

PART II:
**NONKINETIC POWER AND
CONTEMPORARY NATIONAL
SECURITY CHALLENGES**

IV. Using U.S. Leverage to Abate Conflicts That Harm U.S. Security

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Al-Qaeda exploits wars that involve Muslims to sustain its power. It features these wars in its propaganda, and uses them as occasions to recruit and train new fighters, raise money, and network with other extremist groups. For these reasons wars that involve Muslims are a tonic for al-Qaeda and a threat to U.S. efforts to defeat al-Qaeda.¹ Conflicts that do not involve Muslims can also help al-Qaeda by causing states to quarrel among themselves instead of cooperating to defeat al-Qaeda, or cooperating to limit the spread of weapons of mass destruction (WMD) that al-Qaeda seeks to acquire.

Hence the U.S. has a major interest in preventing, abating, or ending many international and civil conflicts. Peacemaking should therefore be a key U.S. weapon in the war on al-Qaeda. Accordingly, the U.S. government should consider ways to develop more capacity for peacemaking. Specifically, the U.S. should seek ways to translate its vast military and economic power into peaceful conduct by others. America's military and economic strength gives it large power to shape others' conduct. U.S. policy thinking should focus on finding ways to apply this leverage to prevent or dampen conflicts that involve Muslims or that otherwise harm U.S. security.

I. War Begets Terror

Al-Qaeda arose as a byproduct of five wars in the Middle East and South Asia, and is now sustained by four current conflicts. Without these wars al-Qaeda would likely not exist—a fact that highlights the U.S. interest in ending current conflicts and preventing new ones.

The Soviet-Afghan war of 1979 to 1989 was the petri dish in which the Egyptian Muslim brothers led by Ayman al-Zawahiri and Saudi Islamist radicals led by Osama bin Laden combined to form al-Qaeda, and the place where they first gained combat experience. The India-Pakistan conflict (1947–) led Pakistan in 1994 to create and aid the Afghan Taliban, which Pakistan viewed as a tool

to forestall the possible growth of Indian influence in Afghanistan. The ruinous Afghan civil wars of 1989 to 1996 persuaded many Afghans to accept barbaric Taliban rule in 1996 as the only alternative to the chaos of war. And the war between the Afghan Taliban and the Afghan Northern Alliance from 1996 to 2001 led the Afghan Taliban to grant safe haven to al-Qaeda, in exchange for al-Qaeda's help against the Northern Alliance.

These four wars led to the founding of al-Qaeda, motivated others to create and support its Afghan Taliban allies, and motivated the Afghan Taliban to ally with al-Qaeda. The Persian Gulf conflict of 1990 to 1991 also fueled al-Qaeda's growth by drawing U.S. troops into the Arabian peninsula—a deployment that al-Qaeda propagandists decried as a sacrilege—and by providing al-Qaeda a grievance against the Saudi regime.

The U.S. unwisely did little to abate or prevent these conflicts. Since 1947 the U.S. has sometimes moved to dampen crises between India and Pakistan but never pushed hard for an India-Pakistan peace settlement. It helped sustain the civil war in Afghanistan for three years after the Soviet Union left Afghanistan in February 1989 by continuing to support rebels seeking to overthrow the Najibullah regime. Then, when the Najibullah regime was ousted in 1992, the U.S. abruptly disengaged from Afghanistan without trying to reconcile the Afghan factions that overthrew Najibullah. Instead the U.S. callously left them to war viciously among themselves. In retrospect the U.S. would have been better served by working to limit or end these conflicts.

Four current conflicts continue to complicate U.S. efforts to defeat al-Qaeda and stem the proliferation of weapons of mass destruction today. Together these conflicts pose a prime obstacle to U.S. efforts against the threat of WMD terrorism:

1. Pakistan's conflict with India causes Pakistan to fear the possible growth of Indian influence in Afghanistan. This leads Pakistan to continue aiding the Taliban insurgency against Afghanistan's Karzai government.² The Taliban insurgency now threatens the survival of the Karzai government, raising the risk that Taliban leaders who were once allied to al-Qaeda, and who remain ideologically friendly to al-Qaeda, could return to power in Afghanistan.
2. Russia has fractious relations with states on its near periphery, especially Ukraine and Georgia. (Russian relations with Ukraine have lately improved but remain unsettled and could deteriorate again.) These conflicts are irritants in the U.S.-Russian relationship, as the U.S. has allowed itself to be drawn into the quarrel on the side of the near periphery states. Important U.S.-Russian cooperation on other key issues has suffered as a result. This includes U.S.-Russian cooperation to stem nuclear programs

in Iran and North Korea, to lock down loose nuclear weapons and nuclear materials worldwide, to defeat the Taliban in Afghanistan, and to stem global warming. All these problems are made harder to solve by U.S.-Russian friction over Russia's relations with its near neighbors.

3. The Israel-Palestine conflict supplies al-Qaeda with a compelling propaganda opportunity—a bloody shirt that al-Qaeda waves with great success to mobilize support.³
4. The Iraq civil war (2003–) has abated but still smolders, and it threatens to escalate again. It ties down thousands of U.S. troops, supplies al-Qaeda with fodder for effective anti-American propaganda, and sustains the risk that al-Qaeda could regain a refuge in Iraq by cutting a deal with one side in the conflict (like al-Qaeda's deal with the Taliban in Afghanistan in the 1990s). There is also the danger that other states could be drawn into the conflict—a development that would benefit extremists in the region, including al-Qaeda.

Peace is therefore a key weapon against al-Qaeda and the WMD terrorism threat. More peace will bring less terrorism and reduce the spread of WMD.

II. Translating U.S. Leverage into Peace

Despite its current economic woes the U.S. remains the world's sole superpower. U.S. military and economic strength is unmatched in the world, far surpassing the power of all parties involved in the four conflicts, mentioned above, which sustain al-Qaeda and impede progress against WMD terror. How can the U.S. use its power to persuade the belligerents in these conflicts to behave more peacefully?

Lesser states and nonstate actors often bend when great powers apply carrots and sticks. Israel, Britain, and France stopped their war on Egypt and withdrew from the Sinai in 1956 in response to arm twisting by the Eisenhower administration. West Germany agreed to abandon its nuclear ambitions in the early 1960s in response to U.S. assurances and threats—assurances that the U.S. would continue to protect Germany if it cooperated, and threats to end U.S. protection if it did not.⁴ Taiwan and South Korea likewise ended their nuclear programs in the 1970s and 1980s in response to U.S. promises to protect them if they complied and to punish them otherwise. The governments of emerging states in Eastern Europe agreed to respect the rights of their ethnic minorities after 1989, under threat by the European Union that it would otherwise withhold economic relations. The Nicaraguan Sandinistas agreed to elections in 1990 and to leave power when they lost those elections under U.S. military pressure. The Serbs halted their war on Bosnia in 1995 under threat of continued U.S. aid to

the Bosniaks and Croats, and U.S. air attack. Other examples abound. Threats and inducements deftly applied can often turn ships of state in new directions.

Three types of leverage bear mention. They are: (1) Using threats or inducements to broker neutralization agreements—that is, agreements ensuring that a state will behave with benign neutrality toward its neighbors. Such agreements can calm the fears of neighbors who may otherwise attack the state to forestall its possible attack on them. (2) Using threats or inducements to persuade adversaries to refrain from using force or committing other belligerent acts against one another. This cannot end conflicts but can limit or abate them. And (3) using threats or inducements to persuade adversaries to settle their conflict by peace agreement.

The U.S. should apply these tactics to help to abate four current conflicts: Afghanistan-Pakistan-India, Russia-Ukraine-Georgia, Israel-Palestine, and Iraq.

III. Dampening Conflicts in South Asia

Public discussion of U.S. options in Afghanistan focuses on debating the size and duration of U.S. troop deployments to Afghanistan, the rules of engagement for those forces, and possible means to raise the legitimacy of the Karzai government. These are important questions, but the problem of Pakistani support for the Taliban must also be addressed. Even a more legitimate Afghan government supported indefinitely by U.S. troops probably cannot defeat the Taliban as long as Pakistan sustains the Taliban with safe haven and material support.

In principal the U.S. could address the problem of Pakistani support for the Taliban with either threats or inducements aimed at Pakistan. However, the threat option has large downsides. Its clearest downside lies in the danger that Pakistan may not comply, leaving the U.S. in a confrontation with a Pakistani government whose cooperation it needs in the wider effort against al-Qaeda.

A more promising approach would seek to remove Pakistan's motive for supporting the Afghan Taliban. As noted above, Pakistan backs the Afghan Taliban because it fears that otherwise Afghanistan will fall under Indian influence or control. Pakistan would then face the hazard of a two-front conflict involving danger of a direct Indian attack from the east, and a stab in the back by a pro-India Afghanistan from the north and west. Pakistani strategists see the Afghan Taliban as friendly agents who avert this two-front threat by steering Afghanistan away from alignment with India. (Pakistan's fear of an Afghan-Indian alliance is overblown, but this is how the Pakistanis see things.)

The U.S. could dispel Pakistan's two-front fear by guaranteeing the strict neutrality of Afghanistan in all present and future conflicts between Pakistan and India. Specifically, Afghanistan would agree to have no formal or informal alliances with India; no military cooperation or coordination with India; no

military assistance from India; no outsized Indian consulates or military advisory groups on Afghan soil; and no Afghan military deployments against Pakistan in times of India-Pakistan tension or crisis beyond what Afghanistan might normally deploy on its Pakistani border. In exchange Pakistan would halt support for the Afghan Taliban insurgency and steer them toward peace. Pakistan would likely accept this bargain, as its motive for backing the Taliban would then be erased by the assurance of Afghan neutrality.

The U.S. would act as guarantor of the agreement. The U.S. could also seek agreement from Afghanistan's neighbors, and from India, not to undermine Afghan neutrality.

Neutrality agreements have been successfully used in the past to calm conflicts by removing states from the international chessboard. Examples include the 1831 Five Power Treaty to guarantee Belgian neutrality; treaties to ensure Russian, Austro-Hungarian, Italian and German neutrality under various scenarios in the 1880s; and agreements to guarantee Austrian and Finnish neutrality in the Cold War. Specifically:

- After Belgium seceded from the Netherlands in 1830 some European powers feared that another power (France) might move to control the new Belgian state and use its assets against them. Such thinking raised the risk of a conflict among the powers for control of Belgium. To avert this danger the European powers agreed in 1831 to guarantee that Belgium would be forever neutral. This agreement, the Five Power Treaty, lasted until Germany invaded Belgium in August 1914.⁵ For eighty-three years a struggle among the powers to control Belgium was averted by its agreed neutrality.
- German Chancellor Otto von Bismarck brokered three overlapping alliances in the 1880s that featured neutrality agreements as a key element. In the 1881 *Dreikaiserbund* agreement Germany, Austria-Hungary and Russia promised benevolent neutrality to one another should any of the three be at war with a fourth great power. In the 1882 Triple Alliance, Germany, Austria-Hungary, and Italy made the same promise of neutrality to one other. And in the 1887 Reinsurance Treaty, Russia and Germany promised benevolent neutrality should the other be involved in war with another great power, except for wars stemming from German aggression against France or Russian aggression against Austria-Hungary.⁶ These treaties helped keep Europe at peace by defusing states' fears of being attacked, which dampened their impulse to forestall others' attacks by launching preventive or preemptive war against them.
- The neutrality of Austria in the Cold War was agreed by a 1955 Soviet-Austrian accord in which Austria agreed not to join NATO, and the

Soviet Union agreed to recognize Austrian independence and withdraw all Soviet troops from Austria. This arrangement ended Soviet-American competition for control of Austria, pacifying that front in the Cold War.⁷

- A less formal Soviet-Finnish Cold War understanding saw Finland accept Soviet demands that it agree not to join NATO, in return for Soviet acceptance of Finnish autonomy in its domestic affairs.

Thus we see that neutralization agreements have been effective means for calming international conflict in the past. The Afghan maelstrom seems an ideal case for the same cure. Afghanistan's Karzai government will quickly accept neutralization, as (contrary to Pakistan's exaggerated fears) there is no strong constituency in Afghanistan for joining the India-Pakistan conflict. Afghanistan's neighbors are also likely to cooperate with Afghan neutralization. Most important, India should agree to its own nonalignment with Afghanistan because it gives up little by agreeing (as Afghanistan is unlikely to align with India in any case) and India would gain by helping its U.S. ally address the problem of Islamic extremism in South Asia.

In short, the U.S. could help solve its Afghanistan riddle by arranging the agreed neutrality of Afghanistan. Such a move could well persuade Pakistan to pull the plug on its Taliban allies. And without Pakistani support the Afghan Taliban would be far weaker than it is now.

The U.S. could also diminish Pakistan's motive to support the Afghan Taliban if it could find ways to abate or end the India-Pakistan conflict, since Pakistan's fear of India is what drives its desire to control Afghanistan. Two steps might be considered. First, the U.S. could make clear to both India and Pakistan that it will help the attacked party while ending any help to the attacker if either attacks the other. If the U.S. managed to make this threat credibly, both sides would be better deterred from attacking the other from fear of losing U.S. support and provoking U.S. opposition. They also could breathe easier knowing that their opponent would face U.S. opposition if it attacked, and is therefore unlikely to attack; so each would see less need to forestall the other's potential attack by striking the other first.

A precedent for this approach lies in President George H. W. Bush's successful efforts to dampen the 1990 Kashmir Crisis between India and Pakistan. In that crisis Bush dispatched then-Deputy National Security Advisor (and current Secretary of Defense) Robert Gates to South Asia to warn both Pakistan and India that the U.S. would withdraw support from the more aggressive side if war broke out. To the Pakistanis Gates explained that the U.S. would "have to stop providing military support or any kind of support to whichever side initiates things." To the Indians Gates then explained that he had told the

Pakistanis “not to expect any help from the Americans if they started a war,” and he firmly conveyed a similar message to India.⁸

The U.S. could also try to encourage India and Pakistan to agree to a final settlement of their long conflict. Specifically, it could frame an Obama Plan that defines a just and reasonable final-status settlement to the India-Pakistan conflict, and use threats and inducements to persuade both sides to accept it. The outlines of that plan are fairly clear.⁹ India and Pakistan have at times seemed ready to make peace themselves in recent years. Tensions between India and Pakistan arising from the 2008 Mumbai terrorist attack preclude peace in the short term, but such an approach should be considered when conditions are ripe.

Such an India-Pakistan peace would lessen four U.S. security problems. First, it would ease Pakistan’s fears of a war with India, which would calm Pakistan’s fear that Afghanistan might take India’s side in such a war, which would reduce Pakistan’s motive to aid the Afghan Taliban. Second, it would remove Pakistan’s motive for supporting Punjabi terrorist groups, including Lashkar-e-Taiba and Jaish-e-Mohammed, that are friendly with al-Qaeda. Pakistan sustains these groups to attack India, especially in Kashmir, but these groups also give al-Qaeda ideological and material support. At long last an India-Pakistan peace might bring Pakistan to dismantle these al-Qaeda allies.

Third, an India-Pakistan peace would allow Pakistan to remove military units from its eastern frontier with India (where Pakistan’s forces are now concentrated) and redirect them against al-Qaeda and Pakistani Taliban forces in Pakistan’s northwest. And fourth, India-Pakistan peace would allow Pakistan to reconfigure its army, now structured for armored war with India, toward a counterinsurgency posture appropriate for combating al-Qaeda, the Pakistani Taliban, and Afghan Taliban elements in Pakistan, should Pakistan opt to take them on (perhaps in line with the Afghan neutralization scheme outlined above, should it be accepted). As a result Pakistan could bring far more force to bear against al-Qaeda, its Pakistan Taliban allies, and perhaps even its Afghan Taliban allies. Given these benefits, India-Pakistan peace is worth pursuing despite the odds against it.

IV. Harmonizing Russia with its Near Neighbors

During the Bill Clinton and George W. Bush administrations NATO was extended to include former Warsaw Pact states in Eastern Europe plus the Baltic states. The Bush administration later proposed to further extend NATO to include Ukraine and Georgia. Russian leaders responded by declaring that they view NATO’s approach to their borders as a threat to their national security, and have threatened to disrupt this NATO approach, perhaps by stirring up

civil war in Ukraine. Important Russian-American cooperation on other issues has been limited by this dispute.

A solution lies in the agreed neutralization of states on Russia's periphery. Russia would agree to respect the domestic independence of these states; while these states would agree not to join NATO or another alliance that did not include Russia. NATO would join the agreement as a concurring party. Such a settlement would give all parties what they say they most desire. Russia would secure its frontiers, while its neighbors would ensure their own control of their domestic order. The U.S. and Russia could then get on with the important business of defeating al-Qaeda, halting the spread of WMD, and addressing climate change.

V. Dampening the Israel-Palestine Conflict

To prepare the ground for Israeli-Palestinian peace the Obama administration should propose a final status peace plan similar to President Bill Clinton's December 2000 Mideast peace plan (known as the Clinton Parameters or Clinton Plan), and direct threats and inducements (mostly the latter) to both sides to persuade them to agree. This would strengthen forces on both sides that favor peace on reasonable terms, while pushing opponents of peace onto the defensive. It could thereby break the logjam and finally move the parties toward peace.

Polls have long shown that most Israelis and about half of all Palestinians favor peace on the terms like those framed in the Clinton plan.¹⁰ What has been missing is U.S. leadership to pull them over the line.

Clear U.S. willingness to apply pressure for peace would help moderate Israeli and Palestinian leaders make concessions, by making clear that the U.S. would give their opponents an incentive to reciprocate their concessions. In recent times moderates on both sides have held back from offering concessions from fear of being hung out to dry—exposed as willing to concede, with no results to show for their concessions. U.S. pressure would counter this fear.¹¹

U.S. suasion for peace would also compel extremists on both sides to moderate their goals or risk losing support from their communities. Today extremists on both sides— Hamas on the Palestinian side, and the Israeli settler movement and its Likud allies on the Israeli side—pay no political price for depriving their communities of peace, because they can claim that their radical actions are not preventing peace, as there would be no peace even if they behaved better. Hamas used this argument with success in its victorious 2005-to-2006 election campaign. The U.S. can prevent this game by making clear that it will lead the region to peace unless the radicals disrupt it. It will then be clear to Palestinians

that Hamas really is preventing peace. Hamas will then be forced to moderate or lose support.

An Obama/Clinton Mideast peace plan would also help educate publics on both sides about the concessions that peace will require. Elites on both sides (especially the Palestinian side) have misled their publics to underestimate the concessions that peace will require. U.S. endorsement of terms like those that both sides accepted (albeit with reservations) in 2000 to 2001 will trigger discussions that will help restore realism in both communities on the need to make painful concessions.

Peace is impossible between Israel and the Palestinians in the short term. The split between Fatah and Hamas must first be healed, and Prime Minister Netanyahu's Israeli government must first be reshuffled to expel its pro-settler elements and incorporate more moderate elements. But these are not insuperable obstacles. Moreover, an Obama/Clinton plan will help overcome them. The promulgation of an Obama/Clinton plan will put pressure on Hamas extremists to explain to the Palestinian community why they refuse a union with Fatah that could bring a positive peace, and will likewise force Netanyahu to explain to Israelis why he persists with a government that includes extremists and so cannot make peace when a just peace is finally available. Extremists on both sides will be put on the defensive. Their ability to veto peace will be weakened, perhaps sufficiently to allow peacemaking to proceed.

VI. Peace for Iraq

Regarding Iraq, the U.S. should frame a grand bargain that defines how to resolve the major outstanding issues that continue to divide the main Iraqi factions. These issues are: how to distribute power between the Iraqi federal government and provincial governments; whether and how to share power in the Iraqi central government among Iraqi political factions; where to locate provincial borders; how to share control of the Iraqi national army and other national security services among Iraqi factions; how to share ownership of oil and oil revenues among Iraqi regions and factions; whether to allow provincial governments to organize local militias and police; and how to define Iraqi national identity (how strongly Arab should it be?).

The U.S. has been in Iraq long enough to know what formulas on these issues are most acceptable to the various Iraqi factions. It should frame these formulas and use positive and negative inducements to persuade the Iraqi factions to accept them.

The George W. Bush administration unwisely confined itself to mediating and cajoling the factions in Iraq. The Obama administration has so far pursued

the same impotent policy. Instead the Obama team should move more forcefully to persuade Iraqis to settle their differences. The U.S. has vast leverage on the parties, including strong economic tools, powerful military forces in the region, and the capacity to arm and train the military forces of Iraqi factions that cooperate with U.S. policies. The U.S. could shape the outcome of an Iraqi civil war by arming and aiding one or another Iraqi faction. Hence no faction can dominate Iraq against U.S. wishes. The U.S. should harness this leverage to persuade the Iraqi factions to make the concessions that peace requires.

The U.S.-endorsed peace terms should reflect the principle that power and assets in Iraq shall be shared equally based on population. The U.S. government should then make clear that it will favor with assistance those who endorse these parameters and help foster a peace that embodies them, and that it will punish those who refuse to endorse these parameters, or obstruct progress toward a peace settlement that embodies them, by aiding their opponents.

Such a policy would leave all Iraqi factions better deterred from reaching for total dominion in Iraq. It would also leave them more secure in knowing that other factions could not achieve dominion (as the U.S. would not allow it), and that other factions therefore might no longer try to gain dominion. Hence all factions would be more willing to take the risks that agreeing to peace involves.¹² All would be both deterred and reassured, hence more inclined toward peaceful conduct.

This approach to peace in Iraq finds precedent in Syria's successful effort to coerce Lebanon's factions to end their civil war in 1989 by compelling the factions to cooperate with a power-sharing arrangement framed by Syria. It also finds precedent in successful U.S. efforts to coerce the combatants in Bosnia, especially the Serbs, to end the Bosnian war in 1995. To do this the U.S. made clear that it would not permit Serb dominion in Bosnia. Eventually the U.S. armed the Croats and bombed the Serbs to compel them to accept an outcome premised on sharing power, and the Serbs complied.

VII. Using Leverage for Peace: Feasibility

To recap, I have suggested three ways the U.S. might use its leverage to limit or end conflict between or within other states: (1) to use threats or inducements to foster neutrality agreements that calm conflicts; (2) to use threats or inducements to dissuade adversaries from using force or taking other belligerent steps against each other; and (3) to use threats or inducements to persuade adversaries to agree to a peace settlement.

Are these remedies practical? We know from experience that the first remedy, neutralization, is quite feasible. Neutrality agreements have often been used

to dampen conflicts in the past, with marked success. More questions arise about the feasibility of the second and third remedies. Possible problems include these:

- Both remedies require a flexible U.S. policy that directs U.S. support to whichever belligerent behaves better, and shifts support from one belligerent to another when their behavior changes. But the U.S. government is often too rigid for this. Instead, it sorts the world into good guys and bad guys, and then treats them as permanent friends and permanent enemies. It is not clear that Washington is capable of learning the more complicated habits of mind that these remedies require.
- Both remedies presuppose that the U.S. can be a fair broker. They fail if the U.S. pursues an unjust peace. But past U.S. policies have sometimes been tainted by prejudice or ideology, or captured by foreign lobbies (like the China lobby of the 1950s, or today's Israel/Likud lobby, Cuba lobby, Taiwan lobby, Georgia lobby, and others) that seek their own parochial goals without regard to justice.¹³ Remedies two and three—using threats or inducements to elicit peaceful conduct or agreement to a peace settlement—requires that these influences on U.S. policy be kept at bay.
- Persuading adversaries to agree to peace terms requires that Washington officials agree on a U.S. peace proposal. But achieving this agreement in Washington would often be challenging, partly because the belligerents will mobilize opposing lobbies in Washington to promote their case, creating policy gridlock.
- Persuading adversaries to agree to peace presupposes that the U.S. government has deep knowledge of the goals and perceptions of the belligerents. But this condition is often unmet. The U.S. State Department has been starved of resources for many years, leaving it short of expertise. American popular culture is insular; as a result most Americans know little of the wider world, so expertise is often lacking outside government as well. Hence Americans may be the wrong people to attempt difficult social engineering in faraway lands. Using threats or inducements to persuade others to agree to peace terms may be feasible in principle, but Americans may be the wrong people to try it.¹⁴

These objections warn that efforts at muscular peacemaking may not succeed. But the U.S. should try it nevertheless. The United States has a large national security interest in peace, and should run risks to pursue it, including the risk that muscular peacemaking might fail. The cost of pushing for peace without success is small, while the benefit of success is large. Hence the U.S. should apply its leverage for peace despite the fact that success is hardly assured.

Notes

- 1 This argument is derived from the work of Stephanie Kaplan, who argues in a forthcoming MIT political science Ph.D. dissertation that war is a tonic for terrorist propaganda making, recruitment network building, and training, and thus serves as a general breeding ground for terrorists. She concludes that war prevention and war termination should be a centerpiece of U.S. counterterror policy.
- 2 The Pakistani Directorate for Inter-Services Intelligence (ISI), Pakistan's largest intelligence service, created the Taliban in the 1990s and covertly gives it important help today. This covert help includes training, funding, munitions, other supplies, and sanctuary in Pakistan. The ISI also exerts important control over Taliban political and military policy. See Matt Waldman, *The Sun in the Sky: The Relationship Between Pakistan's ISI and Afghan Insurgents* (LSE Destin Development Studies Institute, Discussion Paper 18, June 2010).
- 3 I summarize relevant evidence in Stephen Van Evera, "Vital Interest: Winning the War on Terror Requires a Mideast Peace Settlement," *The American Conservative* 4, no. 5 (March 14, 2005): 7–10.
- 4 Marc Trachtenberg, "The Structure of Great Power Politics, 1963–1975," (unpublished manuscript, May 18, 2010, 2–3; available at <http://www.sscnet.ucla.edu/polisci/faculty/trachtenberg/cv/cv.html>).
- 5 See René Albrecht-Carrié, *A Diplomatic History of Europe Since the Congress of Vienna* (New York: Harper and Row, 1958), 33–36; and A. J. Grant and Harold Temperley, *Europe in the Nineteenth Century (1789–1914)* (New York: Longmans, Green, 1927), 194–97. The Five Power Treaty was the famous "scrap of paper" dismissed by German Chancellor Bethmann Hollweg in August 1914.
- 6 See Albrecht-Carrié, *Diplomatic History of Europe*, 179–86, 201–02 (see note 5).
- 7 A summary is John W. Young, *Longman Companion to Cold War and Detente 1941–91* (London: Longman, 1993), 181–82.
- 8 Timothy W. Crawford, *Pivotal Deterrence: Third-Party Statecraft and the Pursuit of Peace* (Ithaca: Cornell University Press, 2003), 170–73. The Lyndon Johnson administration used similar tactics to prevent war between Greece and Turkey over Cyprus in 1964 and 1967; *ibid.*, 101–02.
- 9 The most plausible outline for a settlement would have Pakistan agree to accept the line of control as the international border; in exchange, India would agree to stop stealing elections in Indian Kashmir and grant it greater autonomy.
- 10 See polls of Israelis and Palestinians taken during 2004–2007, available at the Palestinian Center for Policy and Survey Research (PSR) at <http://www.pcpsr.org/survey/polls/2007/p26joint.html>. In these polls Israeli support for peace terms closely resembling those of the Clinton plan ranged from 52 percent (in December 2006) to 64 percent (in December 2004 and December 2005). Palestinian support ranged from 46 percent (in December 2005) to 54 percent (in December 2004).

- 11 As he left office in fall 2008, Israeli Prime Minister Ehud Olmert revealed his belief that Israel should make peace on terms like those of the Clinton Plan. Specifically he argued that Israel should withdraw from “almost all” of the West Bank, and should share Jerusalem with the Palestinians. *See* Uri Avnery’s column “Summing Up,” October 4, 2008, available at <http://middleeast.mediamonitors.net/content/view/full/55507>. But Olmert feared to state these positions while serving as prime minister. U.S. pressure for peace might have allowed him to lead Israel toward these goals while in office, as he could have had greater confidence that his steps toward compromise would bring reciprocal results from the Palestinians, knowing that the U.S. would apply leverage to persuade the Palestinians to reciprocate.
- 12 Arguing that outside powers can dampen civil conflicts by extending security assurances to belligerents who agree to peace is Barbara F. Walter, “The Critical Barrier to Civil War Settlement,” *International Organization* 51, no. 3 (Summer 1997): 335–364. This argument is explored further in Barbara F. Walter and Jack Snyder, eds., *Civil Wars, Insecurity, and Intervention* (New York: Columbia University Press, 1999).
- 13 On the role of foreign lobbies in shaping U.S. foreign policy *see* John Newhouse, “Diplomacy, Inc.: The Influence of Lobbies on U.S. Foreign Policy,” *Foreign Affairs* 88, no. 3 (May/June 2009): 73–92.
- 14 Some also argue that a peace imposed by outsiders will not endure because the belligerents have not freely agreed to it, will therefore not embrace it, and will return to war once they are free to do so. I am not persuaded by this hypothesis but agree that it needs research.

v. Without Conditions: The Case for Negotiating with the Enemy

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Diplomacy appears ready to make a comeback. The United States, after years of reluctance, is reconsidering the role of negotiation in confronting extremism and managing international conflict. India has resisted an aggressive response to the 2008 terrorist attacks in Mumbai and is open to diplomatic engagement with Pakistan over Kashmir. Participants in the six-party talks have been scrambling to decide whether, when, and how to engage North Korea since its nuclear test of May 2009. The generals in Afghanistan are busier today than they have been in recent years, but so are the diplomats. Certainly, not everyone has rushed to the bargaining table—witness, for example, the military defeat of the Tamil Tigers in Sri Lanka. But governments around the world are asking themselves the same important question: When should they negotiate with their enemies?

Determining the precise conditions for such talks is never easy. In the shadow of terrorism, the calculus is all the more complex. Not only can acts of belligerence or extremist violence strain or derail ongoing negotiations, but the persistence of violence is often the primary reason governments refuse to negotiate in the first place. This has long been the case in Israel, for example, where successive governments, especially those led by the conservative Likud Party, have refused to negotiate with Palestinian leaders until they bring the violence to a halt. The same dynamics influenced the peace process in Northern Ireland in the years leading up to the 1998 Good Friday Agreement. North Korea's recent provocations have elicited a similar response from hard-liners in Japan, South Korea, and the United States.

The ability of extremists to derail negotiations through violence and belligerence presents policymakers with a high-stakes dilemma: Should the muzzling of extremism be set as a precondition to negotiations, or should negotiations be initiated in order to reduce support for extremism? Similar considerations have plagued peace efforts around the world, from Colombia, where the government has struggled for decades to determine when it should demand a ceasefire from

FARC (the Revolutionary Armed Forces of Colombia), to Kashmir, where using violence to derail prospective talks has become a predictable tactic. In Afghanistan, Iraq, and Pakistan, surges in extremist violence are threatening to further destabilize already weak governments.

The cessation of violence is perhaps the most common precondition that governments evaluate when considering diplomatic engagement. But it is far from the only one. The Israeli government suggested earlier this year that it would only negotiate with the Palestinian Authority (PA) if it formally recognized Israel as a Jewish state. U.S. diplomats are debating whether Washington should demand that Iran freeze its uranium-enrichment program as a precondition to negotiations. Participants in the six-party talks are considering the extent to which North Korea should be forced to adhere to prior agreements before the next round of negotiations can begin. And governments everywhere have long been imposing preconditions on themselves, hesitating to negotiate with those seen as having blood on their hands. Israel and the United States, for example, have been reluctant to negotiate with Hamas, even after its resounding success in the 2006 Palestinian parliamentary elections. How such issues are decided is tremendously important. On the one hand, failing to set preconditions when they are useful can undermine the effectiveness of a negotiating strategy. On the other hand, preconditions that are ill conceived may eliminate the prospect of diplomatic engagement.

The Conditions for Preconditions

Peacemakers in Northern Ireland decided that the Irish Republican Army would have to cease its violence as a precondition for the involvement of Sinn Féin (the IRA's political wing) in the peace process, and the peace process was a resounding success. Yet when Israeli officials have demanded that Hamas and other terrorist groups stop their attacks before they will negotiate with the PA, substantive negotiations have typically failed to materialize. What accounts for the difference?

To determine whether and when to impose preconditions, governments should make two assessments. First, is the other side capable of meeting the demand? Far too often, preconditions are set without regard to the constraints that the opponent faces or the limits of the negotiation partner's influence. Second, will agreeing to the precondition significantly reduce the other side's bargaining power? When one side demands that the other make a highly valued, irrevocable concession before negotiations even begin, such a precondition will almost surely be rejected. Preconditions are appropriate only when they satisfy both criteria: the opponent is capable of meeting them, and doing so will not weaken its future leverage. Otherwise, they will serve no purpose except to create

the impression that the other side has thwarted diplomatic efforts. Demands that ignore these criteria suggest either a flawed strategy or an attempt at political gamesmanship—or perhaps both.

Applying these criteria is especially important—and difficult—during a protracted violent conflict. Contrast, for example, the Sri Lankan civil war and the Israeli-Palestinian dispute. In Sri Lanka, the Tamil Tigers not only had a seat at the bargaining table, but they also controlled all the antigovernment violence. When the Sri Lankan government demanded the temporary cessation of violence as a precondition to negotiations, both criteria were met: the Tamil Tigers not only had the ability to stop the violence; they also had the power to resume it if the negotiations failed and thus would not be giving up any leverage by agreeing to lay down their arms and talk. The decades-long conflict ended with a military victory for the government, but the Tamil Tigers cannot blame their reluctance to negotiate on the government's precondition.

In the case of the Israeli-Palestinian conflict, however, the PA has been the one at the bargaining table, but Hamas and other extremist groups have been responsible for much of the anti-Israel violence. When former Israeli Prime Minister Ariel Sharon stated that there would be no negotiations with the Palestinians until the violence stopped, the only thing that stopped was the peace process. The PA simply could not meet this precondition, as Hamas was not under its control. The problem with postures like Sharon's is that they give extremist organizations like Hamas too much influence—a veto, effectively—over if and when negotiations take place. Throughout the end of the last century, and the early years of this century, Yasir Arafat, as head of the Palestine Liberation Organization (PLO) and later the PA, did not have the power to fully rein in violent extremists, and his successor, Mahmoud Abbas, may exert even less control over Hamas. In other words, governments should demand the cessation of violence or belligerence as a precondition to negotiations only, first, when the other side is capable of meeting the demand and, second, when the other side can do so without having to relinquish all its leverage. When either condition does not hold, they would do better to follow the advice of former Israeli Prime Minister Yitzhak Rabin: "Fight terrorism as if there is no peace process; pursue peace as if there is no terrorism."

The same analysis holds for the question of whether the PA's recognition of Israel as a Jewish state should be a precondition for final-status peace talks between the Israelis and the Palestinians. In April 2009, Israeli Prime Minister Benjamin Netanyahu made statements that were interpreted as asking for just that. This precondition would impose a far greater hurdle than Israel's demand for simple diplomatic recognition, which the PLO largely conceded during the 1993 Oslo negotiations. After a spate of criticism, Netanyahu's office backtracked.

This was a welcome revision. If the PA were to recognize Israel as a Jewish state, it would sacrifice its future leverage, because this is a concession that would be difficult to retract if the negotiations failed. And most Palestinians believe that it would compromise their ability to advance their long-standing demand that Palestinian refugees displaced in 1948 and 1967 be granted “the right of return.”

Another example of a diplomatic initiative potentially hinging on the wrong precondition is a proposal, currently under consideration, that North Korea be made to adhere to the agreements it has already signed before another round of negotiations is launched—this is what former U.S. Secretary of State Henry Kissinger has called “the minimum precondition.” On the one hand, it seems reasonable to demand this, lest the North Koreans feel free to disregard future agreements with equal abandon. On the other hand, why make this a precondition when it can just as easily be negotiated at the table? More important, if North Korea’s recent saber rattling was meant less to pressure the United States than to signal the regime’s strength at home as a leadership succession looms, then the North Korean leadership might not be able to meet the precondition at all: neither Kim Jong Il nor his successor could agree to respect prior agreements without signaling weakness to North Koreans at large or to those competing for the top job. As this example suggests, one should never set preconditions without a clear understanding of the other side’s perspective and the constraints the other side is under. When it comes to North Korea, it might be more useful to insist that if negotiations happen at all, they must happen very soon. Delays will only increase North Korea’s relative bargaining strength as Pyongyang continues to expand its nuclear capability.

Engaging with Extremists

Governments not only impose preconditions on others; they also impose preconditions on themselves. A government may want to wait until there is sufficient support among constituents for a peace process or insist on holding multilateral, as opposed to bilateral, talks. More commonly, even governments that are generally willing to negotiate often first set limits on their own behavior by refusing to talk to groups with ties to terrorists. The U.S. State Department, for example, publicly states that it will “make no concessions to terrorists and strike no deals.”

This position has the virtue of ideological purity but the vice of impracticality. When everyone at the table has clean hands, governments are unlikely to make progress on what is often the most important issue: the cessation of violence. By making it difficult for governments to extract concessions on a critical issue, this precondition reduces the governments’ own bargaining power. The experience

of Northern Ireland demonstrates the value of bringing extremists—or their proxies—to talks. In 1997 and 1998, even though the Unionists were unwilling to negotiate directly with the IRA, the presence of Sinn Féin at the bargaining table allowed the parties to negotiate the issue of violence. Although Sinn Féin and the IRA by no means formed a monolithic entity, sufficient ties between the organizations made it possible to neutralize any potential spoiler tactics of the IRA by dealing with Sinn Féin. The implication is that governments should encourage ties between those responsible for violence and those willing to negotiate. For this reason, recent attempts to reconcile Hamas and the PA should be supported by Israel and the United States.

Unfortunately, diplomatic efforts are often based on carefully selecting only those negotiating partners who are unlinked to extremist violence. This was true of the United States' de-Baathification effort in Iraq and is true of Israel's support for the anti-Hamas leader of the PA, Abbas. Likewise, India's willingness to negotiate with Pakistan is predicated on the ability of Pakistan's leaders to distance themselves from extremists operating in Kashmir. In fact, the existence of some ties between Pakistan's leaders and those extremists would be useful in negotiating with the Pakistani leadership. Certainly, not all extremists are willing to negotiate, but efforts to exclude those groups that are willing to come to the bargaining table or send their proxies are ultimately self-defeating.

Erring on the Side of Negotiation

Their potential to cause strategic blunders notwithstanding, ill-conceived preconditions to negotiations are popular. Politicians who are personally opposed to negotiations make them because when unmet, they provide an easy excuse to scuttle diplomatic efforts. And politicians who support negotiations but are wary of public opposition favor preconditions because if met, they provide an early win with which to hedge against the risk of backing a peace effort that may ultimately fail. The public, in turn, tends to support such demands as just claims against an enemy that has behaved immorally or illegally.

Unfortunately, the appetite for preconditions is not matched by an adequate supply of reasoned analysis and nuanced debate about them. This creates a bias toward setting preconditions, ones that are often based on political expediency or simplistic assessments. This approach has been so detrimental that even the elimination of all preconditions to negotiations would yield better diplomacy than what has prevailed in recent years, particularly when it comes to the diplomatic efforts of the United States and Israel.

Change may be on the way. Barack Obama's call early in the U.S. presidential primaries—before he was leading in the polls—to negotiate with enemies without preconditions was, if not a fine-tuned policy revision, an important step forward.

That Obama's stance was so strongly criticized as being naive and dangerous, when it was neither, illustrates the enduring appeal of preconditions. That these attacks were not altogether successful and that he subsequently reasserted his position—most notably, in his June 2009 Cairo speech—suggest that enough Americans have done some analysis of their own: If a country refuses to negotiate when it is clearly in a position of strength, when will it ever negotiate?

A wise foreign policy errs on the side of negotiation and removes as many impediments to diplomacy as possible. Carelessly conceived preconditions remain among the greatest barriers to achieving negotiated peace. Curtailing their use, if not discarding them altogether, would herald a new era in foreign policy—one both more ambitious and, ultimately, more successful.

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VI. Economic Sanctions and the Prudent Use of Power

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In the nineteenth and early twentieth centuries, documented cases of economic sanctions typically accompanied the use of armed force and were used to reinforce military power. The League of Nations was created after World War I to harness collective action, including economic sanctions, as an alternative to war, but that experiment is widely considered a failure.¹ Since World War II, sanctions have been used for a wide variety of purposes and with widely varying degrees of effectiveness, particularly by the U.S. After the Cold War, there was another flurry of hope for collective action and the utility of sanctions, but the experience with comprehensive United Nations sanctions against Iraq, Yugoslavia, and Haiti triggered a backlash against comprehensive global sanctions because of the impact on civilians. Since the mid-1990s, the UN has focused on trying to make “targeted” economic sanctions more effective, but with limited success.

This essay reviews what we know about the utility of economic sanctions as a foreign policy tool, mainly through the lens of the data compiled by Hufbauer, Schott, Elliott, and Oegg (2007; henceforth referred to as HSEO). I begin with a basic framework for analyzing economic sanctions and then present the results from the HSEO database. I then turn to evidence on the conditions under which sanctions are most likely to contribute to positive foreign policy outcomes, including the interaction with military tools. I then examine the Iraq and Libyan cases to see what lessons they might offer for dealing with Iran and North Korea.

A Framework for Analysis

Stripped to the bare bones, the formula for a successful sanctions effort is simple:

costs of defiance imposed on the target > *perceived costs of compliance for the target*

That is, the political and economic costs to the target country from sanctions must be greater than the political and security costs of complying with the sanctioner’s demands. The difficulty lies in accurately predicting both the magnitude of those costs *and* how they will be perceived and weighed by the target.

Sanctions are also rarely the only tool used, so attributing a positive result to sanctions can be tricky.

The starting point for gauging the probability of success in a sanctions episode is the potential leverage that the sanctioner has over the target. If trade and financial flows between the two parties are minimal, then the odds of a successful sanction are low, unless the goal is an extremely modest one. But potential leverage, while necessary, is not sufficient. If the sanctioner is not strongly interested in achieving the target's compliance, or if the sanctioning government is satisfied with merely mollifying domestic political demands to "do something," then whatever potential leverage exists may not be fully deployed or used effectively.

Table 1 summarizes what the sanctioner might expect from sanctions, depending on various combinations of relative motivation and the sanctioner's size and leverage compared to the target. If the target is larger and has more leverage than the sanctioner in terms of trade and financial flows, then a successful sanction is unlikely unless the sanctioner cares far more intensely about what is at stake than does the target. By contrast, the odds for a successful outcome are higher if the sanctioner is larger and has extensive leverage over the target, but are still not guaranteed if the perceived costs of compliance for the target are high. In this situation, the outcome will depend on how highly the target values what the sanctioner is asking it to give up.

Table 1. Expected Outcomes, Depending on Relative Motivation and Sanctioner Leverage

Relative intensity of interest	Relative size and sanctioner leverage		
	T > S	T = S	T < S
T > S	Failure	Failure	Success possible but not likely
T = S	Failure	Indeterminate	Success possible, but depends on goal, with modest goals being more achievable than ambitious goals
T < S	Success possible but not likely	Success possible	Success

T = target; S = sanctioner

The costs of defiance that the target faces in a given case begin with the estimated direct costs of the sanctions, in terms of lost trade or finance. These costs can be increased if the sanctioner is able to attract international cooperation in

its sanctioning efforts and the political costs may be amplified if the sanctions are endorsed by an international organization that is viewed as legitimate. The impact of the sanctions may be intensified if economic conditions in the target are weak, or they can be mitigated if the target government is able to evade them or to elicit offsetting assistance from a rival of the sanctioner. The costs of defiance can also be raised by threatening to use or by actually using military force. Finally, whether the pain of sanctions produces the desired change also depends on whether that pain produces a rally-round-the-flag effect that strengthens the government, or leads to political dissatisfaction that weakens the target's ability to resist.

The costs of compliance for the target are determined primarily by the nature of the sanctioner's goals and the nature of the target regime. Foreign policy objectives that threaten national security or internal regime stability are obviously ambitious; in many cases, it is simply impossible to make sanctions costly enough to gain the target's acquiescence in those cases. For example, autocrats, such as Saddam Hussein, have little incentive to comply when the demand is for democratization or other regime change that would mean sacrificing the leadership's primary source of wealth and, possibly, its physical safety. In such cases, economic sanctions can only contribute to a successful outcome if they change incentives or capabilities within the country so that more acceptable leaders can win power.

Thus, the probability that a sanction can be effective, and the conditions that will contribute to it, depend crucially on the difficulty of the goal sought. HSEO classified the case histories into five broad categories, according to the central foreign policy objective sought by the sanctioning country (or coalition):

- To change the target country's policies in a relatively modest and limited way—according to the scale of the target country's national values, for example—to improve the human rights situation or to stop religious persecution (in limited ways; not broadly, for example through democratization).
- To change the target country's regime, including, as an associated goal, to change the target country's policies; for the period of the Cold War, this category includes many cases in which the U.S. used sanctions in efforts to destabilize governments viewed as tilting toward the Soviet Union; more recent cases often involve demands to democratize.
- To disrupt relatively modest militarized disputes among third parties.
- To impair the military potential of the target country, often in the context of major hostilities, such as the two world wars; since the 1970s, countries seeking to acquire the capability to produce nuclear and other weapons of mass destruction have become frequent targets of sanctions in this category.

- To change the target country's policies in another major way, often involving the surrender of territory, such as forcing Saddam Hussein to withdraw from Kuwait in 1990.

While exceptions occur, the target country's relative intensity of interest in the issues at stake usually exceeds those of the sanctioner in the second and third categories. Both sanctioner and target should be intensely interested in the outcome of the military impairment cases, but one would expect these goals to be difficult to achieve with economic measures alone, since they involve national security concerns. When cases are classified as involving either modest goals or other major goals, sanctioners and targets often share similar perceptions about the relative seriousness of the issues at stake.²

How Effective in Achieving Foreign Policy Goals Were Economic Sanctions in the Twentieth Century?

Overall, in the judgment of the HSEO team, economic sanctions contributed to positive policy outcomes in about one-third of the more than two hundred episodes studied. A successful outcome in this approach does not mean that the outcome was a rout, or that sanctions were the decisive factor. But at a minimum, sanctions must make a "substantial contribution" to partial achievement of nontrivial goals. The case studies begin with World War I and go through those initiated in 2000, with ongoing cases updated through 2006.

For the post-World War II period, the overall success rate has been remarkably stable, at roughly the one-in-three average observed overall, but this apparent consistency conceals substantial variability, particularly in the U.S. experience. Table 2 highlights several important aspects of the twentieth-century experience with economic sanctions:

- The U.S. has played a prominent role in nearly 70 percent of all cases, acting with little or no cooperation from other countries in a third of those cases.
- The use of sanctions increased sharply in the immediate aftermath of the Cold War, but there was a return to earlier patterns by the mid-1990s, after disillusion set in.
- The effectiveness of U.S. unilateral sanctions drastically diminished over the course of the century: more than 60 percent achieved some degree of success in the early post-World War II period, but fewer than 20 percent have succeeded since 1990.
- However, the *overall* effectiveness of U.S. sanctions has considerably increased in the 1990s as more and more have been undertaken in conjunction with other countries or international organizations; the success rate for *nonunilateral* U.S. sanctions is just below 40 percent for both the two decades prior to and the decade after the end of the Cold War.

Table 2. Success by Period

Policy goal	1914–1944		1945–1969		1970–1989		1990–2000	
	Success cases	Failure cases						
Modest policy changes	2	0	5	4	7	10	8	7
Regime change and democratization	0	4	7	6	9	22	9	23
Disruption of military adventures	2	4	2	2	0	6	0	3
Military impairment ^a	3	0	0	6	4	10	2	4
Other major policy changes	0	1	2	13	3	4	5	5
All cases	7	9	16	31	23	52	24	42
All U.S. cases	3	5	14	14	13	41	17	33
Unilateral U.S. cases^b	0	3	10	6	8	33	2	9

a. Military impairment failures for 1990–2000 include the 2002–2006 phase of the North Korea proliferation case.

b. Cases in which the U.S. is the only sanctioner and international cooperation are nonexistent or minor.

The United Nations was an important source of increased activity in the 1990s, with mandatory UN Security Council sanctions resolutions rising from just two in the 1960-to-1989 period to eleven in the subsequent decade. During the Cold War, the UN role was constrained by U.S.-Soviet rivalry and on the few occasions when economic sanctions were invoked, they were usually hortatory and relatively weak. With the end of the Cold War, UN sanctions initially became more frequent, more likely to be mandated by the Security Council, and more likely to be broad and painful. But after a flurry of comprehensive sanctions—against Iraq, Yugoslavia, and Haiti—concerns were raised about the impact on vulnerable populations within target countries, as well as on neighboring countries and other trading partners.

As a result of such humanitarian concerns, as well as increasing discomfort with and differences over the use of sanctions on the part of Russia and China, no broad sanctions have been imposed by the United Nations since those against Haiti in 1994. The concern about avoiding harm to the general populace inside target countries led to a focus on narrower sanctions that targeted either specific goods that contributed directly to the problem at hand (such as the importation or smuggling of arms in a conflict situation), or targeted individuals in the regime who were deemed responsible for unacceptable behavior. The interest in sanctions targeted at individuals ratcheted up again as the focus of the international community turned to combating terrorism, whose perpetrators were often non-state actors rather than governments. In addition, selective resource sanctions intended to choke off revenues for regimes or guerrilla movements engaged in violent conflict were also used several times, particularly in Africa.

The shifts over time in UN use of different types of sanctions are illustrated in table 3. The categories of sanctions are arrayed down the left side of the table from relatively narrower and less costly to broader and more costly; this arrangement reveals that the trends in UN sanctions are clearly not linear. There is a movement not only toward more frequent sanctions after the Cold War but also toward sanctions that are more likely to be mandated by the Security Council. But the abrupt reversal in the increased use of comprehensive sanctions is clear at the bottom of the table. Arms embargoes remain a constant feature in all periods as a response to conflict, but it is only over the last decade that targeted travel and financial sanctions have become prominent as stand-alone measures. These sanctions are intended to raise the costs for corrupt or authoritarian leaders involved in violent conflict, repression of human rights, or support for terrorism, and to pressure them to change their behavior. Travel sanctions typically involve restrictions on the issuance of visas for travel by targeted individuals, while targeted financial sanctions aim to limit the access of these individuals to any bank accounts or other property they may hold abroad by freezing or seizing their assets.

Table 3 indicates with underlines which of these sanctions episodes achieved some degree of success toward stated foreign policy goals.³ None of the cases in the top half of the table—involving hortatory sanctions, arms embargoes, or the most narrowly targeted sanctions (travel or asset blocking only)—have been effective in pressuring changes in behavior. Whether these sanctions have been more effective in punishing pariahs or denying resources misapplied for nefarious purposes is more difficult to assess. Any assessment of the degree of success in achieving such goals requires knowing something about the size and *relative* importance of the assets seized, but such data has proved difficult to obtain because of the multiple mechanisms available for hiding the ownership of

Table 3. Distribution of UN Sanctions Targets by Period and Sanctions Type

	Cold War Period	1990–94	1995–
Sanctions recommended	Palestine <i>et al.</i> (1948) South Africa (Namibia) South Africa (Lesotho)	Cambodia	Burundi Iraq III
Arms embargoes <i>Hortatory</i>	North Korea (1950) Congo (restraint)	Armenia-Azerbaijan Yemen Afghanistan (Taliban)	Yugoslavia (Kosovo) Ethiopia-Eritrea Sudan (Darfur)
<i>Mandatory</i>	Portugal (restraint) South Africa (apartheid)	Yugoslavia (1991) Somalia Rwanda	
Targeted <i>Travel</i>			Sudan (terrorism) Sudan (Darfur) Taliban
<i>Financial</i>			Taliban Osama bin Laden and supporters Iran (proliferation)
All of the above		<u>Libya</u> <u>Liberia: timber, diamonds</u> <u>Angola: diamonds (UNITA)</u>	Sierra Leone: diamonds DR Congo Côte d'Ivoire Lebanon North Korea: luxury goods
Comprehensive	Rhodesia	Iraq (Gulf War) <u>Iraq II (postwar)</u> <u>Serbia-Bosnia</u> Haiti	

Sanctions episodes against underlined targets achieved some degree of success toward stated foreign policy goals.

financial assets. Unless there is a discernible change in behavior, assessing the signaling or punitive effects of travel bans is even more difficult, since the effect is primarily psychological.

Broader sanctions regimes, which either involve a combination of targeted sanctions (often including selective restrictions on trade in natural resources) or comprehensive sanctions, have been more likely to achieve coercive goals, often in conjunction with sanctions by individual member states (for example, the

U.S. comprehensive sanctions against Libya, or U.S. and EU financial and trade sanctions against Serbia over Kosovo). The bottom line on targeted sanctions seems to be that the costs of defiance are often too small to induce behavioral change.

Is Sanctions Effectiveness Underrated Because Threats are Underrepresented?

It is sometimes asserted that the observed success rate for economic sanctions in foreign policy cases is likely understated because it ignores sanctions threats. The problem is that it is difficult to systematically observe such threats and, therefore, determine how they turn out. It is true that in the eleven HSEO cases in which threats were documented but sanctions were never imposed the probability of a successful outcome was far higher than for the rest of the sample—82 percent versus 32 percent. But that relatively small number of successful threats must be weighed against the much larger number of cases in which more or less explicit threats failed and sanctions were imposed. Nor is there any a priori reason to assume that unobserved threats were all as likely to be successful as those documented in HSEO. It is also plausible that unobserved threats were met by resistance and dropped to prevent the public perception of failure.

There are two trade policy mechanisms whose history sheds additional light on this question by making it possible to identify a clearly defined set of cases that includes both threats and imposed sanctions. Section 301 of the Trade Act of 1974, though largely abandoned after the adoption of a legally binding dispute settlement mechanism by the World Trade Organization, was invoked more than eighty times by the U.S. Trade Representative (USTR) from 1975 to 1994. Section 301 created a process whereby a private party could file a petition that, if accepted by USTR, would lead to an investigation into alleged unfair practices by a trade partner, usually involving discrimination against U.S. exports. If the complaint were confirmed, the Trade Representative could threaten to restrict the partner's access to the U.S. market in retaliation and eventually do so if no other resolution was reached. The U.S. Generalized System of Preferences (GSP), which provides preferential access to the U.S. market for exports from developing countries, also includes a process whereby petitioners can challenge a beneficiary country's access if they are not "taking steps" to respect certain workers' rights.

Bayard and Elliott (1994) analyzed the results in seventy-two section 301 cases; the success rates in cases involving implicit and explicit threats, as well as the imposition of sanctions, are reported in table 4. Elliott (2000) examines thirty-two of the GSP workers' rights cases from 1985, when the workers' rights

Table 4. Comparing Sanctions Threats and Actions

	Number of successes/failures	Success rate
Foreign policy sanctions		
Sanctions threatened (observed)	9/11	82%
Sanctions imposed (failed threats?)	61/193	32%
Commercial disputes (Section 301) (rarely embedded in broader foreign policy disputes)		
Sanctions threatened		
• Implicitly (petition filed)	15/34	44%
• Explicit threat of retaliation	20/38	53%
Sanctions imposed (failed threats?)	2/12	17%
Workers' rights provision in trade preference programs (often embedded in broader foreign policy cases involving human rights or democracy)		
Sanctions threatened	10/20	50%
Sanctions imposed (failed threats?)	5/12	42%

provision was added to the program, through 1994. Those results are also reported in the table.

There is not space for a thorough analysis of the differences among these sets of cases, but a few factors do stand out in the context of assessing the utility of sanctions threats. First, the overall success rate, as well as the success rate for threats, is roughly 50 percent in the commercial disputes and GSP cases—essentially the same as the success rate in the set of “modest goal” foreign policy cases examined in HSEO. Second, while the success rate for section 301 threats is far higher than that for cases in which retaliation was imposed, the difference in the GSP cases is far narrower. A key difference in the two sets of cases is that eight of the twelve sanctions cases under section 301 involved larger, richer countries (the European Union, Canada, and Japan), while the GSP cases all targeted developing countries. One implication is that sanctions are typically imposed in the harder cases, in which success is less likely from the beginning. Overall, this brief analysis suggests that many of the same factors that determine success and failure when sanctions are imposed—the nature of the objective and of the target being prominent among them—also determine whether threats will be successful.

When Are Sanctions Most Likely to Be Effective?

In order to identify the conditions under which economic sanctions are most likely to be effective in contributing to foreign policy goals, HSEO examine a number of political and economic variables. But many factors affecting outcomes are missing or cannot be measured, and statistical analysis reveals that the variables selected for examination explain only around 15 to 20 percent of the variation in outcomes. Nevertheless, both quantitative and qualitative analysis support three broad conclusions that are consistent with the basic framework comparing costs of compliance and defiance—though probably not very satisfying for policymakers:

- modest goals are more likely to be achieved than others;
- sanctions have more influence over regimes that are relatively more democratic and have relations with the sanctioner that are friendly rather than hostile; and
- the economic costs imposed by sanctions on the target must be proportionate to the goal sought.

Episodes involving modest and limited goals, such as the release of a political prisoner, succeeded half the time. Cases involving attempts to change regimes (for example, by destabilizing a particular leader or by encouraging an autocrat to democratize), to impair a foreign adversary's military potential or prevent nuclear proliferation, or to otherwise change policies in a major way, succeeded in about 30 percent of those cases. Efforts to disrupt relatively minor military adventures succeeded in only a fifth of cases in which that was the goal.

The evidence also suggests that economic sanctions are more effective against allies and close trading partners. Nearly half of cases in which HSEO judged relations between sanctioner and target to be cordial were successful, versus 19 percent of those in which relations were hostile. While frustrating for policymakers looking for tools to use against adversaries, this result should not be particularly surprising. Friendly countries have more to lose, diplomatically as well as economically, than countries with which the sender has limited or adversarial relations. These target countries may be less likely to face the threat that a dispute will be escalated or that force will be used, but they are more likely to receive foreign aid or to have extensive trade and financial relations with the sender country. In addition, allies will not be as concerned as adversaries that concessions will undermine the government's reputation and leave it weaker in future conflicts.⁴ Thus, the higher compliance with sanctions by allies and trading partners reflects their willingness to bend on specific issues in deference to the overall relationship with the sender country. With respect to regime type, nearly half of sanctions against democratic governments (as measured in

the Polity IV database) achieved some degree of success, versus 28 percent of sanctions against autocrats.⁵

Finally, the costs of sanctions imposed on the target should be proportionate to the goal sought. Overall, the average cost of sanctions as a share of the target's GNP was twice as high in successes (3.3 percent) as in failures (1.6 percent). The average cost in successful cases involving modest goals was 2.6 percent, while in the "other major policy change" category, it was 5.5 percent.

The importance of other variables that might be expected to affect the size of the economic and political costs imposed by sanctions varies across goal categories. Thus, international cooperation, offsetting assistance by a political rival, or the use of companion policies, such as military force, are used less frequently in episodes involving relatively modest goals and make little discernible difference to the outcome in those cases. Military force is an important variable in the military impairment cases, however, and international cooperation with the sanctioner is present in far more successes than failures when the goal is a major one, such as the surrender of territory.

One of the more surprising results is that, on average across all cases, international cooperation with the lead sanctioner had no impact on the probability of a successful outcome. But the idea that international cooperation is a necessary component in all sanctions cases is misplaced. A sanctioning country looks to its allies for help when its goals are ambitious; in cases involving truly modest goals, cooperation is often not even sought. In cases involving ambitious policy goals, however, international cooperation was markedly higher in successes than failures. Even in these cases, significant cooperation may be necessary but not sufficient, as with the comprehensive global embargo against Iraq prior to Gulf War I. On the other hand, active noncooperation by other countries can sabotage the effort by providing offsetting assistance to the targeted regime. Adversaries of the sanctioning country may be prompted by a sanctions episode to assist the target, as happened frequently in episodes that either provoked or derived from U.S.-Soviet rivalry.

What HSEO call "companion policies" moreover do not have a clear relationship with successful sanctions and for many of the same reasons—in cases of modest goals, covert or military activities are usually not needed, and when they are needed, because the goal is ambitious, either they may not be enough, or military force will dominate the outcome. The complementary policies examined by HSEO are covert activities by intelligence agencies, usually the U.S. Central Intelligence Agency; quasi-military actions, usually a show of force involving deployment of forces to a problem area or physical blockades to enforce sanctions; and "regular" military force, ranging from air strikes to troops in combat.

Table 5 shows the distribution of sanctions and complementary policies according to the goal categories introduced earlier. Each cell shows three numbers: the number of cases in which sanctions were judged to have contributed to a successful outcome; the number of cases with positive foreign policy results, including those in which sanctions made a minimal contribution; and the total number of cases in that category. Overall, complementary policies occur in only about a third of the sanctions cases examined and, not surprisingly, are rare in cases in which the goal is relatively modest, but complementary policies are present in roughly half of the high-policy cases. Covert activities are most likely to be used in conjunction with sanctions when the goal is regime change and the combination appears to be relatively effective. Quasi-military actions do not appear to add much to sanctions and the combination is not particularly successful. In the case of regular military force, sanctions are usually in the supporting role and, not surprisingly, sanctions are dominated by military options in many of these cases.

Table 5. Interaction of Sanctions and Other Tools, Including Military Force

Goal category	Type of companion policy						
	None	Covert	Covert & Quasi	Quasi only	Quasi & regular, or all three	Regular	All policies
Modest	20/22/36	0	0	1/1/5	0	1/1/2	22/24/43
Regime change	16/29/55	5/6/7	2/3/4	2/3/4	0/1/3	0/5/7	25/47/80
Military disruption	4/11/14	0/0/1	0/1/1	0/0/2	0	0/1/1	4/13/19
Military impairment	2/4/15	0/0/1	1/1/1	1/1/4	1/1/2	4/4/6	9/11/29
Other major	6/8/16	0	0	0/0/5	0/0/1	4/8/11	10/16/33
All cases	48/74/136	5/6/9	3/5/6	4/5/20	1/2/6	9/19/27	70/111/204

Covert = covert activities by intelligence agencies

Quasi = quasi-military, ranging from actions short of the application of force, such as a show of naval force off a coast or massing troops on a border, to limited airstrikes

Regular = application of military force, generally involving ground forces

Note: The first number in each cell is the number of sanctions successes; the second is the number of policy successes; and the last the total number of cases in that category.

Lessons for Iran and North Korea from Libya and Iraq

Economic sanctions have been important tools in recent major U.S. foreign policy episodes targeting Libya and Iraq, where the sanctions have ended, and Iran and North Korea, where they are ongoing. Based on the analysis above, it appears that none of these cases at the outset had high prospects for successful outcomes. All four target regimes were autocratic; relations with the U.S., the lead sanctioner, were neutral at best, but usually hostile; and the goals—involving regime change, dismantlement of WMD programs, and surrender of territory—were ambitious. Nor were the estimated economic costs of sanctions high, with the exception of the comprehensive UN sanctions against Iraq beginning in 1990.

Yet of the nine separate episodes involving these four targets over the past two decades or so, just over half (five) achieved some degree of success, with sanctions contributing modestly. All three of the episodes involving Libya were judged to have been successful, while one of three targeting Iraq after the invasion of Kuwait in 1990 was judged successful, and one of two targeting North Korea because of its nuclear program was scored as a partial success. So far, economic sanctions to punish Iran for its support of terrorist groups in the Middle East and its attempts to acquire a nuclear weapons capability have not been successful. The common elements in the relatively more successful cases are that the sanctions, or threats, were endorsed by the international community and were accompanied by varying degrees of military force, or threats to use force.

The nine episodes are:

1. U.S. sanctions to achieve regime change in Libya, with an end to terrorist groups as a subsidiary goal, achieved by changing the regime's behavior, not its leadership
2. U.S. sanctions to coerce an end to Libyan WMD programs
3. UN sanctions against Libya to coerce the government to surrender the suspects in the bombing of Pan Am Flight 103 over Lockerbie, Scotland
4. The U.S. attempt to end Iranian support for terrorism in the Middle East; and the U.S. goal, with limited support from the UN and others, to prevent Iran's acquisition of a nuclear weapons capability
5. UN sanctions to coerce Iraqi withdrawal from Kuwait, achieved through military force
6. U.S. attempt to remove Saddam Hussein from power, achieved through military force
7. UN/U.S. attempt to prevent the rebuilding of Iraq's WMD capability
8. UN/U.S. threat of sanctions to prevent the development of nuclear weapons capability in North Korea, which contributed to the negotiation of a framework agreement in 1994

9. UN/U.S. sanctions designed to pressure North Korea to dismantle its nuclear programs after the earlier framework agreement broke down in the early 2000s

HSEO judged that sanctions contributed modestly to the achievement of foreign policy goals in the first three episodes, as well as numbers 7 and 8. What are the lessons of this experience for the current disputes with Iran and North Korea?

With respect to Libya, U.S. and UN goals were mostly achieved. Libya did reduce its support for anti-Israeli terrorist groups; it surrendered the Pan Am bombing suspects; and it eventually gave up on plans to acquire WMD. These changes in behavior were apparently sufficient for American policymakers to give up on the goal of destabilizing the regime of Colonel Muammar al-Gaddafi. But these goals were achieved only after more than twenty years of sanctions, and sanctions were not the only tool used. The air strikes and naval clashes in the 1980s appear to have contributed to the decision to reduce support for terrorists, and the U.S. invasion of Iraq in 2003 may have contributed to the dismantlement of the WMD programs, though negotiations toward that end began well before the Iraq invasion. An important factor in this case appears to be changing Libyan perceptions of the relative costs of compliance and defiance; the costs of sanctions against investments in the Libyan oil sector increased over time, and the Gaddafi regime must have reassessed the value of WMD to be willing to surrender them. U.S. willingness to negotiate and to put the lifting of sanctions on the table also affected the perceived Libyan costs of complying with U.S. demands.

The Iraq case shows the limitations of economic sanctions. They did not, and probably could not, destabilize the Saddam Hussein regime. But sanctions, along with military threats and occasional air strikes, supported the task of the UN inspectors in finding, destroying, and preventing the rebuilding of Iraq's WMD programs. The real success of the inspections and sanctions programs was not understood, however, until after the 2003 invasion, when no evidence of any new WMD programs was found. Iraq's continued challenges to the UN inspectors, despite its abandonment of all its WMD programs may have been due, in part, to Saddam Hussein's recognition that the U.S. would never agree to lift sanctions as long as he remained in power. Thus, he had no incentive to cooperate on the other UN goals related to disarmament and the settlement of border issues with Kuwait. The sanctions were also costly in humanitarian terms and this would have made them difficult to maintain indefinitely; indeed, pressure to ease them was building within the U.S.-led coalition against Iraq in the early 2000s. The humanitarian costs also undermined support for UN sanctions in other cases, including Sudan.

Table 6. Applying the Framework for Analysis to the Iran Case

Costs of defiance	Costs of compliance
<p><i>Direct cost of sanctions</i></p> <ul style="list-style-type: none"> • U.S. sanctions are comprehensive, limited scope to increase • Increased EU cooperation on targeted sanctions possible • Relative cost varies inversely with oil price, which is unlikely to be sanctioned outside U.S. • Russia, China reluctant allies; participation varies between acquiescence to passive noncooperation to actively offsetting effects (e.g., through investments) <p><i>Escalation threat</i></p> <ul style="list-style-type: none"> • Is military action against Iran credible? • Would airstrikes be effective in destroying WMD capability? For how long? <p><i>Relations with sender or third parties</i></p> <ul style="list-style-type: none"> • Nothing to lose with U.S. since relations already hostile; improvement in relations is a potential inducement • Potential for deterioration in relations with EU • Does it matter if Russia and China remain friendly? <p><i>Internal political response in target</i></p> <ul style="list-style-type: none"> • Thus far, sanctions have limited economic effects, especially relative to oil price and poor domestic policies • Would gasoline sanctions, if effectively implemented, have a significant impact on the public? • Would citizens blame regime or U.S.—would it increase divisions in Iran and undermine regime, or cause a rally-round-the-flag effect? 	<p><i>External security</i></p> <ul style="list-style-type: none"> • Does the regime view a nuclear option as essential to national security? • Does the regime view nuclear weapons as essential? • Is the regime unified in this view? <p><i>Internal security and stability</i></p> <ul style="list-style-type: none"> • Does the regime believe that concessions on nuclear program would undermine public support? • Can the U.S./sanctioning coalition reduce these costs by directly addressing national security concerns?

In North Korea in the mid-1990s, a credible threat that China and Russia might support some UN sanctions, plus implicit threats that military force might be necessary if no other resolution was possible, and a U.S. willingness to negotiate the loosening of long-standing sanctions and to cooperate in providing other assistance to North Korea all contributed to agreement on a framework to reverse North Korea's efforts to acquire nuclear weapons. The agreement proved short-lived, however.

Now, in both Iran and North Korea, we face a situation in which U.S. unilateral sanctions have been in place for decades with little effect, leaving the U.S. with little remaining unilateral leverage over these targets. Significant UN sanctions are unlikely because of Russian and Chinese opposition in both cases. Somewhat less sweeping multilateral sanctions are possible. But other necessary

allies, including the European Union with respect to Iran, and South Korea with respect to the North, differ with the U.S. over the priority they give to some goals and have varied over time in their commitment to sanctions to achieve shared goals. Table 6 summarizes these and other factors for the case of Iran, using the relative-costs-of-compliance-and-defiance framework.

Ultimately, if either regime views a nuclear weapons capability as essential to state or regime survival, then sanctions are unlikely to be powerful enough to change minds. And, if regime change is perceived to be a goal in either case, then it could complicate achievement of the immediate goals of nonproliferation. If military options also appear to be too risky or unlikely to achieve disarmament goals in these cases, then a strategy that combines carrots with strengthened sticks may be the only remaining option. With ad hoc cooperation from Europe and Russia, sanctions could deny key components and technologies for the Iranian nuclear program, thus raising the costs of defiance and at least slowing the country's acquisition of a weapons capability. A willingness to negotiate and to address security concerns in Iran and North Korea could also contribute to their governments' changing perceptions about the costs of complying with demands to abandon nuclear weapons and tilt the balance between the relative costs of defiance and compliance in a positive direction.

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Notes

- 1 The perception of failure is overstated, since the League used the threat of sanctions to successfully settle two border disputes in the Balkans prior to its better-known failures in Latin America (the Chaco War between Bolivia and Paraguay) and with Italy over Abyssinia.
- 2 While I recognize that domestic political considerations are often important in explaining the decision to impose sanctions, I do not assess their utility for that purpose; for an analysis of the decision to impose sanctions, *see* Drury (1998).
- 3 Assessments of the more recent cases should be treated with a greater degree of caution than those that were included in HSEO, in some cases because they are ongoing, and in others because they have not been the subject of the same in-depth research.
- 4 *See* Drezner (1999, especially 4–6) for detailed analysis of this argument, and Mastanduno (2000, 298–99) for an alternative analysis.
- 5 The Polity IV database codes the regime characteristics and transitions of states from 1800 to 2008; *see* <http://www.systemicpeace.org/polity/polity4.htm>.

VII. Cold War Two?: The (Il)logic of a Struggle with China for Resources in the Developing World

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Two great powers seem to be acting as if resources are the new locus for international competition: China and Russia. China is scooping up energy and mineral resources in the developing world with solicitous diplomatic initiatives and aggressive contract negotiations. Meanwhile, Russia recently has used resources for coercion—reducing its natural gas exports to Ukraine and indirectly cutting them to Europe, too—in what was seen in some quarters as a case of energy coercion. Do China’s efforts to secure resources in the developing world threaten the United States? Does the Russia-Ukraine incident foretell a future in which energy supplies and other resources are used coercively? Should the U.S. scramble for political influence in the developing world as it did during the Cold War?

The conventional wisdom in the policy community seems to have settled on answers to these questions. However, it has apparently settled on two answers that are inconsistent with each other. In 2005 and 2006, when China’s “going out” policy to encourage Chinese companies to acquire equity stakes in overseas oil and other resource plays first broke into policy discussions, pundits bombarded leaders with statements about threats to energy security. But over time, the shrillness has subsided, perhaps because the post-financial crisis plunge in prices has made energy security as a whole seem less important. The conventional wisdom now is that China is late to the prospecting game and is constrained by limits on its firms’ technical capabilities, meaning that most Chinese firms are buying low-quality energy plays. These investments surely should not worry the West.¹

Nevertheless, newspaper reporters have little trouble finding an alarmist comment to greet each announcement of Chinese overseas energy investment. For example, when PetroChina announced a \$1.9-billion investment in Canadian oil sands in the fall of 2009, Carolyn Bartholomew, chairwoman of the Congressionally appointed U.S.-China Economic and Security Review Commission, said, “I think that an acquisition [of Canadian oil sands] should raise national security questions both for the government of Canada and for the government of the United States.”²

This statement is more consistent with the conventional wisdom on Russia’s apparent ability to disrupt European energy supplies. Many stories have settled on a refrain that expects Russia to exploit its leverage each winter, when demand for Russian energy supplies in former Soviet states and in Europe is most acute. These stories present stark warnings of a contentious energy security future.³ Even if energy coercion is economically expensive for Russia, Russian leaders seem to value the possibility of political leverage—and countries make strategic decisions based on many logics other than the simple attempt to maximize revenues for their domestic firms.

We argue that both these pieces of conventional wisdom are on the right track, despite their seeming inconsistency. China’s development of political and economic ties with major exporters of raw materials in the developing world poses no significant threat to the U.S.—not because of flaws in China’s investment strategy but because of the characteristics of global energy markets. Russia, on the other hand, actually gains some (perhaps dwindling) coercive leverage from its energy exports—but only from its natural gas exports, which rely on a rigid transportation infrastructure.⁴ Unfortunately, news stories about energy coercion often haphazardly mix coverage of oil and natural gas.⁵ But only natural gas disruptions are not amenable to rapid market adaptation. Carelessly blending coverage of the two different types of energy leads analysts to exaggerate threats to energy security.

In normal times, most resources, notably including oil, are distributed on the basis of price, so the Western economies will not be starved of vital resources if they can put them to efficient use. Whether Chinese, Dutch, or American oil companies get the contracts to pump oil from African countries, the Caspian Sea, or anywhere else in the world may have significant implications for individual energy firms’ profits, but it has little effect on U.S. economic prospects or national security. On the demand side, China’s prepurchase agreements merely change the patterns of global oil trade (that is, of which specific barrels of oil China consumes), not the overall level of consumption. The long-term agreements, therefore, do not significantly affect oil prices. On the supply side, China’s leap into oil exploration and extraction are economically neutral for the

U.S.; if Chinese investments increase aggregate global supplies, China's efforts might even *reduce* global oil prices. The U.S. has little to fear from Beijing's energy policy, and U.S. policymakers should not expect or initiate the type of competition that analysts envision when they describe the "geopolitics of oil."

Even in times of conflict, resource denial strategies—for example, coercion and blockade—are only feasible in very narrow circumstances. The Russia-Ukraine example is one of the few cases in which energy coercion is possible, largely because natural gas supply mechanisms are nearly unique given their rigid transportation and limited storage infrastructure. In contemporary energy security policy discussions, European leaders should think hard about the danger of dependence on Russia for natural gas supplies. The proposed Nordstream and South Stream pipelines will do less to alleviate European vulnerability than other investments might, because these pipelines, if completed, will still leave Western Europe dependent on gas imports from the same source, Russia. But the relationship between Russia and Europe in natural gas should not stoke American fears of energy insecurity, especially vis-à-vis political competition with China to ensure supply diversity.

Ironically, U.S. strategic analysts who worry about China's investments in overseas resources appear to have the strategic equation exactly reversed. The special conditions that might allow energy coercion to work in the Russia-Ukraine situation suggest that *China* is vulnerable to energy coercion, but the U.S. is not.

The U.S. need not compete for access to raw materials in the developing world. U.S. policymakers should make sure that unwarranted fears that energy competition will breed a Sino-American conflict do not become a self-fulfilling prophecy. In reality, no American interest in oil requires hostile relations with China.

China's Foreign Energy Investments

Some analysts see a grave threat from Beijing's energy policy: China is negotiating preferential long-term purchase agreements that could deny Americans even the opportunity to bid for some oil.⁶ General news coverage of oil investments now casually uses the phrase *lock up* in reference to oil drilling and production contracts, a loaded phrase that started life among energy security alarmists.⁷ The alarmists implicitly (and occasionally explicitly) recommend that the U.S. shift its foreign policy to work against the Chinese strategy—in essence, creating our own preferential agreements to guarantee U.S. access to oil.

The traditional "geopolitics of oil" line of argument goes like this: Chinese companies, supported by government policy, are signing long-term contracts to buy large quantities of oil from producers around the world such as Nigeria,

Venezuela, Russia, and Brazil. Chinese companies have also bought access to overseas fields by investing in established foreign oil companies, concessions to develop oil fields, and rights to explore for new fields in many countries, including Kazakhstan, Indonesia, Angola, Sudan, Iran, Iraq, and elsewhere. With its large foreign currency reserves, China has taken advantage of the global financial crisis to expand its overseas acquisitions, which give the Chinese decision-making control over future oil supplies. Meanwhile, Chinese diplomats cultivate relationships with the governments of countries with government-owned oil companies, hoping to influence their future oil sales. All of these moves allegedly reflect a coherent Chinese national energy policy—one that might “lock up” sources of oil supply, leaving less oil on the world market for relatively laissez-faire countries like the U.S.⁸

Although these deals have been signed, they may not end up being “preferential” for China in any meaningful sense. Is China getting oil at below-market prices? Are Chinese deals assuring Beijing secure access to future supplies that could not be acquired by simply bidding for oil on the open market? The economic arguments against these fears are compelling.⁹

Whether or not China prearranges its oil purchases years in advance, China will consume the same amount of oil. If China buys concessions from foreign governments to pump oil from their wells or to prospect for new fields on their territory and then chooses to ship the crude to Chinese customers rather than to sell it on the open market, the Chinese actions will simply free up oil pumped by other companies so that they can then sell to non-Chinese consumers. In other words, the Chinese arrangements may lock up some supply, but they also free up an equivalent amount that is no longer needed to sate China’s consumption.

Defenders of the “geopolitics of oil” argument attack this rebuttal by questioning a key assumption of the economic view. They ask, what if the Chinese government were willing to sacrifice profits to keep oil for the Chinese market—that is, what if they imported all of the oil from their foreign concessions, holding down oil prices on the Chinese domestic market, and refused to resell their oil, even if world market prices soared above the Chinese domestic price?¹⁰ That would reduce the supply of oil available to non-Chinese consumers, dramatically driving up oil prices outside China. After all, Chinese price controls on petroleum products have demonstrated the Chinese government’s willingness to sacrifice economic efficiency for noneconomic goals, such as the political stability that Beijing thinks cheap oil enhances.

What these pessimistic analyses overlook, however, is that a Chinese decision not to resell the oil they pump (whether from foreign concessions or domestic production), despite the opportunity to make big profits, would have the same

effect as China's deciding to pay more for oil than other consumers. In other words, China's hypothetical decision not to sell oil to Americans even if world prices rose dramatically (for example, during a supply disruption) would cost the Chinese the same amount of money that they could use to outbid Americans in a "free" oil market in which China had not made long-term deals with suppliers. The point is that China's current activities, whether or not they are characterized as "mercantilist" efforts to lock up oil supplies, make no difference for Americans' long-term ability to buy oil in the market. What might hurt American consumers is China's growing *demand* for oil, because that demand would drive up prices if supply remained on the same trajectory. Chinese *ownership* of oil does not matter much.

Some Chinese oil policy initiatives are even good for U.S. consumers. In recent years, Chinese firms have spent billions of dollars to purchase concessions. Compared to Western oil firms, the Chinese seem willing to overpay for oil fields; the Chinese "win" competitive auctions by spending more than Western oil companies think a property is worth. Some areas that the Western firms do not consider likely to have a high enough return on investment still attract Chinese drilling. If those prospects pay off, more oil will enter the world market, driving down prices for all consumers; if the prospects fail, Chinese rather than American shareholders will cover the losses.

In sum, China's oil policy will not hurt the U.S., and it may even benefit the U.S. economy. China's prepurchase agreements mainly move oil around—altering trade patterns and dictating which specific barrels of oil arrive at China's ports; they do not affect the total amount of oil consumed or the market price determined by supply and demand. China may end up being disappointed by its investments in foreign oil fields: Western firms may be unwilling to pay as much as Chinese oil companies to explore and develop these concessions for good reasons. On the other hand, if it turns out that Chinese investors were shrewd or if they simply get lucky, their prospecting will expand world oil supply, and the price of oil will drop for Americans too.

Overall, the U.S. should not worry that China is locking up oil supplies with prepurchase agreements or that China is investing to develop overseas oil reserves. The real energy "problem" that China poses for the U.S. is that rapid Chinese economic growth increases demand for oil, and that drives up global prices. But that potentially serious problem has nothing to do with any country's efforts to lock up resources.

The U.S. cannot do very much to change this situation. In the lead-up to the Copenhagen climate change negotiations, the Chinese government announced a goal of substantially reducing by 2020 its economy's energy intensity (the amount of energy consumed per unit of GDP created). The U.S. might encourage that

policy by offering technology transfers or paying to install energy-efficiency technology in China. But such expensive efforts are likely only to reduce the rate of increase in Chinese energy consumption, and the Chinese government has suggested that it does not want foreign interference with its domestic energy policy.¹¹

The only way for the U.S. to truly stem China's increasing energy consumption would be to significantly slow China's economic growth. Formal American efforts to hurt the Chinese economy would surely trigger enormous bilateral tension. Given the importance that the Chinese government attaches to steady economic growth, it would be hard to imagine a more hostile and provocative U.S. policy toward China.

One other concern may fan U.S. fears about China's energy policy, though it is rarely articulated publicly.¹² U.S. military planners may worry that Beijing's efforts to improve relations with foreign oil producers and purchase foreign oil concessions may partially protect China from a U.S. blockade during a future military conflict (not necessarily caused by tensions over access to oil). In a war over Taiwan, for example, the U.S. would likely use its naval power to try to sever China's energy supply lines. Perhaps China's foreign energy investments are partially intended to protect China from U.S. military coercion.

But few of China's overseas investments would help China in such a scenario. If the United States Navy successfully prevented oil tankers from reaching Chinese ports, China would be unable to access the oil it owned in (for example) Sudan or Venezuela. China could probably sell the oil into the global market, even during a conflict, but earning money from the sales would not help China circumvent the blockade: even without the oil market earnings, China would presumably be looking for ways to spend its already substantial foreign currency reserves. In the face of a blockade, China would need secure transportation routes more than extra paper (or electronic) funds.

If Energy Coercion Doesn't Work, Then Why is it Cold in Kiev?

The arguments in the previous section about flexibility in the oil market are mostly based on reasoning rather than empirical evidence. However, our sanguine conclusions appear inconsistent with recent experience in Europe: Russia has used its position as the dominant foreign supplier of natural gas in the region for coercive leverage against its near neighbors (for example, Ukraine). Western Europe has apparently decided that the unreliability of Ukraine as a transportation route for Russian gas exports is the primary threat to its secure energy supply, and rather than diversifying away from reliance on Russia, European investments in new natural gas pipelines emphasize diversifying transportation routes to connect consumers to gas from that single source. Russia, as

a major energy producer, seems to have tremendous—and growing—coercive leverage against both its near-abroad and Western European consumers of its natural gas.¹³

Fortunately for our analysis of the effect of Chinese investments on American energy security, the situations in the global oil market and the European regional natural gas market are not analogous. A careful understanding of what happened in the European natural gas case should reinforce rather than undermine confidence in our interpretation of China's allegedly mercantilist energy policy.

For nearly two decades, Russia and Ukraine have engaged in a series of disputes during which Russia repeatedly reduced or ceased gas exports to Ukraine and Western Europe.¹⁴ If control over resources provides little coercive leverage, as we claim in the previous section, what explains Russia's ability to interfere with energy supplies in Ukraine and Western Europe?

The disputes between Russia and Ukraine are not a clear-cut case of energy coercion. The dominant explanation for Russian behavior among U.S. diplomats is that Russia has been using its control over natural gas supplies to punish the Kiev government for moving away from Moscow's orbit. According to this view, Russia is particularly unhappy about the steps Ukraine has taken toward NATO membership, as well as its support for Georgia during the recent conflict.¹⁵ However an alternative explanation for Russian natural gas policy exists: the dispute between Moscow and Kiev is merely a mundane business quarrel. Ukraine keeps failing to pay its gas bills, so Russia periodically turns off the supplies to force Kiev to settle some of its debts.¹⁶

Regardless of Russia's motivations, Moscow has been able to repeatedly interfere with Ukraine's energy supplies, shaping both price and access to energy. Whether leaders in the Kremlin are employing that coercive leverage to pressure Ukraine to retain political distance from the West, or simply to pay its bills, is immaterial. If Russia can deny Ukraine the gas supplies it needs, then Russia has a meaningful coercive tool. And if Russian control of natural gas supplies gives Moscow coercive leverage over Ukraine, shouldn't we worry that other countries' control over critical materials will give them coercive leverage as well? Perhaps the U.S. should not be as sanguine about China's activities in the developing world after all.

It would be a mistake to conclude from the Russia-Ukraine dispute that ownership of energy supplies (or other natural resources) typically gives states significant coercive leverage over consumers. The key to understanding the Russia-Ukraine case lies in the rigid transportation infrastructure associated with natural gas. Whereas most oil is carried by tankers, which can deliver their cargo to any deep port with an oil-offload terminal, most natural gas is carried

by pipelines, which create far less flexible supplier–consumer relationships.¹⁷ For example, if Russia refused to sell *oil* to Western European countries, they could simply buy additional Saudi, Kuwaiti, and Nigerian crude to replace the “missing” Russian barrels. (Presumably the customers who once bought the Saudi, Kuwaiti, and Nigerian supplies would bid on Russia’s available oil.) But this type of easy adaptation will not work with natural gas: there are relatively few liquefied natural gas tankers in the world; most gas is carried by pipeline. If Russia cut off European natural gas, European consumers would have no practical way to replace the gas supplies in the short term.

To express this differently, we have argued in the previous section that in most industries embargoes merely shuffle the supplier–consumer relationships. Customers who can no longer purchase commodities from their pre-embargo supplier simply buy their supplies from someone else. But refusing to sell natural gas to a major customer leaves that customer in the cold—no gas to heat the house, and no other sellers who could quickly replace the lost supplies.

The natural gas industry may become less rigid in the near future as the number of liquefied natural gas (LNG) tankers and ports grows. As of November 2009, there were ninety functioning LNG ports in the world, another twenty-seven are under construction, and sixty-seven are at various planning stages.¹⁸ In fact, just three years ago many analysts predicted that by 2015 roughly 40 percent of all EU gas imports would be carried on LNG tankers,¹⁹ reducing the EU’s reliance on pipelines. However, fluctuation in gas prices has reduced interest in some LNG projects, and long-planned new pipelines connecting Russia directly to the EU seem to be moving forward. Consequently, growth in LNG transport will likely only have a mild effect on the EU’s dependence on Russian gas pipelines.²⁰

More importantly, the growth of seaborne LNG traffic would only somewhat mitigate the rigidities in the gas industry, even if LNG transports increased modestly as a share of total global trade in gas. If a natural gas producer embargoes a customer who buys natural gas carried by LNG tankers, then the spurned customer could in fact seek other seaborne supplies to replace the lost source (just as in the oil example). However, if a producer cuts off a customer who buys natural gas via pipeline, then the existence of a robust LNG fleet won’t create much flexibility: the spurned customer could try to replace the pipeline-carried natural gas with tanker-carried LNG (if the customer had a LNG port), but the consumer who lost that tanker-carried LNG could not turn around and buy the pipeline-carried gas that was being denied in the first place.²¹

Even in the gas industry, in which rigid transportation infrastructure makes coercion plausible, embargo threats have limited effectiveness: too frequent use encourages consumers to invest to diversify their sources of supply. As a result,

Russia made great efforts to argue that its gas restrictions were *not* coercive acts. Spinning the cutoffs as a normal response to a deadbeat customer helped Russia portray the transit countries as the threat to Europe's energy security. Whereas a perception that Russia used its gas exports as a weapon would reduce interest in Europe in developing new pipelines, a perception that disruptions were someone else's fault might even spur interest in the pipeline projects. But, most importantly, whatever short-term leverage natural gas pipelines create, they do not suggest that there is an analogous risk of coercion from oil or other commodities.

In sum, the Europeans may have been shortsighted in developing an energy infrastructure that made them vulnerable to Russian energy coercion. They seem to be reinforcing that vulnerability by developing new natural gas pipelines from Russia rather than shifting away from pipelines in favor of seaborne LNG supplies. But nothing in the Russia-Ukraine experience should cause U.S. security planners to worry about China. The long-term contracts China is signing to develop oil and mineral deposits in the developing world do not put Beijing in a position to coerce the U.S. At most Chinese investments might allow them to shuffle the supplier-consumer relationships in those commodities—but they do not create serious opportunities for coercion.

Implications

America's concerns about Chinese economic activity in the developing world are unwarranted. Chinese investments and long-term purchase agreements will not have a substantial effect on peacetime access to raw materials for the U.S. or the global economy. To the extent that China's investments affect the prices of raw materials, they are likely to reduce them—if China's investments increase global supplies.

Nor is it likely that China's activities will guarantee them access—or deny access to the U.S.—in time of conflict. For the foreseeable future, the United States Navy controls the seas; therefore, if there were a serious political/military dispute between Washington and Beijing, China's ownership of raw materials stockpiles overseas would do little to assure its access to those stocks.

Two other conclusions emerge from this analysis. First, Western Europe may be unwise to depend as much as it does on natural gas piped from Russia. While individual suppliers of most raw materials have little coercive power—because withheld supplies could be rapidly acquired from other sources—the rigid nature of natural gas infrastructure means that suppliers can coerce their customers. Even the growth of the worldwide LNG tanker fleet will not significantly mitigate these risks; if the fleet were used near capacity (as expected), interruptions of pipeline-carried gas could not be easily replaced by seaborne supplies. It is

surprising, therefore, that Europe is developing new natural gas pipelines from Russia—pipelines that will bypass Ukraine (allowing Russia to cut off Ukraine without harming Western Europe). These new pipeline developments suggest that Western Europe sees virtually no risk of future hostility from Russia (and cares little about Ukraine’s vulnerability to coercion), or that Western European governments have internalized the lessons of market flexibility from oil markets but mistakenly applied them to gas markets as well. In either case, the increased reliance on piped natural gas from Russia is a decision they might be wise to reconsider.

Second, this analysis suggests that recent efforts to convince Beijing to significantly expand China’s use of natural gas as a means of reducing their greenhouse emissions are unlikely to succeed. Burning natural gas releases less carbon into the atmosphere per BTU than oil or coal, and some analysts and policymakers have suggested that China would be a logical customer for Australia’s substantial supplies. Given the small size of the global LNG tanker fleet, however, Chinese leaders will likely (and rightly) conclude that reliance on Australian LNG would create unacceptable national security risks for China. If Australia were to cut off China’s supply of LNG, China would not be able to readily shift to another source of imported natural gas, at least for the foreseeable future.

The final overarching point is this: in a world in which most raw materials are transported on ships, the most important factor determining access to supplies in time of conflict is control of the seas. China is therefore right to worry about its energy security—and its access to raw materials—if it found itself in a conflict with the U.S. But if China’s activities in the developing world are intended to mitigate those risks, Chinese leaders are making a mistake.²² Owning oil fields in Venezuela will do little to guarantee access to oil if the U.S. is intent on preventing that oil from reaching Chinese ports. U.S. concerns about China’s efforts to lock up resources in the developing world have it exactly backwards: China is vulnerable; the U.S. is not.

Notes

- 1 Trevor Houser, “The Roots of Chinese Oil Investment Abroad,” *Asia Policy Research Note* no. 5 (January 2008): 141–66; available at <http://nbr.org/publications/element.aspx?id=336>.
- 2 Shawn McCarthy, “China’s Move into Oil Sands Irks the U.S.,” *Toronto Globe and Mail*, September 1, 2009; available at <http://www.theglobeandmail.com/globe-investor/chinas-move-into-oil-sands-irks-the-us/article1272498>.

- 3 See Jeffrey Mankoff, "Long Pipelines Make Bad Neighbors," *Foreign Policy*, January 12, 2010, available at http://www.foreignpolicy.com/articles/2010/01/12/long_pipelines_make_bad_neighbors; and Bruce Crumley, "Russia's Gazprom Diplomacy: Turning Off Europe's Heat," *Time*, January 7, 2009, available at <http://www.time.com/time/world/article/0,8599,1870111,00.html>.
- 4 In recent years, projections of soaring U.S. natural gas imports have been replaced by projections of a glut of domestic gas, because innovations like hydraulic fracturing allow economic recovery from vast reserves of natural gas trapped in shale formations. The expansion of domestic supply, if not derailed by environmental concerns, would further reduce American vulnerability to energy coercion. Meanwhile, energy companies are just beginning to explore shale gas opportunities in Europe, and if they find substantial reserves and if the projects can pass muster with Europe's environmental regulations, which tend to be even stricter than the U.S.'s, then Europe too may avoid energy insecurity due to the rigid natural gas distribution infrastructure. See Keith C. Smith, "Russia-Europe Energy Relations: Implications for U.S. Policy," Center for Strategic and International Studies, Washington, DC, February 2010.
- 5 Simon Shuster, "Energy Wars: Russia's Neighbors Get Even," *Time*, January 25, 2010; available at <http://www.time.com/time/world/article/0,8599,1956501,00.html>.
- 6 U.S.-China Economic and Security Review Commission, *2006 Report to Congress*, (Washington: Government Printing Office, November, 2006): 95–96, 107; *More Than Humanitarianism: A Strategic U.S. Approach toward Africa*, Anthony Lake and Christine Todd Whitman, chairs, Princeton N. Lyman and J. Stephen Morrison, project directors, Council on Foreign Relations Independent Task Force Report no. 56, 2006: 40–41, 53; Phillip L. Swagel and Dan Blumenthal, "Chinese Oil Drill," *The Wall Street Journal*, June 8, 2006, available at <http://www.aei.org/article/24508>.
- 7 See, for example, David Pierson, "China's Push for Oil in Gulf of Mexico Puts U.S. in Awkward Spot," *Los Angeles Times*, October 22, 2009; available at <http://articles.latimes.com/2009/oct/22/business/fi-china-oil22>.
- 8 The March 2006 version of the *National Security Strategy of the United States* points to the danger of the Chinese trying to "lock up" oil supplies (41–42). See also "National Security, China, and the Unocal Deal," *The Washington Times*, July 5, 2005, A18; Steve Lohr, "Who's Afraid of China, Inc.?" *The New York Times*, July 24, 2005, section 3: 1; Steve Lohr, "Unocal Bid Denounced at Hearing," *The New York Times*, July 14, 2005, C1.
- 9 See, for example, Minxin Pei, "China's Big Energy Dilemma," *The Straits Times*, April 13, 2006 (available at <http://www.carnegie.ru/publications/?fa=18315>), and Swagel and Blumenthal, "Chinese Oil Drill" (see note 6). Cato Institute analyst Jerry Taylor also made these points at a July 13, 2005, congressional hearing on the CNOOC deal, but his comments were sadly overshadowed by alarmist testimony from James Woolsey, Richard D'Amato, and Frank Gaffney Jr. See Lohr, "Unocal Bid Denounced at Hearing" (see note 8).
- 10 U.S.-China Economic and Security Review Commission 2006 Report, 97–98.

- 11 Edward Wong and Jonathan Ansfield, "China Insists That Its Steps on Climate Be Voluntary," *The New York Times*, January 29, 2010; available at <http://www.nytimes.com/2010/01/30/world/asia/30china.html>.
- 12 For a short review of these arguments, see the U.S.-China Economic and Security Review Commission 2006 Report, 98–99, 103–04.
- 13 For a summary of these fears, see Andrew E. Kramer, "Russia Gas Pipeline Heightens East Europe's Fears," *The New York Times*, October 12, 2009; available at http://www.nytimes.com/2009/10/13/world/europe/13pipes.html?_r=1.
- 14 See Jonathan Stern, "The Russian-Ukrainian Gas Crisis of January 2006," Oxford Institute for Energy Studies *Working Paper*, January 2006; and Simon Pirani, Jonathan Stern, and Katja Yafimava, "The Russo-Ukrainian Gas Dispute of January 2009: A Comprehensive Assessment," Oxford Institute for Energy Studies *Working Paper*, February 2009. Both papers are available at <http://www.oxfordenergy.org/gasresearch.php>.
- 15 According to Kenneth Yalowitz, former U.S. Ambassador to Georgia and Byelorussia, the dominant view among U.S. diplomats—which he shares—is that Russia is using natural gas to punish Ukraine for its drift toward the West and away from Moscow.
- 16 There is some clear evidence for the second view. Ukraine has a poor record of paying its gas bills and has admitted to skimming (that is, stealing) natural gas heading from Russia to Western Europe. On the commercial sources of the Russia-Ukraine dispute, see Stern, "The Russian-Ukrainian Gas Crisis of January 2006" (see note 14) and Tonjes and Jacques J. de Jong, "Perspectives on Security of Supply in European Natural Gas Markets," Clingendael International Energy Programme, 2007: 13, 16.
- 17 Tonjes and de Jong, "Perspectives on Security of Supply": 12. For up-to-date information on European gas pipeline routes, offload ports, and capacities at ports and border crossings, see "The European Natural Gas Network: Capacities at Cross-border Points on the Primary Market," Gas Infrastructure Europe; available at http://www.gie.eu.com/maps_data/capacity.html.
- 18 Data on LNG tanker ports includes both LNG production terminals (in supplier countries) and LNG regasification terminals, which are offload sites. Data are from Global LNG Limited.
- 19 See Tonjes and de Jong, "Perspectives on Security of Supply": 8 (see note 16).
- 20 As of summer 2009, the LNG tanker ports only comprised 25 percent of the EU's total capacity for importing gas, meaning that pipelines still provided 75 percent of total import capacity. For up-to-date data on the capacity of individual EU LNG terminals and pipelines, see "The European Natural Gas Network," available at http://www.gie.eu.com/maps_data/capacity.html.
- 21 To some extent, this vulnerability is symmetrical: exporters who export primarily through pipelines are potentially vulnerable to coercive actions by importers, because pipelines cannot be rerouted in another direction. Tonjes and de Long (at 11; see

note 16) make oblique reference to this point when they write, “Diversification of demand makes as much sense for Russia as diversification of supply makes for Europe...”

22 If China is seeking to reduce its vulnerability to raw material disruptions by securing overseas supplies, its strategy is strangely similar to Germany’s efforts before World War I to reduce its reliance on British-controlled materials by developing an overseas empire—a strategy that made little sense, given Great Britain’s control of the seas.

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