance plus pre-positioned equipment allowing a surge into the area. Extensive use is also made of rotated units. In Kuwait, there has been a near-continuous presence of a battalion, with frequent presence of a brigade, often engaged in live-fire exercises. Air Expeditionary Forces (AEF), which are deployments for some months of a squadron or more along with all support equipment and personnel, have been sent to Bahrain, Qatar, and Jordan. Along similar lines, intensive use has been made of commercial ports, including about 200 calls a year at the Jebel Ali port in the United Arab Emirates (UAE). Several thousand airmen have been located in Saudi Arabia since Operation DESERT STORM, but the United States has not constructed any permanent facilities, so as to demonstrate that its presence is strictly a function of the continuing threats. Indeed, most U.S. forces in Saudi Arabia are located in the middle of the desert, at Prince Sultan Air Base, far out of sight from ordinary Saudis, to minimize local sensitivities about the U.S. presence.

### Enduring Weaknesses of U.S. Competitors.

A major enduring Iranian weakness is its economic problems. Living standards are now no more than half the pre-revolution level. And the future looks bleak. Oil income will be stagnant while population is growing quickly. The post-revolution baby boom, encouraged by conservative mullahs, is now graduating high school and looking for work. Iran has only been able to create 350,000 jobs a year for the 800,000 young men joining the labor force each year (setting aside the employment aspirations of Iran's young women). At the same time as the need for revenue is rising, the country's oil exports are falling. Iran is caught between



growing domestic oil demand, fed by massive subsidies, and aging fields; its official forecast is that the country will cease exporting oil in between 15 and 25 years. Foreign financing and technology could extend oil exports, but Iran has not offered particularly good terms to investors. Without U.S. technology and without funding from international capital markets, Iran will be hard pressed to increase oil output. While Iran has the world's second largest gas reserves after Russia, the potential for finding markets in the next decade is rapidly shrinking. By targeting investment in Iran's oil and gas industry, the Iran-Libya Sanctions Act (ILSA) hit Iran at its most vulnerable spot, while exploiting the U.S. major role in oil industry technology and in world capital markets.

Iran's economic problems have been an important factor in the widespread popular dissatisfaction with rule by the politicized clergy, which is the second and more important enduring weakness. The politicized clergy, it should be emphasized, are only a small part of the clergy as a whole and do not include those most respected for their piety. Many Iranians look forward to the end of the Islamic Republic as it has functioned until now, with its extensive social restrictions and blatant corruption. It is difficult to foresee the Islamic Republic surviving another decade in its present form: either it will evolve towards a more open society or it will abandon its claims to be based on popular will.

The third enduring Iranian weakness has been its inability to field a modern military. Its economic problems and its inability to persuade Iranians to sacrifice for the revolution have prevented Iran's government from developing its military as it had hoped. In the period 1989-96, Iran announced agreements with various suppliers to purchase many more weapons than it actually acquired, e.g., 1,000-1,500 tanks agreed to but only 184 acquired; 100-200 aircraft agreed to but only 57 acquired, and 200-300 artillery pieces agreed to but only 106 acquired.<sup>6</sup> The reason for the shortfall was generally lack of

money. To quote Reidel, "Foreign exchange expenditures on arms have dropped from a high of \$2.5 billion in 1991 to less than one billion dollars last year."<sup>7</sup> That shortfall in Iranian arms spending has had a significant impact on the balance of power in the Gulf. With an extra one billion to two billion dollars a year, Iran would have been able to add more weapons with which to threaten stability in the Strait of Hormuz. For instance, Chinese officials relate privately that the reason China stopped deliveries of advanced anti-ship missiles to Iran was that Tehran was behind in payments by most of a billion dollars.

Iran's inability to field a modern military has, until recently, extended to its unconventional weapons programs. In every field of activity, Iran has great difficulty with large-scale projects, especially those requiring integration of different technologies, e.g., the Tehran metro is 15 years behind schedule, the Tehran airport is at least 6 years late, the Isfahan steel complex took twice as long to build as the Soviets had expected, and the Bushehr nuclear power complex is proceeding at a fraction the pace the Russians predicted. The missile program long fit this pattern: for the first 10 years that the project became a national priority during the war of the cities of 1987, there was little progress. However, the recent test firing of the Shahab-3 intermediate-range missile suggests Iran is mastering the art of utilizing advanced foreign technology for missiles, which raises the possibility that the same systems integration skills will be used for other military projects, such as nuclear weapons.

That said, unconventional weapons would be of dubious value to Iran. The two most important cases are nuclear weapons and missiles. Thanks to years of U.S. warnings and pressure on other governments to limit export to Iran of any technologies useful for nuclear weapons, a broad international consensus has formed that an Iranian nuclear weapon would be unacceptable, both on its own and for its implications for the global Treaty on Nonproliferation of Nuclear Weapons (NPT). Were Iran to openly develop

nuclear weapons, Tehran would face a serious reaction: it would be politically isolated from Europe and the Arab Gulf states, and it might well face multilateral economic sanctions. The case of missiles is quite different in many ways, except the most important, namely, the missiles bring little advantage to Iran. Because the United States was able to pressure various governments around the world (most especially North Korea) not to assist Iran as much as had been planned, Iran's development of medium-range missiles was retarded from 1994, when Iran expected to have access to North Korea's *No Dong* technology, to 1998. That delay provided the window of opportunity for Israel, with U.S. funding, to develop the Arrow theater-missile-defense system. The Arrow, which will be deployed at least a year before the *Shahab-3*, is optimized against the *Shahab-3*. Furthermore, now that three batteries of Arrows are funded, the Arrow will be deployed in numbers quite sufficient to counter the *Shahab-3* threat for the next few years. And Israel is on track for enhancements to the Arrow which will make that system effective against the *Shahab-4* well before the Iranians are able to deploy that missile.

#### Enduring U.S. Strengths and Weaknesses.

The main U.S. strength *vis-à-vis* Iran is its economic might. One form that it takes is the preeminent U.S. role in the global oil and gas industry. Not only do U.S. firms have a technological lead, but the sheer weight of the U.S. market and of the U.S. firms means that the U.S. Government has leverage over the entire industry. Important as that instrument of power may be, even more important is the U.S. dominance of world financial markets. The U.S. Government is well positioned to pressure banks, foreign governments, and international financial institutions like the World Bank not to lend to Iran. To be sure, the United States cannot expect to cut off the flow of funds, but it can restrict the flow and raise the cost to Iran. Iran is particularly vulnerable because it needs long-term investment in large-scale infrastructure projects, like

pipelines, which are difficult to finance without participation by broad consortium of investors; the inability to include U.S. banks and U.S. capital markets in such consortia is a serious impediment for Iran.

The United States is well positioned to provide the forces needed to defeat aggression in the Gulf, because of the key features of U.S. forces, particularly:

- Power projection—forces designed to deploy quickly, lift to get them there, and logistics to sustain them.
- Strike power into even the most hostile battlefields, with an abundant arsenal of accurate weapons.
- Robust forces, imposing in quality as much as size.

An enduring problem for the United States is that its Gulf allies are nervous about U.S. presence and resolve. GCC elite opinion is worried about how lasting the U.S. commitment is, recalling that Britain left the Gulf in 1971 despite Gulf rulers' desire for it to stay. It is also concerned about the U.S. departure from Beirut in 1983 and Mogadishu in 1993 after taking casualties. At the same time, GCC elite opinion is worried that the United States presence may overwhelm the area. Cultural or religious conservatives, already concerned about what they see as the corrosive effect of American mass culture, may worry about the impact of thousands of young Americans, including working women. Also, too prominent a presence could inflame nationalist or religious sensibilities. The Middle East has a history of such reactions to Western militaries. For instance, the creation of the Baghdad Pact in 1955 led to the overthrow of the Iraqi monarchy, and the status-of-forces agreement with the United States was an important factor in the bloody rioting that shook Iran in 1963. The most important example was the Iranian Revolution, which was fueled by the presence of 50,000 U.S. military contractors and trainers, as well as the popular Iranian perception that the Shah had become a U.S. puppet. U.S. interests would be ill served were the presence in the

GCC states to lead to a similar reaction. This will continue to be a problem for the United States in maintaining sufficient presence in the region to deter Iran.

### Core Competencies the United States Needs to Maintain and Develop.

The core military competencies that the United States needs to maintain with respect to Iran include power projection and long-distance strike power. The United States has an overwhelming lead in these areas, but that lead could be threatened were the U.S. military budget to be reduced or were the U.S. military to be reoriented more for Bosnia- and Haiti-style peace enforcement operations.

The main core competency that the United States needs to develop is a means to exercise economic pressure. Economic sanctions have not been a popular instrument with the U.S. business community. In some cases, economic engagement may be an appropriate economic policy instrument for modifying the behavior of other governments, but it is also desirable to have a means to apply pressure. Despite intense efforts in the think-tank and lobbyist communities, no effective alternative economic instruments have been developed to pressure hostile states.

### Strategies the United States Can Employ.

The West has tried a wide variety of approaches, none of which has worked well:

- Reliance on a regional power to sustain peace, as done by the United States under the Nixon Doctrine, became a disaster when the chosen government, imperial Iran, proved to be unstable, revealing the powerful anti-Western currents that lurk below the surface of each of the region's states.

- Promotion of a balance of power among warring countries by providing first arms to Iran (by both Israel and the United States) and then intelligence to Iraq became an

even worse disaster, when the winner used his powerful army for aggression against weak neighbors.

- Engagement with Iranian technocrats, as done by Europe and Japan after Hashemi Rafsanjani became president in 1989, required a high price (\$30 billion in loans over 4 years) and produced little. Indeed, Iran responded by stepping up the killing of dissidents abroad, continued threats against Salman Rushdie, and vigorous sponsorship of violent opponents of the Arab-Israeli peace process.

- Armed overthrow of Saddam's regime by supporting the opposition, as the United States attempted half-heartedly to do in 1991-95, proved beyond U.S. means to accomplish, partly because the opposition has been so fractious and partly because of U.S. discomfort and clumsiness with providing vigorous support for such a covert operation.

Against this backdrop of failed past policy, the Clinton administration formulated the policy of dual containment, which has as its core a U.S. commitment to guarantee the security of the Gulf. The principal means to that end is the U.S. military presence in the Gulf. The other major component of the policy has been to use economic means to pressure both Iraq and Iran—to reduce their ability to engage in external aggression and to show the heavy price paid for the confrontational policies with the West in the hope that either the policies will change or the regimes will be replaced by a fundamentally different kind of government (almost assuredly by violence in the case of Iraq; most likely by peaceful means in Iran).

### Competitor and Third Party Countermoves and U.S. Responses.

One Iranian countermove to the U.S. dual containment policy has been the naval build-up noted above. But the main countermove has been horizontal escalation: to

exacerbate tensions between the United States and its Gulf and European allies over how to deal with Iran.

Despite U.S. wishes to the contrary, Iran has been able to improve its relations with GCC countries, with a skillful combination of implied threats (drawing upon the perception that Iran was responsible for the 1996 Khobar Towers bombing) and sweet words (building upon President Khatemi's reputation as a moderate and the consensus-building approach Khatemi's government took at the December 1997 Tehran summit of the Organization of the Islamic Conference). On the other hand, it is easy to exaggerate the price containing Iran has exacted in complicating U.S. relations with GCC countries. To be sure, dual containment is not particularly popular in the GCC states. To some extent, the policy has been the victim of its own success: the demonstrated U.S. will and ability to check external aggression has led to complacency about the threats. On the other hand, the GCC governments are generally more aware than is popular opinion that the U.S. presence is what keeps Iran from carrying out aggression. At the same time, the U.S. umbrella over the Gulf has encouraged some GCC governments to explore an opening with Iran, secure in knowing that were there to be a real security threat, the United States would come to their rescue. This is hardly surprising behavior from a small neighbor to a large nearby threatening country. Indeed, much the same pattern was seen in Europe during the Cold War. Cold strategic calculation, not Arab deviousness, suggests the GCC states may publicly call for reconciliation with Iran while urging the United States to be vigilant against the dangers of its aggression.

More troubling has been the impact of containing Iran on U.S. relations with Europe. To some extent, the problems have been independent of Iranian action, being based instead on:

- European and U.S. differences about how to deal with difficult regimes. Europe prefers engagement, while the

United States is prepared to use containment where necessary. The two sides distrust the other's explanation for this difference in approach. The failure to secure broader support for containment of Iran has often been interpreted in Washington as a product of European interest in selling to Iran irrespective of that government's misdeeds. In Europe, the usual explanations for the differences across the Atlantic on Iran policy are, first, that Washington's exaggerated hostility to Iran is based on domestic politics rather than strategic interests, and, second, that engaging Iran and encouraging Iranian moderates will be the more effective route to change unacceptable Iranian behavior.

- European anger over trade issues. The most controversial issue in the sanctions strategy has been ILSA. Europeans complain that the secondary boycott provisions of ILSA—which they regard as the extraterritorial application of U.S. law—are unacceptable in principle, irrespective of the purpose to which it is put. In the U.S. view, ILSA is marginally extraterritorial since it applies only to those wishing to sell in the United States market, and this kind of extraterritoriality is not unusual.<sup>8</sup> EU governments also argue that ILSA-style measures are contrary to the provisions of the World Trade Organization (WTO).

- European anger at what is seen as U.S. bullying. ILSA, combined with the Helms-Burton Act and noneconomic issues like the vetoing of a second term for U.N. Secretary-General Boutros Boutros-Ghali, have been seen as evidence that the United States insists on dictating to Europe on those issues where the two disagree. The perception of unfair U.S. pressure has hurt the overall relationship, which is arguably the most important foreign tie the United States has, and has impeded agreement on the specific issues of disagreement.

However, Iran has also been skillful at exacerbating U.S.-European differences. In particular, Iran dramatically shifted its earlier rigid opposition to foreign involvement in



its oil industry to instead offer up a wide range of oil and gas projects to foreign investors. That move brought to a head U.S. and European differences over whether to engage with Iran or to contain it. The Iranian proffer of investment opportunities greatly complicated Washington's hope for negotiations with Europe about measures against Iranian terrorism and weapons of mass destruction (WMD). Such measures could provide the means to grant EU countries a general waiver of ILSA, under its Section 4c.

The French government has been particularly uninterested in reaching agreement on how to respond to problems with Iran. In September 1997, when the French firm Total announced a two billion dollar deal with Iran to develop the South Pars gas field, in partnership with Gazprom of Russia and of Malaysia, Total went out of its way to spit in the eye of the United States. Its chairman Thierry Desmarest proclaimed, "Under any hypothesis, they (U.S. sanctions) would have only very minor consequences for Total. Our U.S. presence is very small (accounting for 3-4 percent of the group's FF180 billion annual sales). It is more important for an oil company to be in the Middle East than the United States."<sup>9</sup>

In May 1998, the United States clarified a change in policy that had been forming since October 1997, namely, the retreat from the threat of a secondary boycott over the South Pars deal. This decision had little to do with Iran: it was overwhelmingly a product of European pressure. A secondary factor was the U.S. business community's lobbying against sanctions as a whole, which served to reduce Congressional willingness to take a strong stand on Iran sanctions. A third factor, definitely less than the other two, was the perception that Iran may be changing, and therefore some gesture should be made to President Khatemi.

The Clinton administration has handled poorly its reaction to the Total deal. The deal was a poor case for the United States to push hard on—Total sold most of its U.S.

assets three days before announcing the deal, and the French government could gain on the domestic political scene by standing up to U.S. pressure. ILSA was crafted to provide great flexibility for such cases, but the Clinton administration did not make use of the act's possibilities. For instance, the U.S. Government could have quickly applied to Total limited sanctions. The law requires choosing two of six specific measures, and two of them—denial of credits from the Export-Import Bank and refusal of permission to be a primary dealer in U.S. Government securities—are entirely outside the domain of the WTO. Had Washington applied such sanctions against Total, France would have had no basis for a WTO complaint. And Washington could have sustained the deterrent effect of ILSA by darkly hinting that it would react more severely against other firms more vulnerable than Total.

It could be argued that a general waiver of ILSA was in the U.S. interest, because the strong EU reaction showed that ILSA does not work or that its cost is too high. If so, the time to proclaim such a waiver would have been just after Khatemi's inaugural in August 1997, the month before the Total deal was announced. Had that been done, the waiver could have been presented as a U.S. olive branch to the new government, which would have put the ball in Iran's court to respond.

By waiting instead to waive ILSA, the Clinton administration has given the impression that it will not stand up to Iran despite the past strong words, which could create problems for the credibility of U.S. policy globally. The risk is that a rogue government may decide that it can ignore strong declarations from Washington, on the grounds that similar statements about Iran led to no action. At some point, the United States may find that a rogue, who could have been deterred had Washington's word not been doubted, engages in aggression that must be reversed by use of force.

## Balancing the Costs, Benefits, and Risks.

The military deployments to deter Iran have been relatively uncontroversial in part because they are of such low cost. So long as the United States maintains substantial assets in the Gulf to deter Saddam Hussein, there is little additional cost associated with the small extra margin needed to deter Iran.

Criticism of U.S. policy towards Iran has focused on the cost of sanctions. Much of that criticism has concentrated on the cost to U.S. business, which loses opportunities open to foreign business. That is not an appropriate criticism. As a rule of thumb, achieving a foreign policy objective requires paying a price, financial or otherwise. It is the unusual situation when the U.S. Government is able to achieve an interest without having to make some tradeoff or sacrifice. If sanctions had not been imposed on Iran, then some alternative means would have to have been found to accomplish the same purpose of promoting change in Iran's unacceptable behavior. It is inappropriate to contrast sanctions with no sanctions: sanctions must be contrasted with other policy instruments. Sanctions on Iran may be expensive, but they could still be the least-cost approach if all the alternatives cost more. The more compelling complaint against sanctions would be if it could be demonstrated that sanctions impose a heavier burden on the economy than do other foreign policy tools, or that sanctions cost more for what they achieve than do other foreign policy instruments.

Sanctions have had two major benefits from the perspective of U.S. interests. The first and most important has been on Iran's domestic political scene. Iran's economic problems have been an important factor in the widespread popular dissatisfaction with rule by the politicized clergy. There are certainly those in Iran who realize that the country's economic prospects are poor unless it is able to raise large amounts of foreign capital and that the only way to do so is to improve relations with the West. That has been

an element in the support for President Khatemi. We cannot know exactly how important for Khatemi's victory was the sanctions-induced economic pain. Probably it was a rather small factor; domestic issues predominated in that contest, as in nearly all elections. Still, the sanctions had some positive impact, and perhaps that is about all the U.S. Government can achieve.

In addition to their impact on the Iranian political scene, sanctions have made an important contribution to U.S. security by depriving Iran of the resources it could otherwise have used for a military buildup. Had the United States not gone down the route of sanctions to contain Iran, then the United States would have needed to implement other policies to respond to what would be a larger Iranian military—larger because an unsanctioned Iran would have more access to international capital and therefore been able to afford more weaponry. The usual estimate of the cost of present U.S. military preparedness in the Persian Gulf, against both Iran and Iraq, is \$50 billion a year.<sup>10</sup> A greater Iranian threat would require an increase in that amount. For instance, a larger and more modern Iranian navy would require more antisubmarine and antimine ships and aircraft; more Iranian missiles would require a larger theater missile defense network; more Iranian fighter and attack planes would require the presence of more U.S. planes, probably including more frequent visits by aircraft carriers; and there would have to be a general increase in reconnaissance and intelligence assets. Plus there would have to be a variety of equipment and personnel held in reserve earmarked for a conflict involving Iran. It would not be a stretch to say that this could add 10 percent to the \$50 billion estimate for defense of the Gulf, i.e., \$5 billion a year. That is a hefty cost which more than counterbalances the costs Iran sanctions have imposed on the U.S. economy.

To say that the alternative to Iran sanctions is an extra \$5 billion military cost per year is to understate the case. The real cost of using military preparedness to counter Iranian unacceptable behavior is that the risk of war would

be greater. Seeing the larger U.S. forces in the region, Iran might fear attack and become jumpy. An accidental incident could escalate out of control, given the mutual suspicions and a high state of readiness by both sides' forces. The two sides could find themselves in a shooting match, which would inflame passions in both countries. Besides its other implications, a serious conflict would cost real money; the U.S. portion of Operation DESERT STORM/DESERT SHIELD cost \$61 billion, and Iran is three times the size of Iraq.<sup>11</sup> To calculate the cost of the war risk, the economist's approach would be to estimate the probability of conflict and then multiply that by the cost of a conflict, to get a notional cost; think of this as the annual cost of an insurance policy that would pay for a conflict were it to occur. Even if the risk of conflict is as low as 5 percent and the cost of the conflict as low as the \$61 billion for DESERT STORM/DESERT SHIELD, the annual risk premium would still be \$3 billion a year.

While the Iran sanctions have been the most cost-effective way to achieve U.S. goals *vis-à-vis* Iran, they have a price. Their costs fall into two large categories: the economic costs and the complications for other policy objectives. The economic costs have been small, because Iran is a small market and because there are ample opportunities elsewhere for investment in oil development. The complications for other policy objectives have been more important. The main problem with dual containment comes from the difficulties with European and Arab Gulf states over how to deal with Iran.

Overall, the U.S. containment policy towards Iran appears to have been successful at limiting Iran's conventional weapons buildup, slowing its WMD development, and raising the price Iran has to pay for its hostility to the United States to the point that Iranian elites are seriously considering changing their basic policy orientation on this issue. This considerable success may open the door to a future policy making more use of *détente* with Iran, if Iran decides to accept dialogue with the U.S.

Government and to begin negotiations for a compromise on outstanding issues.

## CHAPTER 7 - ENDNOTES

1. In a speech to IRGC commanders meant to have been private, cited in *Abrar*, April 30, 1998, as printed in *Akhbaar Ruz* of the same date. In subsequent IRGC statements and Safavi interviews, there was no retraction of this view.

2. Bruce O. Riedel, Special Assistant to the President and National Security Council Senior Director for Near East and South Asian Affairs, "U.S. Policy in the Gulf: Five Years of Dual Containment," The Washington Institute for Near East Policy Soref Symposium, May 6, 1998.

3. *Tehran Times*, September 24, 1996, pp. 1, 10, as transmitted by *Foreign Broadcasting Information Service* (hereafter *FBIS*), September 24, 1996. It is not clear from the *FBIS* transmission if these words are direct quotes from Rezai or the newspaper's paraphrase.

4. *Resalaat*, September 24, 1995, as printed in *Akhbaar Ruz*, September 24, 1995.

5. Interview in *Al-Hayat*, August 8, 1996, reprinted in *Mideast Mirror*, August 8, 1996, p 15.

6. Michael Eisenstadt, *Iranian Military Power*, Washington: The Washington Institute for Near East Policy, pp. 36-7.

7. Reidel.

8. As noted in the *Wall Street Journal* editorial of October 6, 1997, p. A22.

France doesn't let foreign firms do as they will in France either, if their activities are in some way contrary to French law or policy. In fact, a lot of laws all over the globe are extraterritorial.

9. *Financial Times*, September 30, 1997, p. 9.

10. Cf. Scott Peterson, "US Stakes Out a Sentinel's Role," *Christian Science Monitor*, August 6, 1997, pp. 7, 9.

11. The U.S. war cost is from "Operation Desert Shield/Storm: Costs and Funding Requirements," Washington: U.S. Government

Accounting Office, September 24, 1991, which also lists the allied contribution towards those costs as \$54 billion.

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