The United States:
Present Situation and Challenges

MINISTRY OF EXTERNAL RELATIONS

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FOREWORD

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The articles which are featured in this publication condense significant views from different specialists about the current role of the United States of America in the international arena.

The studies presented here were the object of lively debates during a seminar held at the Escola Superior de Guerra (Higher War School), in Rio de Janeiro, in July 2007, in preparation for the 2nd National Conference on Foreign Affairs and International Affairs, under the title " Brazil in the World that lies ahead".

Thus, our aim is to present the public with a number of very timely analyses, which may allow a clearer understanding of how the US participation in the present international context may affect the destiny of our countries.

I.

THE USA AND THE WORLD: PERCEPTIONS

THE USA AND THE WORLD: PERCEPTIONS

Antonio de Aguiar Patriota

Last June, the Center for Strategic and International Studies brought together Henry Kissinger, Zbigniew Brzezinski and Brent Scowcroft, in Washington, for a debate on the US and the world. These three observers and players in foreign policy did not always agree. As regards Iraq, for example, they held different views. Kissinger endorsed the war and talks regularly with President George W. Bush and Secretary of State Condolezza Rice. Brzezinski was the one to first and most severely criticize the invasion. Snowcroft, though having pronounced himself against the war and the White House's neoconservative allies, was associated with the President's family, having acted as National Security Advisor to his father. Thus, it is very significant that, at this meeting in June, their opinions converged as regards the state of the world today: it would be a moment of radical changes in the international system. It is also significant that they expressed the same suggestion as to which path the USA should follow: it should go for engagement. They advocated that if the superpower wishes to exert its leadership, it should engage in dialogue with friends and enemies and, above all, it should listen to what they have to say[1].

> At the beginning of the debate, Kissinger pointed out: "We're at a moment when the international system is in a period of change like we haven't seen for several hundred years. [...] there is tremendous adjustment in traditional concepts. [...] we are used to dealing with

[1] See: David Ignatius, "Wise Advice: Listen and Engage", in *The Washington Post*, 6/24/2007.

> problems that have a solution and that can be solved in a finite period. But we're at the beginning of a long period of adjustment that will – does not have a clearcut terminal point, and in which our wisdom and sophistication and understanding is one of the – has to be one of the key elements. [...]"[2]

In this article I will comment on the period of adjustment foreign affairs are going through and the role played by the USA.

If one accepts the assumption that this would be a moment of important changes, then one should bear in mind that this may be the first in major periods of transition in the history of State systems in which some of the currently so-called "developing countries" have played an important regional and global role. In Westphalia, in Vienna, in Versailles and in Dumbarton Oaks, San Francisco, countries such as Brazil and India were not in a position to influence, least of all to integrate the major decision-making centers. Today, however, as reflected in decisive processes such as the UN reform and multilateral trade negotiations, their participation in the international context has become increasingly intense. This occurs, though, without affecting something that is unavoidable: the USA remains the sole world superpower and will tend to remain so in the foreseeable future.

Few analysts question this. There is a stark contrast between the military resources of the USA and those of other world powers. The USA's military expenditure in 2005 (latest period for which there are figures available about other countries that allow for a reliable comparison) was more than US$ 420 billion, which is equivalent to 43% of the total estimate for all the other countries.[3]

[2] A full transcript of the debate is available through the Center for Strategic and International Studies website.

[3] Source: "U.S. Military Spending vs. the World", from the Center for Arms Control and Non-Proliferation, 2/5/2007.

The difference in relation to China, the second country with the highest expenditure, is also striking—Beiing's military expenditure was estimated at US$ 62.5 billion.[4] In the economic field the situation is analogous. The USA's GDP in 2006 totaled more than US$ 13 trillion. Japan's GDP, which follows next, was less than US$ 4.5 trillion.[5] When it comes to science and technology, the USA's performance is also the most impressive. The five top institutes of technology in the world are American.[6] Of the twenty best, twelve are in the USA, and the remaining eight are scattered among six other actors.[7] As for academic production, suffice it to say that, of the twenty most renowned universities on the planet, only one is not American—the nineteenth, which is the University of Cambridge, in England.[8]

The USA's status as a superpower is, thus, a concrete fact in any effort to systematize this moment of change. At the same time, its military, economic, scientific and technological influence does not ensure it may be capable of determining results at an international level— to confirm this, all one needs is to take a quick look at Iraq and, generally speaking, at the Middle East.

[4] Analysts who state that China's defense budget is not very transparent estimate that this Asian country's actual expenditure with its military apparatus would be significantly superior to figures officially disclosed. A Pentagon report released last May — entitled "Military Power of the People's Republic of China", which is prepared annually and forwarded to the Capitol by force of law— mentions what would be the defense budget for Peking for 2007— US$ 45 billion—and based on information from the Defense Intelligence Agency, it indicates that the actual figures could reach a sum of approximately US$85 to US$125 billion.

[5] Sources: "Report for Selected Countries and Subjects" and "Report for Selected Country Groups and Subjects", from *World Economic Outlook Database*, International Monetary Fund, 04/2007.

[6] Source: "Webometrics Ranking of World Universities", connected to the National Research Council, 01/2007.

[7] The six actors are: The European Union, Germany, France, The United Kingdom, Italy and Taiwan.

[8] Source: "Webometrics Ranking of World Universities", connected to the National Research Council, 01/2007.

It may be argued that we are not looking at an exclusively unipolar order. What characterizes the present context seems to be the juxtaposition of elements of unipolarity, bipolarity and multipolarity. And all of this in an environment where multilateralism has preserved its relevance, with signs that it may even be regaining force.

Regarding the distribution of power within the international system, there are, in relatively clear terms, elements of unipolar dynamics (the US is, after all, the sole superpower), of what might constitute an incipient bipolarity (provided the perception that China is moving towards becoming a world power is confirmed) and even one of a multipolar concert (other actors, traditional or not, are imposing themselves).

As to the perspective of an incipient bipolarity, it is relevant in itself to have John Bolton publicly give credit to the United Nations Secretary General when he noted that Ban Ki-Moon "looks upon the US and China as two of the most important permanent members of the Security Council."[9]

It must be pointed out, though, that it is not a question of bipolarity like that of the Cold War. There is a great interdependence between the US and Chinese economies. The international context is characterized today by the coexistence of economies in which currencies float freely between one another—the dollar and the euro—and of other actors with a strong export base and an exchange rate depreciation – a fixed rate, as in China, or semi-fixed, as in Japan. Under these circumstances, consumer markets, such as the USA's, run into major deficits, which must be constantly financed. These are the circumstances which give rise to an official capital flow in the direction of central markets, notably the US', and to a means of accumulation, by countries

[9] See: Lyric Wallwork Winik, "Can Ban Ki-Moon Save the UN?", in *Parade, The Washington Post,* 6/24/2007.

such as China, of vast monetary reserves or foreign government bonds. It is thus that a significant part of the US account deficit is currently financed by the investment of official Chinese reserves. On the other hand, one finds that, with their economies intimately connected, Washington and Beijing do not aim to establish their own independent spheres of influence, as was the case with the US and the Soviet Union during the Cold War.

The idea that elements of distinct conceptual models may co-exist in the current international context is developed in an article that Samuel Huntington published in 1999, "The Lonely Superpower".[10] Little less than ten years since the article's publication, an update on some of the issues raised seems justifiable, but its central argument still appears to be valid. The author accepts the notion that the world does not , necessarily, fitinto any of the three traditional categories. It would not be unipolar, as in antiquity under Rome, it would not be bipolar, as in the Cold War, nor would it be multipolar, as in the Europe of "the long 19th century", as Eric Hobsbawm dubbed it.[11] According to Huntington, with the dissolution of the Soviet Union, there would no longer be bipolarity – when he wrote "The Lonely Superpower", the rise of China did not point very clearly to the possibility of a new bipolar order. He considers that, once the immediate post-Cold War period were to be over, there would neither be unipolarity, since the sole superpower would no longer be able to impose its interests nor advance any major international issues on its own. Finally, he points out that it would not be relevant to speak of multipolarity since, among the actors in the system, the US stands

[10] Samuel Huntington, "The Lonely Superpower", in *Foreign Affairs,* 3-4/1999.
[11] See: Eric Hobsbawm, *A Era das Revoluções (The Age of Revolutions)*, Rio de Janeiro, Paz e Terra, 1997. In *The Age of Revolutions*, as well as in the other volumes of the quadrilogy it is part of – *The Age of Capital*, *The Age of Empires and The Age of Extremes* –, Hobsbawm works with the notion that, for the purposes of historical analysis, the 19th century would be situated between the 1780's and the First World War.

out as possessing incomparable resources in all spheres of power. The theorist proposes, thus, a new concept. To him, we would be living in a hybrid system, which he labeled as "uni-multipolar": a superpower sharing space with various other powers, which, even if not comparable with it, would nonetheless play a relevant role towards the configuration of the system.

One of the aspects in Huntington's article that would deserve to be updated corresponds, possibly, to what he considers as the list of countries that appear to be the "powers of regional outreach" that surround the US. In fact, some of them, such as China, have grown in specific importance, others, such as Nigeria, face new challenges as regards their stability, and one of them, Russia, has recovered its force as a global power. Even so, or maybe for this very reason, it is worth mentioning the countries which Huntington chose for his list almost a decade ago: the "Franco-German Condominium", in Europe; Russia, in Eurasia; China, and potentially, Japan, in East Asia; India, in Southern Asia; Iran, in Southwest Asia; Brazil, in Latin America; and South Africa and Nigeria, in Africa.

Another scholar whose ideas contributed to a conceptual organization of the mutations in the current context is Arnaud Blin. Upon reading his book entitled *1648, la paix de Westphalie ou la naissance de l'Europe politique moderne*,[12] published in France, in 2006, one is led to consider whether the current context would not be a combination of elements of three other models: imperialist hegemony, a balance of powers and collective security. The second and third elements derive directly from the system created by the Treaty of Westphalia, precisely for containing threats of imperial rule. A distinctive feature of the present moment would reside in the tension among aspects of these three models of geopolitical dynamics.

[12] Arnauld Blin, *1648, la paix de Westphalie ou la naissance de l'Europe politique moderne*, Paris, Éditions Complexe, 2006.

Something that remains to be examined in more detail is how the US conditions this system under transformation and how it is conditioned by it.

The US became the sole superpower of the international system after the end of the Cold War. During the months that immediately followed the fall of the Berlin Wall and the dissolution of the Soviet Union, the world lived a singular moment – the "unipolar moment", as coined by Charles Krauthammer. [13] There prevailed a feeling that we would be moving into an era of consensus. Francis Fukuyama even spoke of the "end of History".[14] He maintained that, once liberal political and economic views had overcome the dialectic tension that opposed them to the communist model, there would no longer be any need to consider alternatives to democracy and a free market economy. The world would already have been through its historic "synthesis": with the defeat of the "Soviet empire", it would undergo a phase of strong convergences in which the leading role would be played by the surviving superpower. As Zbigniew Brzezinski wrote " May 1945 [the surrender of Nazi Germany] had already defined the position of the US as the main democratic power in the world; December 1991 [the dissolution of the Soviet Union] pointed to its emergence as the first truly global world power".[15] This was *pax americana*.

Under the protection of the "unipolar moment", the US' predominance coincided with new opportunities in the international arena. Moscow had to deal with the the debris left by the Soviet Union. Perspectives as regards relations between Washington and the whole of Europe were of ample cooperation. China had not yet revealed itself to be a power of global pretensions and Japan remained a close

[13] See: Charlis Krauthammer, "The unipolar moment", in *Foreign Affairs*, 1990-1991.
[14] Francis Fukuyama, *The End of History and the Last Man*, New York, Free Press, 1992.
[15] Zbighniew Brzezinski, *Second Chance,* New York, Basic Books, 2007, pp. 20-21.

ally. The US spoke of the Americas as having converted themselves into a privileged space of integration. And since the Iraq intervention in 1991, authorized by the United Nation's Security Council, and the object of ample support from Arab countries, there seemed to be the possibility of a stable Middle East on the horizon – the Madrid Conference would represent the counterpart of the bargain, with the US leading the peace process that would result in the Oslo Agreements. The impression was that everyone aspired to meet the same objectives.

The post-Cold War consensus, however, was short-lived. Non-traditional conflicts began to grow in importance on the security agenda, not to the detriment of persistent conflicts among States. The Somalia and ex-Yugoslavia episodes, the Rwanda genocide and the recurrent crises in the post-Oslo Middle East pointed to a scenario of unpredictability. The "war and peace" dichotomy would be substituted by another, further-reaching dichotomy of "violence and peace". The spirit of the times was not that of Fukuyama's "end of history"—it was closer to the uncertainties of the "clash of civilizations" described by Huntington, [16] whether one agrees or not with his thesis. The US still tried to act as if the international system continued to be purely unipolar. In President Bill Clinton's second administration, for example, in an address that became famous, Madeleine Albright, then Secretary of State, said that the US was "an indispensable nation" [17] and declared: "We stand tall and hence see further than other nations."[18] But the fact is that the world proved to be more changeable than had suggested the immediate post-Cold War period. It is there, in the last

[16] Samuel Huntington, "The Clash of Civilizations", in *Foreign Affairs,* 7-8/1993. Huntington wrote this article precisely in relation to Francis Fukuyama's thesis as to the "end of History". In 1996, he transformed the article into a book, under the title *The Clash of Civilizations and the Remaking of World Order*.

[17] See: Samuel Huntington, "The Lonely Superpower", in *Foreign Affairs,* 3-4/1999. The same citation is in: Zbigniew Brzezinski, *Second Chance,* New York, Basic Books, 2007, p. 84.

[18] See: Samuel Huntington, "The Lonely Superpower", in *Foreign Affairs,* 3-4/1999.

decade of the 20th century, that one can identify the origins of the process of accommodation the international system began to go through, and which is still under way.

Once again, there is a reconfiguration in this political context with the terrorist attacks of September 11, 2001, in Washington, New York and Pennsylvania. Terrorism becomes a top concern for the superpower and, in varying degrees, it begins to mobilize the international community as a whole. Subsequent attacks in Madrid, London and Bali reinforce the perception that no country would be totally immune to terrorist acts. The concepts of "diffuse threat" and "non-defined enemies" heighten the feeling of insecurity in the world.

In connection with the September 11 attacks – and after the beginning of the operations in Afghanistan in 2001, which were authorized by the Security Council – the US intervenes militarily in Saddam Hussein's Iraq, in March 2003. The "second Gulf War" has repercussions in the fragile stability of the Middle East. The role of Iran in the new Iraq dossier emerges as a central issue. There is a polarization in Sunni-Shiite relations in that region. According to the interpretation of observers from different tendencies, both in the US and the world, a war that was not authorized by the Security Council – and whose initial justification, the presence of weapons of mass destruction in Iraq, proves to be indefensible – causes the international image of the superpower to be tarnished in a manner that cannot be ignored. Other aspects related to the US' counter-terrorism policy, such as those connected to *Guantánamo Bay prison and its peculiar legal system, reflect negatively on Washington's soft power.*

It is in such a context that the USA experiences, in the first few years of the 21st century, tensions of different characteristics and intensities with other regional and global players. Relations with Europe, which remains an important center of power, are shaken by clashes at variance with a previous history of transatlantic partnership. The "return of Russia" is witnessed, to make use of Emmanuel Todd's

formulation, [19] as well as new conflicts in the relations between Washington and Moscow.

Despite the risks and challenges to the system, there are also opportunities. To begin with, the political instability of the previous ten years or so has not reproduced itself in the economy. On the contrary, the attempts at accommodation we have come to know have co-existed with the longest period of growth of the world's economy in recent history.

At the same time, there is an opportunity for the system's attempts at accommodation to be explored positively. Efforts to extend the representativeness of global-scale decision-making processes have gained momentum. With considerable impetus, the reform of the United Nations and its Security Council is now on the international agenda. Brazil, India, Germany and Japan, allied under the G-4, have acted with consistency as regards this issue, in coordination with Africa and other developed and developing countries. Similarly, Brazil, India, Mexico, South Africa and China have been invited to take part in the outreach initiatives of the G-8. One can note a persistent and perhaps even renewed interest for the multilateral dimension of the state-system on the part of the US. And, as President Luiz Inácio Lula da Silva usually points out, multilateralism is the international expression of democracy.

Unlike what some proclaim, the current framework of collective security has not been completely fractured yet. Multilateral institutions as a whole have not yet been surpassed. It is possible to adjust and use them as a platform for a structure that is more in agreement with the contemporary context and, thus, more effective.

It is true that there are plenty of those who believe it is necessary to start from "scratch". Anne Marie Slaughter, director of the University of Princeton's Woodrow Wilson School, wrote in a

[19] See: Emmanuel Todd, *Après L'Empire*, Paris, Gallimard, 2002, pp. 169-193.

report for her Princeton Project: "The system of international institutions that the United States and its allies built after World War II and steadily expanded over the course of the Cold War is broken."[20] In his essay entitled "After Neoconservativism", Francis Fukuyama, observed: "The world today lacks effective international institutions that can confer legitimacy on collective action; creating new organizations that will better balance the dual requirements of legitimacy and effectiveness will be the primary task for the coming generation."[21]

But there is a different interpretation that might possibly correspond to a more accurate diagnosis of the present context. Michael Hirsh, senior editor of *Newsweek*, suggested, in an article published in the *Washington Monthly*, that it may just be plain wrong to believe in the premise that the "postwar system of international relations—a system that, since 1945, has helped give the world unprecedented peace and prosperity—was no longer an effective tool for dealing with the world of the 21st century, in particular the post-9/11 world." According to Hirsh, the multilateral system with which we count on today would represent a tempered mixture of realism and idealism – exactly what those who advocate a system that would be entirely new are searching for. It would be necessary, of course, to submit it to major reforms, for which US leadership would be indispensable. As Hirsh puts it, the system would have to go through some "serious fixing up", which would depend on the "committed diplomacy" of the international community and especially of the USA. But the foundations for that would already have been laid.[22]

At this stage, the greatest challenge for the superpower is to identify, among the forces in ebullition, bridges of effective engagement

[20] Quoted by: Michael Hirsh, "No Time to Go Wobbly, Barack", in *Washington Monthly*, 6/2007.
[21] *Ibid.*
[22] *Ibid.*

and cooperation. Conscious of the limits imposed on its line of action, the US seems to be in tune with Kissinger's, Brzezinski's and Scowcroft's suggestion and in line with Hirsh's expectations, tending towards greater diplomatic engagement. It appears inclined towards cooperation. It bets on plurilateral diplomacy to lead the process of denuclearization of the Korean peninsula to a successful conclusion. It is willing to deal with the question of Iran in the International Atomic Energy Agency and in the United Nation's Security Council. In an attempt to adjust fast-paced Washingtonian politics to the slow clock of advances in Iraq, it seems to be on the way to implementing the recommendations of the bipartisan Iraq Study Group co-chaired by former Secretary of State James Barker, a Republican, and by former member of Congress, Lee Hamilton, a Democrat. The legitimacy provided by the United Nations system is openly acknowledged by Secretary of State Condoleezza Rice.

This new phase in American politics points to Latin America with the intent of also promoting closer cooperation. The US has incorporated into its discourse the social concerns of Latin American countries and seeks to strengthen relations with its governments and societies. This is clear regarding its relations with Brazil, as has been demonstrated in the two meetings held by Presidents Lula and Bush last March. This is made clear in the relations with Brazil, as was shown in the two meetings held between Presidents Lula and Bush last March, within less than thirty days of each other, first in São Paulo and later in Camp David. Brasília and Washington worked on an agenda of issues that were not strictly bilateral, but also included topics of regional and global outreach, such as the Haiti question, renewable energy, global warming and the WTO's Doha Round.

The indications of renewed engagement in US foreign policy also appear in the public image that the State Department is shaping for the US. In an address made last June, Condoleezza Rice reiterated the guidelines of such an image. Rejecting the idea that the Bush

administration had introduced substantial changes in the international positioning of the US, she highlighted that the country's diplomacy was part of a traditional trend, which was over 100 years old – "American realism". She stressed that the US had always been, and always would be, "not a status quo power, but a revolutionary power – a nation with the eyes of the new world which sees change not as a threat to be feared, but as an opportunity to be seized". She alluded to "transformational diplomacy", an expression that is dear to her. She cited President Theodore Roosevelt as the "spiritual father" of "American realism". To indicate that the traditional foreign policy she referred to reflected a consensus in matters such as international aid, trade and the promotion of democracy, she added that President Harry Truman was guided by the same principles established at the outset of the Cold War, backed by Secretaries of State George Marshall and Dean Acheson. In a similar effort to stress the bipartisan nature attributed to what is supposedly "American realism", Rice also mentioned Presidents John Kennedy and Ronald Reagan among its followers. The State Secretary seems to be referring to the same "blend" of realism and idealism that Michael Hirsh's article acknowledges as having been manifested in decisive moments in the history of multilateralism and of US foreign policy itself.

In this stage of accommodation, many are the challenges. The divide between rich and poor countries persists; the fight against hunger does not progress as it should; despite some measure o progress (the appearance of the G-20 in the WTO can be cited as an example), the "democracy deficit" on the international plane is still considerable. Similarly, global warming remains poorly addressed and the Doha Round's opportunities run the risk of being missed thanks to the agricultural protectionism of the developing world.

Yet, it is refreshing to see the superpower moving towards diplomatic and cooperative solutions. It is encouraging to see its renewed engagement, which could prove to be fundamental to restore

and perfect the multilateral institutions we have at our disposal. We need to consolidate the legitimacy forums, as they will provide the answers we seek in the construction of a world of greater prosperity and democracy, of peace with social justice. In the debate I refer to at the beginning of this article, Brent Scowcroft commented in a similar spirit: "I think that we [the USA] are a part of the world, that we want to cooperate with the world. We are not the dominant power in the world that everyone falls in behind us. But we want to reach out and cooperate. After all, we're the ones that set up the League of Nations, the U.N., NATO. That's the way we do business. That's the way we want to do business. We want to work with friends, with allies, with people of good will to make this a better world. That's the message."[23]

Washington, D.C., July 2007.

[23] A full transcript of the debate is available through the Center for Strategic and International Studies website.

II.

THE GEORGE W. BUSH ERA (2001-2007): THE USA AND THE INTERNATIONAL SYSTEM

THE GEORGE W. BUSH ERA (2001-2007): THE USA AND THE INTERNATIONAL SYSTEM[1]

Cristina Soreanu Pecequilo[2]

During the presidential election in the year 2000, few people within the United States or outside the country were banking on a radical change in American politics. There was a certain calm acceptance that the Democratic agenda would be continued as a result of the easy victory of the candidate in prime position, Al Gore, Bill Clinton's Vice President, who was facing the inexperienced Republican George W. Bush, son of ex-President George Bush. In spite of electoral defeats in the mid-term elections of 1994,[3] 1996 and 1998, when they

[1] This text was originally presented at the seminar entitled "Estados Unidos: atualidades e desafios" ("The United States: the present situation and challenges") organized by the Alexandre de Gusmão Foundation (FUNAG) and the Instituto de Pesquisa de Relações Internacionais (Institute for Research into International Relations - IPRI) and in the context of preparing for the "II Conferência Nacional de Política Externa e Política Internacional- o Brasil e o mundo que vem aí" ("2nd National Conference on Foreign Policy and International Policy - Brazil and the world that lies ahead") held in Rio de Janeiro in July, 2007. This article was completed on 1st July, 2007. The topics covered here are dealt with in greater detail in PECEQUILO, 2005.

[2] Dr Pecequilo obtained her PhD in Political Science at the University of São Paulo (USP). She lectures in International Relations at the State University of São Paulo (UNESP), is a Research Associate at the Strategy and International Relations nucleus of the Federal University of Rio Grande do Sul (NERINT/UFRGS), she also works with the International Relations Network of the University of Brasília (RELNET/UnB).

[3] The electoral calendar allows for part of the Legislature to be re-elected every two years and presidential elections to take place every four years. In 1992, 1996 and 2000, both types of contest took place while in 1994, 1998, 2000 and 2006, elections only involved the Legislature, alternating with elections for state governors. This timetable shows the need for almost permanent campaigning, which has an effect on domestic daily dealings and on positions concerning the international system (especially in trade negotiations that affect the support and finance bases of the parties). Elections are dominated by the Republican and Democratic parties, with little opportunity for independent candidates. The electorate is divided into registered electors, either Democrats or Republicans, or unattached independents (the 'swing voters' who tend to move to the centre and change their position with each election).

lost control of the Legislature and in spite of the impeachment process that Clinton had suffered, the Republicans were not seen as meaningful opponents. Indeed, the President's popularity remained high because of economic success and external reform, and the country seemed to be going in the right direction.

Nevertheless, this feeling was not a unanimous one and what happened was exactly the opposite. Underestimated by their opponents and favored by tactical errors such as keeping Clinton away from Gore's campaign, lack of mobilization at grassroots level and the distance between the party's agenda and that of uncommitted voters in the center, George W. Bush not only entered the White House, but did so with an agenda completely different to that of the Democrats. Founded on neo-conservative thinking, this agenda called for changes to recover power that had been lost on the international front and the moral principles of the nation symbolized by Distinctly American Internationalism and Compassionate Conservatism.

Far from there being continuity, discontinuity appeared, along with a divided America: while Bush won in the Electoral College, Gore won more of the popular vote.[4] In the Legislature, the situation was repeated in the Senate where each party won half of the seats (in the House, the Republicans held on to their majority). However, in spite of not having achieved a 'complete' victory and in spite of accusations of electoral fraud that led to the election being decided by the Federal Supreme Court, as soon as he took office, President George W. Bush began to implement his agenda.

Soon afterwards, a single event led the country to realize how vulnerable it was and to give almost unconditional support to the new President: the terrorist attacks on New York and Washington, D. C. on 11th September, 2001. From that date onwards the war on global terror began, validating the Republican world view.

[4] For the developments in this election see Pecequilo, 2005.

The result was: two military conflicts, in Afghanistan and Iraq, the Bush Doctrine, a reelection, a fragmented society, and a world and a hegemony on a collision course. Nearing its end, the Bush Era is seen to be more controversial than when it began, making it necessary to examine its development, component parts and effects.

RISE, FALL AND REACTION: THE NEOCONSERVATIVE CYCLES (1980-2000)

The inauguration of George W. Bush in 2001 meant the restart of the neoconservative period that had begun in Washington during the presidency of Ronald Reagan (1981-1988).[5] During his two administrations, Reagan's priority was military and moral build-up, overcoming the tension, crises and hegemonic retreat of the 1970s (the period of the Vietnam War and oil shocks) and making his aim victory over the Soviet Union, the Empire of Evil, in the Cold War.

Turning back to the classic themes of containing, pressurizing and combating the Soviets and Communism, the Republican offensive was based on the superiority of democratic rule and the flexibility of its leadership and power. The military build-up invested in the increase of conventional and nuclear Armed Forces and in developing a system of protection against external attacks, the Strategic Defense Initiative (SDI). The promise of the SDI, or 'Star Wars' was to make America invulnerable, making national security a priority to the detriment of treaties such as the ABM (Anti-Ballistic Missile Treaty) signed in Moscow in 1972. According to this treaty,

[5] The origins of neoconservative thinking date from the 1950s and 1960s: Irving Kristol, Norman Podhoretz, Daniel Moinyhan and Daniel Bell are some of the figures associated with it. The Reagan period is the second wave, many elements of which continued into the third phase under George W. Bush in the post-Cold War era because of the priorities and characters involved (Dick Cheney, Donald Rumsfeld and Paul Wolfowitz are linking elements). For details of this development, see Harper and Clarke, 2004 and Frachon and Vernet, 2006.

both superpowers committed themselves not to develop defense systems that would prevent attacks by their enemy.

More activity was foreseen in peripheral areas, fertile grounds for communist expansion. In this area, the priority was to encourage the transition of non-democratic nations, freeing them from the Soviet sphere by means of military aid, direct intervention, sponsorship of insurgent groups (freedom fighters) and political and economic pressure. In the Western Bloc, the offensive was directed to promoting greater unity with allies, at the same time as limiting their economic areas of activity, while domestically the aim was to restart growth. This restart was nourished by neoliberal policies of reducing state intervention and social welfare, encouraging private enterprise, cutting taxes and giving rein to individual effort and competition. Paradoxically, this 'law of the jungle' element would be accompanied by a reassessment of values, advocating a return to the family and religion in the face of liberal excesses.

This attitude was successful and was responsible, along with the internal ruptures in the Soviet regime, for bringing about victory in the Cold War in 1989. These initiatives had been internally validated with Reagan making his successor, George Bush, Vice President in his two administrations. The 1980s ended with a demonstration of the efficiency of neoconservative points of view. At this point of unipolarity, in charge of the White House once more, the movement seemed to have achieved its peak. However, what was happening was withdrawal. In contrast to Reagan, Bush's attitude was moderate and, together with his advisers, he did not believe that the post-1989 era was to be one of hegemonic expansion but rather one of adjusting to the patterns of post-1945 Multilateral Internationalism.

These patterns had established the USA's 'special type of leadership': a hegemony that exercised strategic self-restraint, channeling its influence by means of multilateralism, cooperation and a network of International Government Organizations (IGOs). Ideologically,

the defense of the values of political and economic liberalism constituted this view without losing sight of the military element. It was a case of a hegemony that mixed 'hard' and 'soft' components of power, the military, ideas and institutions. The aim was to bring trustworthiness and legitimacy to the country, which would be seen as a partner and 'keeper of the balance' regionally and globally ('honest broker', 'holder of the balance' and 'offshore balancer' are other terms associated with this practice and profile).

In addition, this updated view derived from the perception of a reduction in economic power. The spite of having had a certain success, 'Reaganomics' had increased the twin deficits (commercial and public) with its combination of tax cuts and increased military spending, the loss of markets and the drop in industrial competitiveness, under pressure from advances in Asia and Eastern Europe. The effort of four decades of war had brought social burdens and external commitments that created a situation of imperial over-extension. The tendency of economic powers to divide and of the USA to lose influence supported the view of decline and of multipolarity. Even the most optimistic recognized there was a crisis. Despite what the neocons were thinking, the USA was not facing a unipolar world in which it only had to act to strengthen its power, based on the dividends of victory, but a more complex setting.

The contrast between assessments concerning the post-Cold War world could be seen between moderates (both Republican and Democrat) and the neocons: decline vs. success, dialog vs. force, doves vs. hawks, multipolarity vs. unipolarity, contraction vs. expansion, reform vs. revolution. Differences concerning the operation Desert Storm in 1990/91, presented by Bush as the symbol of a new order, the end of history (linked to the unconditional spread of capitalism and democracy predicted by Fukuyama) illustrate these differences: while Bush opted for multilateral intervention through the UN against the Iraq led by Saddam Hussein that had invaded Kuwait and did not

depose him in spite of the military victory for fear of creating a power vacuum and the need to maintain troops in the area, the neocons wanted to unseat Saddam Hussein and take direct action.

Priorities for the neocons were the expansion of power, increased room for maneuver (without the restraints of permanent alliances and treaties, in unilateral and even isolationist actions),[6] regime change in hostile societies, limiting the influence of regional powers and strategic re-positioning in Eurasia (occupying the areas left by the old Soviet regime and obtaining resources to decrease vulnerability in energy supplies). In the absence of the Soviet enemy, all other states were obstacles, principally Japan, China, Russia and the civilization shock between the West and the rest.[7] These elements are present in the 1992 Defense Planning Guidance (DPG), an internal Pentagon document suppressed by Bush after it was leaked to the press.

Together with this opposition, the neocons suffered a more decisive blow when Bush lost the 1992 election. With the coming to power of Bill Clinton, re-elected in 1996, this line of thinking was forced to reorganize itself. In social terms, the neocons drew even closer to their religious bases at the same time as they were brushing up their radicalism and traditionalism in order not to lose touch with the center (something the Democrats, with their more liberal stand, were not able to do). At the same time, they increased their presence in think tanks, universities and the media, in industry and interest groups associated with the industrial-military complex and the energy sector: Francis Fukuyama, Robert Kagan, William Kristol, Charles Krauthammer, Dick Cheney and Condolleeza Rice are some of the relevant figures here.

[6] There are two forms of isolationism: a radical one that calls for complete disengagement and this one, which is linked to Unilateral Internationalism.

[7] This hypothesis has been suggested by Samuel Huntington and sees Islamic fundamentalists as potential enemies of the USA and the whole of the Western world.

Elected with a mandate for change, especially on the home front, Clinton continued Bush's reforms, which in their turn had not imposed any great new strategy as a substitute for containment. In spite of certain advances such as the Initiative for the Americas (IA) and NAFTA (the North American Free Trade Agreement) and the changes in Eastern Europe and Russia, Bush did not make any qualitatively change in foreign policy. Even with the problems of his government (corruption, illicit enrichment, Monica Lewinsky) Clinton's political balance was in credit, encouraging economic renovation and the leadership of 'Indispensable America' by means of Engagement and Expansion (1993).

By bringing together geopolitics and geoeconomics, E & E adjusted the hegemony to the realities of the post-Cold War world the expansion of globalization, the increased influence of regional powers and the relative decline of American power. At home, the aim was to revive the economy and society by means of social programs, giving incentives to education and industry, and modernizing the apparatus of government to make it more efficient and eliminate the deficit. This proposal had an international aspect in that it sought new markets, the strengthening of multilateralism and regional integration. The Uruguay Round of GATT (General Agreement on Trade and Tariffs) was finalized and the negotiations of the WTO (World Trade Organization) began, as well as regional arrangements such as APEC (Asia-Pacific Economic Cooperation) and the FTAA (Free Trade Area of the Americas) involving intervention in the financial crises of Mexico, Russia, Asia and Brazil.

On the international stage, the tactic was to strengthen the nucleus of democracies (Western Europe and Japan) and powers in transition (Russia and China), while extending this pattern to include nations not belonging to this peaceful nucleus,

defined as Rogue and Failed States.[8] The Rogue States are politically organized, led by authoritarian figures who do not comply with the norms of the international community and try to project their power by means of aggressive actions: Iraq, North Korea, Iran, Syria and Cuba. The Failed States are nations that are disorganized, ethnically and socially fragmented and act as safe havens for radical fundamentalists: Afghanistan, Haiti and the Sudan.

Because of the risks posed by these states, political and diplomatic pressures must be applied to isolate them and prevent their capacity for destabilization from nourishing negative tendencies such as the spread of weapons of mass destruction (WMDs), international crime, terror and mafias. Depending on the situation, incentives may be used, including initiatives aimed at diplomatic thawing of relations and drawing closer to other states. Specific examples of these policies may be found in the relations of the USA with North Korea and Iran. Between 1994 and 1995, North Korea 'exchanged' its nuclear program for fuel and food, which resulted in it becoming closer to South Korea (the Sunshine Policy) and in the case of Iran secret contacts were reinitiated.

Nor should we ignore interventions that are a response to aggression or humanitarian tragedies such as the bombing of targets in Africa after attacks on American targets and the Kosovo War, both in 1999. However, military force is an option of last resort, as the emphasis is on reforming the defense sector in order to make it smaller and more efficient.

[8] The July/August, 2007 edition of the review *Foreign Policy* published a list of failed states which are defined as the greatest risk to security in the current system. Saddam, Iraq and Somalia took the first three places as being the most dangerous in the ranking; Afghanistan is in eighth place, North Korea in 13th and Iran in 57th (of a total of 60 states). Haiti (11th), Colombia (33rd), Bolivia (59th) and Guatemala (60th) are cited as the failed states in Latin America. Most of the countries mentioned are in Africa, Central Asia and the Middle East. Data available at http://www.foreignpolicy.com/story/ cms.php?story_id=3865. We may note that some states such as Iran and North Korea are defined here both as failed and rogue states.

Initiatives in the area of social and humanitarian aid, the environment and human rights are also found here, and reinforce the idea of cooperation.

Multilateralism, by means of the UN, NATO and bilateral alliances, is a vital instrument to channel US influence and reduce its expenditure by dividing tasks between the relevant regional partners. It involves preparing the army for shared leadership in a system that leans towards multipolarity, while still holding on to power. In the same way, it is a tactic for 'engaging to contain', drawing into systems nations which might be able to destabilize them: Russia in the G-7, China in the WTO are examples of this action, as well as NATO's expansion into Eastern Europe.

In spite of the successes of E & E and the renewal of hegemony, as has been seen, the succession to Clinton was not the expected one, which allowed the neoconservatives to regain power. And, as in the time of Reagan, the neoconservatives went on the offensive, revolutionizing the hegemony abroad and at home.

THE BUSH REVOLUTION (2001-2007)

If we analyze the Bush agenda, its content harks back to the presidency of Reagan and the DPG (Defense Planning Guidance). As soon as he took office, alongside his allies, Dick Cheney as Vice President, Donald Rumsfeld in the Department of Defense (with Paul Wolfowitz as his second-in-command), Condolleeza Rice in the National Security Council and advisers like Richard Perle and Lewis Libby, Bush began to put his ideas into practice (Colin Powell, at the State Department, provided a moderating counterpoint).

In the first months of the government, low levels of popularity showed that the people were mistrustful as a result of the electoral trauma of 2000 and dissatisfied with the new measures (rejection of the Kyoto Treaty and the International Criminal Court,

the construction of the anti-missile defense system - the new SDI and tensions with China, Europe and Russia). For many, the Bush presidency had finished before it began, with plans being drawn up for the 2004 election. However, this situation changed dramatically with 9/11.

The loss of invulnerability and normality justified the warnings of the neocons that Bush and Clinton had been weak, which allowed their enemies to progress and make their attack. The administration built up a strong social and national consensus, thus concentrating strategic and ideological political initiative. Using fear as a component of this consensus, the revolution began. Once again, America was at war for democracy and a long, multidimensional and dangerous battle against terrorism was forecast, the new 'other' that was more volatile, with a less well-defined identity and without communism's systematic nature.

The first steps were relatively easy: a hardening of domestic policies and restricting civil and social liberties with the Patriot Act, which enlarged the government's powers to investigate citizens by means of invasive methods,[9] the creation of the Department of Homeland Security and greater investment in the CIA and FBI. Overseas, engaged in a 'just war' against those who wanted to destroy it, the USA, with the support of the UN and the international community, launched Operation Enduring Freedom in Afghanistan, a military conflict against a failed state that had sponsored Osama bin Laden's Al Qaeda, identified as being responsible for the 9/11 attacks.

This impression of an easy victory was encouraged by the unanimous silence and rapid military success in the case of Afghanistan.

[9] Including wiretaps and clandestine observation, taking prisoners into custody and 'hard' interrogation methods, which involved the revision of the concept of torture and the creation of the category 'enemy combatants' to refer to those accused of terrorism and not treating them as soldiers according to the definitions of the Geneva Convention.

Shielded by these trends, the neocons were sufficiently encouraged to launch the concept of the Axis of Evil in January, 2002 (members of this group were the Rogue States Iraq, Iran, North Korea, Syria and Cuba), preparing the ground for the Bush Doctrine (National Security Strategy - NSS) in September of the same year.

The Bush Doctrine represents the peak of neocon thinking, consolidating the strategic revolution as an extra element of Multilateral Internationalism and not being merely a result of terrorism. In spite of the attacks on American targets the in the 1990s,[10] this subject was not seen as being relevant by the Bush team, which shared the traditional political view of Reagan and of the DPG focused on Eurasia and on policies concerning the great powers. With 9/11, this 'minor' question had become a vital element.

This operationalization explains the differences in the activities undertaken against this enemy. In spite of being announced as something new, the War Against Terror is fought along classical lines: attacking states, forgetting their social, cultural, political and economic multidimensionality, and their asymmetrical nature (among different actors, states and transnational forces and states with different levels of resources). It should also be remembered that 9/11 was not only a product of the Bush era but was related to a long-standing historical process of hegemonic contest aggravated by exclusion from globalization and neoliberalism, and the absence of structural reforms in inter-state relations.

Departing from the principle that 'the only road to peace is the road of action', the new NSS went beyond the principle of containment (defensive defense), and established that the USA should take preemptive action (offensive defense). Having identified risks to

[10] The World Trade Centre had been previously attacked in 1993, without serious damage, followed by US targets in the Middle East and Africa from 1997 to 1999. In addition, in 1995, the US was shocked by an episode of domestic terrorism perpetrated by white Christian fundamentalists in Oklahoma.

its security, the country reserved the right to act before risk could turn into threat. The main danger took the form of joint action on the part of Rogue and Failed States, the proliferation of WMDs and Islamic fundamentalist terrorism, which could remove the bases for regime change.[11]

In spite of the existence of a democratic nucleus of nations and of multilateralism, there were still risks on the periphery and in the transitional state of powers such as China, Russia and India. Priority was given to Eurasia, which was seen as a focal point of these peripheral states (in spite of the crises in Africa and Latin America). Cooperation was possible but not necessary. Interdependence, 'soft power' issues such as the economy and business, aid, human rights and the environment took second place. Treaties and regimes had to be submitted to the criteria of security, and the nuclear doctrine that established the possibility of using this decisive element was revised.

The Iraq War was the first (and perhaps the last) application of this doctrine. Iraq had been an enemy of the neocons since the end of the Cold War and represented an opportunity to overcome the crisis of military power resulting from the Vietnam War and the lack of nerve on the part of Bush Sr. The neocons made this war an essential action to renew confidence and to work as a bridgehead for its Eurasian priorities of territorial advancement, control of energy sources and the spread of democracy.

It is important to emphasize that the anti-terror rhetoric serves to justify activities in other continents, such as Latin America, Africa and Europe. The construction of the anti-missile shield in spite of the objections of Russia, China and European allies, the

[11] There are various names for this policy: pragmatic Wilsonianism, idealistic realism and democratic globalism. The logic behind them is the same: the promotion of democracy has to be carried out by the superior American model as a means of preserving this regime and expanding its power to protect the security and liberty of the country and the world.

strengthening of bonds with NATO, interventions in Failed States and setting up military bases, are all part of this process. In Latin America, the USA is fighting narcoterrorism in Colombia and illegal immigration, it is giving high priority to the Triple Frontier between Brazil, Argentina and Paraguay, is going forward with establishing a base in Paraguay and has placed Venezuela (in spite of bilateral oil trade between the two countries) on the list of Rogue States.[12] In other words, Eurasia is the priority but that does not rule out the existence of parallel moves for hegemonic expansion.

Returning to the question of Iraq, even without international support, Bush began the military operation in March, 2003. Bypassing the UN Security Council and counting on support from smaller nations and Blair's Great Britain, Bush reinforced the unilateral image by opposing France, Russia and Germany (the 'Axis of Peace'). The public at home supported the war with few protests by reason of fear and the justification that Iraq possessed WMDs and had collaborated with Al-Qaeda on 9/11, accusations that were found to be baseless.

Subsequently, these 'mistakes' decreased his popularity, as did the torture and human rights scandals of Abu Ghraib and Guantánamo and of favorable treatment given to companies such as Halliburton, linked to Cheney (exaggerating estimates of gains in rebuilding and oil exploration in Iraq). The presidency began to lose the protection that 9/11 had given it and the prolonging of the War in Iraq (failure of political transition and the intensification of civil war), and the resurgence of the Taliban in Afghanistan, both situations which remain unresolved, signaled difficulties for reelection in 2004.

Even so, protected by the fear of new attacks and in the absence of Democratic strength and ideas, Bush was re-elected with a

[12] NAFTA and the FTAA have declined in importance, having been substituted by bilateral agreements with smaller countries, exactly like the ideas of cooperation in the 'Century of the Americas', a Bush campaign slogan that promised renovation in the hemisphere.

majority in the Legislature (which had already happened in the half-term elections of 2002) and among state governments. The neocons kept their control of the political apparatus, maintaining their foreign policy options and being free to name judges for the Supreme Court and increasing their legislative and judicial influence. However, like Bush's other victories, this one came with a weak majority that could be reversed if changes of direction were not undertaken.

These corrections were not made and Bush merely reinforced his power base while the economy slowed down and casualties in Iraq increased. Powell, the dissenting voice within the administration, was replaced by Rice in the State Department, leaving her job in the National Security Council to Stephen Hadley, her former deputy. In the area of controversy, and going against Democrats and moderate Republicans, Rumsfeld was kept in place and Alberto Gonzalez who, along with Rumsfeld was linked to accusations of torture, was promoted to Justice Secretary.

A similar situation was repeated in foreign policy in spite of the attacks on allies in Madrid and London (which cost the Spanish and British leadership a significant amount of political capital), in spite of failures in Iraq and increased nuclear tension with Iran and North Korea, violence between Israelis and Palestinians, increased anti-Americanism and the fragmentation of Afghanistan. There was no profound reformulation of strategic principles, only tactical adjustments that tended to minimize the effect of these crises, based on a discourse of reconciliation.

These adjustments were represented by the tour that Rice made through Eastern Europe, the Middle East and Latin America in early 2005, in which she emphasized the relevance of regional partnerships to achieve global stability and of an assertive multilateralism. This multilateralism focused on administrative reform of International Government Organizations: the appointment of John Bolton to the UN and of Wolfowitz to the World Bank

indicated this 'disposition', as well as (unsuccessful) attempts to convince the UN and other nations to go into Iraq and reduce the desertions of allies in this operation. The phrase Transformational Diplomacy was introduced as an affirmative action administered by the State Department and USAID (United States Agency for International Development), to promote peace, democracy and growth. Underlying this phrase is the idea of regime change by means of direct actions and preventative tactics that had remained in the Quadrennial Defense Review Report and the review of the NSS, both in 2006.

Among the exceptions to the rule, the USA signed an important nuclear agreement with India, continues to hold multilateral negotiations with North Korea alongside China, Russia, South Korea and Japan (similar to those of the Clinton administration) and has tried to come closer to Brazil in the area of alternative fuel sources (ethanol). However, the list of problems is even longer: Iran, Iraq, Afghanistan, Israel-Palestine, Latin America, Russia, Eastern Europe, China....

Instability remained and in the 2006 mid-term elections, the Democrats regained control of Legislature. In contrast to the Bush revolutions, this Democratic victory was also claimed to be revolutionary. This hypothesis is questionable in the sense that the Democrats achieved these gains more because of Republican failures than by their own merits. In the same way, the defeat may be attributed to the distancing of Bush by the neocons: the more centrally-oriented (among them Fukuyama) as well as the more radical (religious groups) both felt that the President had abandoned them.

In spite of the talk about two-party consensus, no basis exists for it, and this is reflected in the polarization of the Executive and the Legislature on sensitive topics such as Iraq. While the Democrats and some Republicans wished to create a timetable for the withdrawal of

troops and for 'Iraqization',[13] despite recommendations from two-party committees (Baker-Hamilton) to review the mission and become reconciled to the Moslem world, Bush increased the number of troops and asked for more money. There is an obvious difficulty in changing the direction of the Executive that preserves the preventative dimension of foreign policy, as in the case of Cheney, who regularly defends the idea of intervening in Iran and Syria. Within this setting of little change, and effecting no change to the agenda, the departures of Rumsfeld, Bolton and Wolfowitz occurred.[14]

This absence of discussion has led only to paralysis and to an acceleration in the 2008 race for the presidency. Within this context there are few elements that show which 'revolution' this election will justify: the Democratic one of 2006 or the neocon one of 2001 or, in the worst case, the inertia and pro/anti-Bush Manichaeism of recent times will simply continue.

THE AMERICA OF BUSH (AND POST-BUSH)

If we seek to put in order the thoughts presented here, we may see the effects and dilemmas created by the Bush presidency. To deal with this setting, and to maintain a bilateral relationship with this nation, since the interaction of its domestic and international problems affects its credibility, agenda and efficiency, we have to identify short- and medium-term trends among current challenges to the USA:

[13] This process represents transfer of defense responsibilities from American to Iraqi soldiers and the subsequent withdrawal of the US Army. The logic is similar to that of Vietnamization in the 1970s and is justified by guaranteeing the recovery of Iraq's national sovereignty and an honorable exit for US forces.

[14] The departure of Wolfowitz was caused by his personal problems as Head of the World Bank. The dismissals of Rumsfeld and Bolton were an attempt to placate critics. Wolfowitz was replaced by Robert Zoellick, Rumsfeld by Robert Gates and Bolton by Zalmay Khalilzad. Libby, one of the most significant names in the administration was recently found guilty of illegal acts and Gonzalez remains under permanent scrutiny.

I. THE DOMESTIC DIMENSION

A) A two-party structure, Polarization and Loss of Party Identity - in its two administrations, the Bush presidency was characterized by extremes, widening the distance between political, social, ideological and religious groups. Neither Republicans nor Democrats seem to have been able to create alternatives. For the Democrats, the situation is more serious. While part of the party defends maintaining the secular line and attending to the needs of minorities, some have made concessions, avoiding controversial debates and drawing closer to the right.[15]

In the case of the Republicans, there is no clear tendency, simply an agglomeration of criticisms of Bush. There also exist fears of losing touch with the religious grassroots, along with a wish to move more to the center.[16] The Secular State vs. Religious State debate plays a central part;

B) Socio-cultural and Population Changes - the influence and presence of minority groups is increasing, changing the balance of power. Anglo-Saxon Protestant dominance is decreasing as is that of traditional movements such as those of black people, while Hispanic influence is increasing. One of the most important debates is that concerning the situation of illegal immigrants and new immigration laws. Poverty, inequality of income, industry and sectors with low levels of competitiveness affect the national map and the country's position in negotiations (like the point made below);

[15] Hillary Clinton is one of the most obvious examples of these contradictions: from being a radical Liberal and independent at the side of Bill Clinton after his impeachment and 9/11, she moved to the center and a more moderate position. Barack Obama, for his part, is too liberal for some people.

[16] Among the Republican pre-candidates, John McCain is seen as very conservative and pro-Bush, while Rudy Giuliani would be good for security but very liberal on social topics. Moving away from the favorites, we find the ex-senator and actor Fred Dalton Thompson, who is seen as a mixture of McCain and Giuliani, and the Mayor of New York, Michael Bloomberg, who is standing as an Independent.

C) Economic Decline - the US is continuing to lose ground to European and Asian competitors and has a growing public and trade deficit.

II. OVERSEAS CONSIDERATIONS

A) Hegemonic Deconstruction - dismantling influence networks and the exercise of hegemony, which distances the country from its partners and lays more emphasis on its tasks. Loss of credibility and legitimacy are direct effects of this, as well as an increased power vacuum and international instability;

B) Preemptive and Unilateral Doctrines - loss of liberty, associated with preventive doctrine, created a similar response in other countries that have also come to guarantee the means for their self-defense. Examples of this are new arms races, the spread of WMDs and the intensification of regional crises. The relative abandonment of non-Eurasian regions and political-economic pressures have reduced aggressive, xenophobic and anti-American discourses;

C) Testing Anti-hegemonic Coalitions and Variable Geometry Alliances - states are looking for alternative ways to protect themselves and collect benefits. This tendency is reinforced by the transition to multipolarity and the difficulty the USA has in recognizing and absorbing regional partners from the developed and developing world.[17] Even during the Bush-Clinton reform, this element did not have much importance. Negatively, these tests and alliances may challenge the hegemony while positively leading to a reform of the structures in the present context. In some strategic circles, the rise of emerging countries

[17] 'Soft balancing' is the term that American writers apply to this dynamic of power-balances and political-economic and diplomatic arrangements. For its part, the military option is defined as 'hard balancing'.

is seen as a priority and there is talk of the need for approaching them again. Analysts such as Brzezinski (2007) show the growing relevance of Brazil, South Africa, India and Mexico, as well as their interactions in G3 and G20, in addition to the Russia-China alliance.

D) Reform and/or Weakening of International Government Organizations - the absence of reform, equal treatment and reciprocity, interference in domestic politics (the actions of interest groups in creating agendas), bilateralization and unilateral attitudes lead to loss of relevance and consistency on the part of the IGOs. The difficulties experienced in reforming the UN Security Council and in the WTO's Doha Round[18] are the result of these failures in keeping up-to-date, in legitimacy and in terms of representation.

Complex and multi-dimensional, these tendencies make up the Bush Era's legacy, which began with epic proportions accentuated by the events of 9/11 but which tried to build the present (and future) based on a vision of the past. A recent past, but one which had lost touch with the realities of a system undergoing change, which was leaning towards multipolarity and which is renewing itself. Out of step with the setting it had created, and with its values and models, America is fragmenting and shaking inside, which reduces its ability to lead and keep itself in the front rank of its time. If, as Duroselle states, all empires perish and do so from within, the USA is today facing one of its greatest challenges: that of national unity and

[18] To make the situation worse, Congress took away from the Executive the special mandate to negotiate trade treaties, the fast track, also known as the Trade Promotion Authority. However, it should be remembered that even when Bush held this mandate in recent years, it had no practical effect in unblocking negotiations at the WTO or the FTAA. The results obtained by the USA were basically in the area of bilateral agreements, especially treaties that did not require significant concessions on the part of the United States and merely reinforced pre-existing situations of interdependence, as in the case of exchanges with Central America.

international projection while the world is progressing at a different pace, with alternating dynamics of regression and progression.

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III.

THE U.S., THE UNITED NATIONS AND HAITI: LESSONS FOR LATIN AMERICA

THE U.S., THE UNITED NATIONS AND HAITI: LESSONS FOR LATIN AMERICA

Johanna Mendelson-Forman, PHD*

INTRODUCTION

In the 21st century the UN is searching for a new role and a new voice. Or is it? This is the question that vexes policymakers in the U.S. who, like other leaders, are seeking a way to address the basic issues of peace and security through the lens of new threats that were not even imagined when the UN was created in 1945. The collective security mechanisms that were created to respect sovereignty, but also to prevent the scourge of war, are now being used again to prevent genocides, to slow the effect of climate change, and to reduce the threat of HIV/AIDs as a killer of huge swaths of the population of Africa and other vulnerable regions. Transnational threats are equally important in this globalized age.

Reform of an institution whose reputation has been badly wounded is always difficult. For the UN, whose recent history has been wracked by scandal over the Oil-For Food Program, and by sexual harassment among peacekeepers, the problem is compounded by its difficulties in being able to respond rapidly to international crises such as Darfur. These topics have been at the center of a larger debate in Washington about the U.S relationship to the international organization.[1] U.S. lawmakers demand greater accountability for the investment of taxpayer dollars in international institutions. But in

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[1] Johanna Mendelson Forman, "*Can Reform Save the United Nations? Opportunities for Creating an Effective Multilateral Body for the Twenty-First Century,*" American Foreign Policy Interests, 27:349-363, 2005.

spite of calls for the UN's demise, it remains an institution that serves the U.S. interest. The UN is vital to our diplomacy; it works to advance international health and its role in peacekeeping has helped to reduce tensions around the globe. And as the war in Iraq, a war supported not by the UN but by a coalition of the willing, continues on without a clear end in sight the work of the UN appears to be a more effective way to work collectively in the search for peace and security in other parts of the Middle East.

During the last seven years the U.S.–UN relationship has come under attack by members of the executive branch and also by our Congress. The policies of U.S. exceptionalism, doing things by ourselves rather than with friends and allies, has proven to be a less effective means of resolving international crises. And it is precisely the failure of this policy that has led the U.S. back to the UN, in spite of its imperfections.[2]

There still remains a strong constituency among the foreign policy elite, who still see participation in international institutions as a core value of our national interests. It is this group that has helped to drive a discussion about UN reform and U.S. interests forward. It is also this group that continues to see the work of the UN in peacekeeping as central to U.S. global interests. The decision by Congress to repay arrears that have again accrued represents a significant turnaround in attitudes about the multilateral organization. It also can be interpreted as a sign that policymakers are rethinking the U.S.-UN relationship after four years of war in Iraq.[3] As U.S. Senator Joseph Biden, Chairman of the U.S. Senate Foreign Relations Committee, put it, "The United States needs the United Nations and the United Nations needs the United States."[4]

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[2] I have included in an appendix to this paper some useful information about public attitudes about the UN and how they reflect the impact of the crisis of UN reform in the last few years. (See Appendix A)

[3] Appendix B at the end of this paper includes the views of the major U.S. Presidential candidates on the United Nations.

[4] "U.S. Senator Pledges to Press for full U.S. Funding of UN Budget," *International The News,* June 18, 2007, www.thenews.com.pk/print.asp?id=22875

The paper will specifically address U.S. policy toward participation in UN peacekeeping. It will first discuss the evolution of U.S. government thinking since the end of the Cold War. Then it will look at the specific case of U.S. involvement in peace operations in Haiti, in 1994 when the U.S. received authorization by the Security Council to lead a multinational force into Haiti to remove the military leaders who had overthrown a democratic government. It will then examine the most recent UN intervention in Haiti, MINUSTAH. I will analyze the significance of this mission not only to U.S. policy toward UN peacekeeping, but also to Latin American security. This study suggests that Latin American participation in MINUSTAH has served as a positive experience for those troop-contributing nations. It has provided an important framework for sub-regional multilateral discussions and also has strengthened democratic civil-military relations. Brazilian leadership has been central to these developments, and this paper suggests that the MINUSTAH experience may provide sufficient space for greater leadership by Latin Americans to develop their own security framework to complement the long-term dominance of the U.S. in the region.

U.S. PARTICIPATION IN PEACE OPERATIONS
THE CLINTON YEARS

In the early 1990s at the end of the Cold War the success of UN peace operations in Central America, Angola, and Afghanistan gave the impression that the UN could play an important role in security in regions once dominated by East-West confrontation.[5] This

[5] For an excellent article from a Brazilian perspective see Cristina Soreanu Pecequilo, "From Bush to Bush (1989-2006): U.S. Foreign Policy," in *Brazilian Perspectives on the United States: Advancing U.S.Studies in Brazil*, Paulo Sotero and Daniel Budny, editors, Woodrow Wilson International Center for Scholars and Brazilian Embassy of Washington, January 2007, pp. 59-75.

sentiment was shared by many members of the world community, and the U.S. became one of the advocates on the Security Council for using UN peacekeeping as a "magic bullet" for managing regional conflicts. This was reflected in the increased approval by the Security Council of more UN missions into environments that were risky, dangerous, and would inevitably result in causalities.

The U.S. participated in many of these missions, but both military and civilian leaders began to question actual participation as U.S. military causalities increased and members of Congress began attacking peacekeeping as a surrender of sovereignty to a foreign force. Congress and the military also were concerned about the ever-increasing costs of such operations to the U.S. taxpayer.

After the election of Bill Clinton in 1993 his UN Ambassador, Madeleine Albright, espoused a policy of "assertive multilateralism." Congressional detractors used the concept to criticize the Clinton administration for abdicating U.S. foreign policy to the Secretary-General, Boutros Boutros Ghali. This was especially evident after the permissive entry of a U.S. led UN peacekeeping mission to Haiti on September 19, 1994. Even though the mission of the U.S. ended by November, with the UN assuming full control of the international forces, the mission was criticized by many on Capitol Hill as subordinating our own interests to a multilateral organization.[6] This anti-UN sentiment, always present among the conservative minority, grew among members of Congress as the U.S. became more engaged in the problems of post-Cold War nation-building and post-conflict reconstruction.

By 1994, when the Democrats lost control of the U.S Congress, the battle over appropriate U.S.-UN relations intensified.

[6] The multinational force consisted of over 20,000 U.S. troops in conjunction with approximately 5000 non-U.S. forces from 24 nations. This became known as "Operation Uphold Democracy. For a full history of the operation see "Joint After Action Report (JAAR), Operation Uphold Democracy, U.S. Atlantic Command Joint After Action Report, USACOM Director of Joint Training, June 29, 1995.

Conservative Senators like Jesse Helms (R-North Carolina) and his ideological peers used this change in leadership to revisit the relationship with the UN. Often it became the new whipping boy for those who saw our multilateral engagement as a threat to be reckoned with rather than a force for good. Continued attacks on the UN also served to undermine the Clinton foreign policy agenda, which recognized the importance of working with allies in a diverse set of international problems that required the use of the UN. This was especially true in the cases of Rwanda and Bosnia. A Congressional backlash resulted in a standoff that left the UN peacekeeping operations with many enemies in the one body of our government that held the purse strings. And the UN, as always dependent on leadership from the U.S., was faced with a financial crisis in its desire to address conflicts, while also seeking guidance from its most powerful member, the U.S.

While the UN funding crisis did not begin with the Clinton administration, it came to head when the conflict in the Balkans (Bosnia) and a botched effort in Somalia fueled the anti-UN sentiment on Capitol Hill to prevent full funding for peacekeeping or the U.S. share of the regular budget in 1993. It was precisely that shortfall of funding that continued to serve as an irritant between the UN and the U.S. And the problem still remains a cause of discontent 14 years later.[7]

By the end of the Clinton administration the U.S. faced a real crisis of legitimacy at the UN. With Congress holding back dues and funding for peacekeeping, a solution was required to end the stalemate. U.S. Ambassador to the UN, Richard Holbrooke, finally brokered a deal with the then chairman of the Senate Foreign Relations Committee to end the hold on UN funding. With much fanfare the

[7] William J. Durch, *"Keeping the Peace: Politics and Lessons of the 1990s,"* in UN Peacekeeping, American Policy, and the Uncivil Wars of the 1990s." Washington, D.C., The Stimson Center, St. Martin's Press, pp.13-15. This article and edited volume contain an important overview of the problems of peacekeeping and U.S. foreign policy interests.

U.S. treasury paid the UN back (though not entirely), but only after philanthropist Ted Turner actually offered to pay the billion dollars himself, to end the deadlock.[8] Ironically, almost a decade after this act of generosity the U.S. finds itself in a similar situation of arrears in its obligations to peacekeeping. This is being resolved as of this writing. But the recurrence of this situation underscores the love-hate relationship that the U.S. Congress has with the UN. And it reflects a deeper problem about the U.S. role in the world as the only remaining super power.

THE BUSH YEARS

What has changed from the early 1990s to the present has been the evolution of the role of American military power. Being the biggest and having a military that could fight a conventional war in two theaters, did not prepare U.S. forces for the types of conflicts, civil wars, and humanitarian missions that have become the mainstay of U.S. military activities, especially as a result of the intervention in Iraq. Moreover, the U.S. military was less inclined to send its own military personnel to highly conflictive areas, especially after U.S. participation in Somalia resulted in the death of American serviceman. Congress even attempted to bar U.S. forces from participating in UN missions in 1994. This proposal was never enacted into law.[9]

Between the Clinton years and those of the Bush presidency the U.S. military's involvement in nation-building activities has grown. In spite of President Bush's rejection of this notion during the 2000 presidential campaign, it was precisely these types of missions that

[8] Ted Turner actually gave away a third of his fortune but discovered he could not directly fund the UN. He founded the UN Foundation instead, with the General Assembly creating the UN Fund for International Partnerships, to manage the contribution and to help support UN needs.

[9] Senator Robert Dole (R-Kansas) threatened to bar any U.S. forces from working in Bosnia with the UN Mission, though this effort was unsuccessful.

increasingly preoccupied our military. Since security remained a core function of any post-conflict environment, it was clear that the U.S. military would need to reorganize its operations to conform to this growth industry of the 21st century.[10] The question, however, for the Bush administration, was whether we could engage in these nation-building/security operations alone, or whether we would do so with allies and through the United Nations.

The rise of U.S. exceptionalism in its foreign policy agenda was most evident in the way we pursued our military operations in Iraq. Shaping this view was a new focus on counter-terrorism which led to a foreign policy that no longer could wait for the dilatory process of assembling forces under a UN operation, but rather a U.S. policy that saw preemptive battle as the key to confronting international enemies.[11] In the case of Afghanistan in 2003, where the U.S. worked with NATO alliance forces, and later on in Iraq, the UN was relegated to a minor player in these active fronts in Iraq.

So what place does a UN peacekeeping operation have in the Bush foreign policy agenda? After 9/11 the 2002 Bush National Security Strategy identified weak and failing states as a threat to U.S. security.[12] Emerging from this declaration was a call for a particular kind of nation-building strategy that engaged the U.S. military, a wide range of other U.S. government agencies, such as the State Department

[10] In November 2005 the Department of Defense issued is new guidelines on stability operations. Directive 3000.05, *Military Support for Stability, Security, Transtion, and Reconstruction (SSTR) Operations,* marked the codification of Department of Defense policies in post-conflict reconstruction. Similar guidance was issue in December 2005 for civilian agencies as *National Security Presidential Directive/ NSPD-44,* whose purpose was to promote the security of the U.S. through improved coordination, planning .. . . from conflict or civil strife. These documents had taken years to produce, and reflected the collective thinking about how the U.S. would implement nation-building operations.

[11] The White House, *National Security Strategy of the United States of America,* September, 2000, p. 1.

[12] General Accounting Office, *Peacekeeping: Cost Comparison of Actual UN and Hypothetical U.S. operations in Haiti,* Washington, DC GAO 06-331. February 2006.

and the Agency for International Development, the multilateral lending institutions, the World Bank, regional development banks, and the UN to respond to various types of state failure. This strategy also made clear that preemptive action was going to be a guiding premise for the use of force in the war on terror. If acting unilaterally to prevent terrorists from reaching U.S. soil was needed, then so be it.

In practice what this meant was that only U.S. forces or coalitions of the willing would be called upon to protect our homeland. The UN would be used in places where U.S. national interest was important but was less compelling. This has been especially true in Africa. In the case of Lebanon, UN peacekeepers were the only option given the current U.S. policies toward the Middle East Peace process. In any event, in all these cases we would not be inclined to use U.S. boots on the ground in a UN operation.

Today U.S. policy supports the use of international forces in UN missions, with the U.S. providing resources and technical support. We have even funded a program to improve regional capacities through the Global Peace Operation Initiative or GPOI which began in June 2004, which is designed to assist governments in Africa and other regions to substantially increase worldwide capability in peace stabilization. This program has now been expanded to Central America with training taking place in Guatemala for regional forces who will participate in UN peacekeeping activities. The goal is to train and equip 75,000 troops over the next 15 years.

The movement away from using U.S. forces in UN peace operations has evolved slowly, but a recent report prepared at the request of Congress by the General Accounting Office, a research and oversight body of the legislative branch, used the case of Haiti to set forth some guidance about why it was more effective to use international military personnel in UN operations.[13] Three reasons for using the UN over U.S. forces included cost effectiveness, safety,

[13] General Accounting Office, *Peacekeeping,* p.5.

(a code word for keeping U.S. soldiers out of harm's way), and leverage factors, meaning that the use of international forces was more persuasive for international donors to help in their support than if the U.S. were actually leading the UN operation.[14]

While cost was not the sole factor determining whether the U.S. or the UN would lead a peacekeeping mission, the actual mission costs using international forces represented a great savings for the U.S. Using U.S. forces would cost twice as much as using those of the UN, where the UN forces for MINUSTAH were budgeted at $428 million over the first 14 months versus $876 million had the U.S. operated alone. (Note that of the $428 million, the U.S. still contributed $116.7 million, or 27.1 percent of our peacekeeping contribution.)[15]

THE U.S. AND UN PEACE OPERATIONS IN HAITI

U.S. intervention in Haiti in 1994 was significant not only because of its international dimensions at the end of the Cold War, but also because of the four previous U.S. interventions in the Caribbean since 1965, it was the first that was done under a Security Council mandate.[16] It reflected the "assertive multilateralism" that former Secretary of State Madeleine Albright had called for at the beginning of the Clinton years.

The restoration of President Jean Bertrand Aristide to his duly elected position as President of Haiti in October 1994 was done with the UN and U.S. forces standing side-by-side. Cooperation among the U.S. and other international actors represented a new age of nation-building that included a focus on security, and a commitment to

[14] General Accounting Office, *Peacekeeping,* p. 2

[15] James Dobbins, et. al., *America's Role in Nation-Building: From Germany to Iraq.* Rand Corporation, Washington, D.C. 2003, p. 84.

[16] Jean-Paul Azam, Paul Collier, and Anke Hoeffler, "International Policies on Civil Conflict: An Economic Perspective." December 14, 2001, mimeo, p. 2, http://users.ox.ac.uk/~ball0144/research.htm

governance that was focused on the creation of a new judiciary and other institutions that could move Haiti forward. But Haiti came in the wake of a failed UN mission in Somalia. U.S. forces were not willing to dedicate the time or resources to Haiti. The military mission was construed very narrowly so that mission creep would be avoided. By November 1994 U.S. forces exited Haiti leaving the policing to the UN. Today we know that no successful peace operation has ever been accomplished in less than five years. We also know that only half of post-conflict situations actually stabilize in that same period of time. Thus, the return of the UN in 2004 was to be expected.[17]

Haiti is also notable because it was the first time that larger numbers of international police were sent in. These men and women were armed and were used to support the peacekeepers in their mission and provide for interim security after the intervention. The Haitian military, the FADH, was demobilized, and the army abolished by a decree issued by President Aristide in early 1995. By the end of 1996 a new Haitian National Police was operational, although only 5000 police were trained to protect a country of 8 million people.

When the international community first became involved in Haiti in 1994, it focused first and foremost on rebuilding the police. In contrast, there were no immediate plans to rebuild the judicial or penal sector after the intervention. The primary donor for security sector reform was the United States, and their tendency to favor reconstruction of the police force over the judicial and penal sectors was evident in the amount of aid allocated to each sector. From 1994-2001, the U.S. donated $70 million in aid to police reform, while only $27 million was allocated to both the judiciary and the penal system.[18]

[17] James Dobbins, et. al., *America's Role in Nation-building,* p.76.
[18] Atlas Regional de Defensa de America Latina, RESDAL, 2007, www.resdal.org. See special section on Haiti by Johanna Mendelson-Forman.

Since the forced resignation of President Jean Bertrand Aristide in February 2004 Haiti has seen the deployment of the tenth international peace operation in a decade. (Six missions, two multinational forces, and two regional missions).[19] From initial UN involvement in 1990 to facilitate a democratic election[20], to the present, where the UN and the OAS have been engaged as intergovernmental organizations charged to restore order, security, and economic development, Haiti remains a political challenge, and still verges on being categorized as a failed state.

In spite of Haiti being a test case for post-Cold War peace operations, these UN-mandated interventions have done little to provide long-term improvements in the daily lives of the average Haitian, even though the costs to date have totaled $1.8 billion since 1993. Eighty percent of Haitians live in abject poverty; the literacy rate is only 53 percent. Combining measures of income, life expectancy, school enrollment and literacy, Haiti ranks 177 out of 192 countries on the UN Development Program's Human Development Report.[21] Haiti is also 98 percent deforested so that agriculture is precarious and many parts of the country can easily be destroyed by natural disasters such as floods and hurricanes.

Reports of the initial UN experiences in Haiti have provided many lessons for the international community in subsequent peace operations. For example, the UN learned about standing up a police force and using civilian police in UN operations. Some believe that the 1994 intervention in Haiti represents the first case of humanitarian intervention, a precursor to the concept of "responsibility to protect,"

[19] General Assembly Resolution 45/2, October 10, 1990, asks the Secretary-General to provide the broadest possible electoral support to Haiti. It created ONUVEH to meet this mandate. The OAS is also asked to participate in this effort.
[20] United Nations Development Program, *UNDP Human Development Report*, Oxford University Press, 2005.
[21] Kofi Annan, *"Helping Hand: Why We Had to Go into Haiti."* in the **Wall Street Journal,** March 15, 2004, A12.

even though restoration of a deposed elected leader was the basis for Security Council action.

In 2007 Haiti is still a long way from a situation where security is guaranteed, or where political stability is a given. What is apparent, however, is that the Haitian political class sees this intervention as being different. They say that if this effort to stabilize Haiti fails then there may not be another chance at saving the country. In a nation where there has been no history of democratic control, long-term gains will be much harder to achieve unless there is a commitment from the international community to make Haiti a long-term project.

At the same time, the ongoing instability in Haiti resulting from a country whose governance structures no longer function has left in its wake a failed state that conveys with it not only insecurity, but also transnational threats. The presence of a failed state in the Western Hemisphere, sharing the same physical space on the island of Hispaniola with the Dominican Republic, (a country whose average growth rate continues to top seven percent), also raises questions about the roles and responsibilities of the Dominican Republic and the Caribbean community to work toward a solution to Haiti's troubles. This is truly an American dilemma that will require action by the U.S. and other leaders in the hemisphere if there is to be progress in the years to come.

THE U.S., THE UN, AND MINUSTAH

Former UN Secretary-General Kofi Annan, in March 2004, asked the central question about cases such as Haiti: "Should we have learned by now that outsiders cannot solve Haiti's problems? . . . For a time in the early 20th century it was a U.S. protectorate. Should it not now be left alone to sort itself out? The proposition is attractive only in the abstract. Haiti is clearly unable to sort itself out, and the

effect of leaving it alone would be continued or worsening chaos. Our globalized world cannot afford a political vacuum, whether in the mountains of Afghanistan or on the very doorstep of the remaining superpower."[22]

These powerful words sum up the dilemma of peacekeeping in situations like Haiti for U.S. policy, but also for other parts of the globe that are affected by deep-rooted poverty, weak institutions of governance, and a set of development problems that cannot be solved without long-term commitment to financial and technical support. It goes to the core of how the U.S. will manage cases like Haiti that require not only security for the long haul, but also intensive investment in institutional capacity building, and support to the private sector to promote trade and investment. The U.S. government still remains unable to muster an adequate civilian response to the needs of societies like Haiti. The UN is by far more capable of making long-term commitments through its various development and humanitarian agencies which understand the culture, have international staff and also the mandate to work in development over the course of the next decade.

One of the most distinctive aspects of this current UN intervention in Haiti has been the absence of the U.S. from MINUSTAH after the successful removal of President Aristide in February 2004. Once the UN Peacekeeping office was able to mobilize sufficient international forces to take over the Haiti mission the U.S. military left and turned military operations over to the Brazilians. It demonstrated that for the U.S. the UN was a tool of U.S. foreign policy to be used when needed, but ignored or circumvented when core American values were threatened elsewhere.

Another feature of this ongoing UN mission in Haiti has been the leadership of regional powers, and especially Brazil. Timing

[22] RESDAL, **Reuniones Ministeriales,** http://www.resdal.org/haiti/haiti-crisis-reuniones-up.html.

of events in Haiti clearly had an effect on the level of U.S. government interest. Aristide's departure and the consolidation of the MINUSTAH forces occurred at the same time as the U.S.-led Coalition Provisional Authority ending in Iraq. The U.S. did not have the military capacity or the patience to deal with Haiti. When Brazil stepped up to a leadership role the U.S. gladly accepted the offer.

LATIN AMERICAN PARTICIPATION IN PEACE OPERATIONS

Latin American states have participated in UN peace operations almost from the beginning of these activities in the 1950s. Today with 18 peace operations currently supported by the UN Department of Peacekeeping, Latin American nations participate in 14 of them. Troops come from 15 countries in the hemisphere, which include police, military observers, and troops. There are a total of 6468 Latin Americans in the field. MINUSTAH, the UN mission in Haiti, has 43 nations contributing 8836 personnel. Half of them come from 12 Latin American countries. Brazil leads the mission, with Argentina and Uruguay contributing the largest number of troops.

What distinguishes this intervention in Haiti by the UN from the one in 1994 is really a change in the way peace operations integrate security and development in what is now known as an integrated mission. This approach has helped reinforce the importance of long-term commitment to any given conflict zone. It is also significant that in 2004 to the present it has been the nations of Latin America who have stepped up to the plate to make sure that Haiti does not fail. This is an important shift in the way the governments of Latin America view the UN role in peacekeeping, and more specifically, the way peacekeeping has emerged as an important mission for the region's armed forces.

Another aspect of Latin American participation in Haiti is the international cooperation that has evolved since this UN

intervention. Starting in May 2005 with a meeting in Buenos Aires the Vice Ministers of Foreign Affairs and Defense of Argentina, Brazil, Chile and Uruguay met to discuss ways to strengthen the regional contribution to MINUSTAH. This process, known as the 2 X 4 process, expanded in August 2005 to a 2 X 7 group, adding Ecuador, Guatemala and Peru to the group. This group reaffirmed their commitment to a democratic Haiti and to continued support of MINUSTAH. Finally, meeting in Lima this February the group expanded to 9 countries, 2 X 9, adding Bolivia and Paraguay to the mix, all troop contributors.[23] The absence of the United States from these consultations is significant, suggesting a new age of regional security bringing in the new regional leaders in what can only be called the new civil-military relations of this century.

Another important outcome of the Latin American participation in MINUSTAH is that it truly integrates many facets of national security organization in a democratic framework. The decision to send troops to UN missions supports civilian control of defense policy. It also encourages defense efficiency through the requirement that budgets for troops participating in UN missions must be debated by Defense Committees in national assemblies in each nation. The impact of the Haiti Mission has gone far beyond the ranks of the armed forces. Based on press reports from Chile, Brazil and Bolivia, it has stimulated important and open discussion among civilian leaders about the role of the military in Latin America and the costs associated with peacekeeping.

The concept of UN integrated missions has also had a benefit in home countries. Military doctrines are being rewritten to include not only traditional military roles, but also to embrace other

[23] Major Antonio Pala, USAF, "The Increased Role of Latin American Armed Forces in UN Peacekeeping: Opportunities and Challenges," *Airpower*, Special Edition, 1995. http://www.airpower.maxwell.af.mil/airchronciles/apj/papj95/spe_ed95-files/pala.htm.

peacebuilding tasks, including election monitoring, local governance, and development assistance through the quick impact projects that the UN forces have been called upon to perform in Haiti, but also in other UN missions.

A 1995 study on Latin American contributions to peace operations, based on interviews done with Chilean and Argentine soldiers, revealed an important impact on the individuals who had served in foreign missions. These soldiers learned new skills through participation in international missions. They also gained a broader world view by experiencing different cultures and challenges of other nations far away from home. And participation in these international peacekeeping forces engaged Latin American soldiers in a more modern form of civil-military relations working through a UN chain of command in the field.[24]

Twelve years later the growing acceptance by Latin American governments to allow their militaries to participate in UN peace operations has also yielded additional benefits on the home front. These missions have translated into better soldiers at home. A new prestige for that nation also accrues to those countries that contribute troops to peace operations. Membership confers privileges, and that includes an opportunity to serve on the new Peacebuilding Commission which was created out of the 2005 UN Reforms.

Peace operations also have financial benefits for soldiers and troop contributing countries. UN reimbursements to host countries are significant and can help offset national defense expenditures. It can be a lucrative business. The UN missions provide yet another outlet for giving national armies a role to play that supports peace and security, and also provides on the job training for the military. Finally, when Latin American troops interact with those of other

[24] See Thomas C. Bruneau, "Civil-Military Relations in Latin America: The Hedgehog and the Fox, Revisited," in *Revista Fuerzas Armadas y Sociedad,* 19:1-2, 2005, pp. 111-131.

nations it also gives them a first hand understanding of the types of reforms needed and how they could affect better civil-military relations at home.[25]

CONCLUSIONS

It is becoming even more apparent that the U.S.'s six year disengagement from Latin America (save for Venezuela, Cuba, counter-terrorism, and the drug war) has created a new space for the emerging democracies of the region to take their role as regional superpowers to heart. The peace operation in Haiti represents a greater shift in the nature of international interest in the Caribbean. Once considered America's lake, the Caribbean is no longer dominated solely by U.S. interests. Increased foreign assistance to the Caribbean by Venezuela and the growing interest in alternative energy has brought new actors in the region.

As the U.S. continues to fight a global war on terror, the process of peacebuilding has been franchised to the UN and Brazil in particular. While this may appear like the logical type of delegation on its face, given the U.S. troop commitment in Iraq and Afghanistan, it also represents the growing role in hemispheric security for Brazil and other large Latin American nations, such as Argentina and Chile, to assume a wider role in hemispheric security. This expanding role of sub-regional state actors engaging in regional security has served as a direct countervailing force to the U.S. power and influence in the hemisphere.

While the U.S. will always have a role in hemispheric security the recent experience of working with Latin American states through a Coalition of the Willing also demonstrates that our allies would

[25] Johanna Mendelson-Forman, *"Toward Energy Independence"* Miami Herald, December 27, 2005. http://www.miami.com/mld/miamiherald/news/opinion/13491175.htm?template+cont.

much rather work under the color of international law as defined in the UN Charter than through some ad hoc bilateral agreement to contribute troops. Of the 49 coalition countries in Iraq in 2003, seven were Latin American countries: Colombia, Costa Rica, Dominican Republic, El Salvador, Honduras, Nicaragua and Panama. Today there is only one remaining Latin American state in Iraq, El Salvador. Most of the other states dropped out in 2004 when Spain withdrew its troops, and others in Latin American followed. In comparison, in 2004, when there was a Security Council Resolution calling for a UN Peace Operation in Haiti, Brazil immediately took the lead, and other nations quickly followed.

One of the unintended consequences of U.S. exceptionalism has been the space it has provided for greater Latin American participation in peace operations. These UN missions have actually helped the region in its search for a new security framework. That framework has been multilateralism, and working under the legal mandate of a UN Security Council Resolution has provided the legitimacy needed for civilian leaders to deploy armies to UN operations.

The Bush administration's only legacy in Latin America may be the biofuels agreement that the U.S. and Brazil concluded at the end of March 2007. This accord opened the door for a new partnership among the two largest global producers of ethanol. It could convert the hemisphere from a region dependent on imported fossil fuels to a model for sustainable eco-friendly fuels in a matter of decades. In addition, the accord also starts by targeting the Caribbean, and particularly Haiti and the Dominican Republic, as places where Brazilian know-how on renewable energy could transform those energy deficient states into stable energy exporting nations. Brazilian technical assistance to Haiti for energy self-sufficiency could go a long way to help alleviate the poverty, unemployment, and hopelessness that currently overwhelms that

country.[26] Brazil is also in a position to take a lead on climate change for the hemisphere, and possibly with the U.S. as a potential partner.

Brazil has played and will continue to play a major role in the evolution of peacekeeping in the years to come. The U.S. should embrace this effort and support Brazilians in their leadership role in Haiti. Not only has Brazil's expansion of its work in peacekeeping demonstrated an acceptance of its leadership role in the global community, but it has also put Brazil in an excellent position to serve as an important interlocutor for the U.S. in any future administration to help rebuild our legitimacy in the region. No matter who wins the next presidential election in the U.S. in 2008 the U.S. will have a great need to work with others across the region to help restore public confidence in the United States if it is once again to be a leader of democracy and freedom for the 21st century.

APPENDIX A: PUBLIC OPINION ABOUT THE UNITED NATIONS

The Gallup Poll, in a recent survey done for Parade Magazine, noted that by more than 2 to 1 Americans believe that the UN is doing a poor job – the organization's highest negative relating since the Gallup Poll began in 1953. But even so, Americans are unwilling to give up on the UN. Some 75 percent surveyed still believe it should play a "major" or "leading" role in world affairs, based on this same poll.[27] These results are corroborated by another data set developed by the Pew Trust, who has measured global attitudes on institutions and countries.

About half of Americans polled in 2007 (48 percent) have a positive view of the world body, down seven points from March, 2004, and 39 percent had a negative impression.[28] In comparison, five of

[26] Lyric Wallwork Winik, "Can Ban-Ki-moon save the UN?" in **Parade**, 24 June 2007 p.6.
[27] Pew Survey of Global Attitudes, 2007, p. 70.
[28] Pew Survey of Global Attitudes 2007, p. 70.

seven Latin American countries surveyed had a favorable impression of the U.N., ranging from 43 percent in Bolivia (33 percent unfavorable) to 58 percent favorable in Peru. An equal number of Brazilians express favorable (45 percent) and unfavorable (44 percent0 opinions, and in Argentina, opinions are decidedly negative: 41 percent have an unfavorable review of the U.N. while 24 percent were supportive.[29]

World opinion about the U.N. varies widely from region to region, though sub-Saharan Africa holds the most favorable views of the international organization (88 percent in Kenya and 85 percent in Ghana). Like other nations surveyed in 2007 among advanced industrial democracies, the U.N. continues to lose favor with the international community.

APPENDIX B –PRESIDENTIAL CANDIDATE POSITIONS ON THE UNITED NATIONS

DEMOCRATIC CANDIDATES[30]

Joseph R. Biden (D-DE)

Sen. Biden has called the United Nations "an essential forum for the advancement of U.S. foreign policy and national security interests." At a speech on the sixtieth anniversary of the United Nations in 2005, Biden praised reform efforts, including the establishment of the Human Rights Council to replace the Human Rights

[29] The Candidates on the United Nations, Council on Foreign Relations. Accessible at: http://www.cfr.org/publication/13404/candidates_on_the_united_nations.html?breadcrumb=%2Fcampaign2008%2Fissues

[30] The Candidates on the United Nations, Council on Foreign Relations. Accessible at: http://www.cfr.org/publication/13404/candidates_on_the_united_nations.html?breadcrumb=%2Fcampaign2008%2Fissues

Commission, a change that would "more effectively advance the rights and freedoms that continue to be denied to far too many." He also praised the creation of the Peacebuilding Commission, aimed at bolstering fragile states.

Hillary Clinton(D-NY)

Sen. Clinton has generally praised the United Nations, and said in 2002 that "whenever possible we should work through it and strengthen it, for it enables the world to share the risks and burdens of global security and when it acts, it confers a legitimacy that increases the likelihood of long-term success." But, she said, the United Nations "often lacks the cohesion to enforce its own mandates." In the period before the Iraq war began, Clinton urged the Bush administration to allow the United Nations to complete weapons inspections before invading. Clinton has criticized Bush's decision to invade before that point, saying that UN inspectors were "the last line of defense against the possibility that our intelligence was false." In that February 2005 speech at the Munich Conference on Security Policy, Clinton also expressed support for

	then-Secretary General Kofi Annan's reform efforts.
Christopher J. Dodd(D-CT)	Sen. Dodd supports UN reform. He has said that the United Nations "seems at times to be crumbling under the weight of its own imperfections. Since the end of the Cold War, it has become increasingly polarized and less effective." However, he says, the UN charter itself does not need to be changed. "The authors of the UN Charter were on the right track when they wrote that document," he says.
John Edwards	On the 2004 Presidential National Political Awareness Test, Edwards wrote, "I support reforms that would allow the UN to be better prepared to support—and where appropriate, lead—peacekeeping efforts. While the U.S. should support and cooperate with UN peacekeeping, U.S. soldiers should always be under American command." At a 2005 speech in New Delhi, Edwards said institutions like the United Nations must adapt to remain relevant. "We must all work together to reform the United Nations, and that includes finding a place for India on the Security Council." At the time, he also said: "I would put the Iraqi Civilian Authority

under the control of the United Nations today." UN representatives, however, have expressed no interest in such a role since the bombing of the UN's Iraq headquarters killed chief UN envoy to Iraq Sergio Vieira de Mello in 2003.

Mike Gravel

In a 2003 speech, Gravel said, "unfortunately, the UN does not have the power to implement its charter; and its structure is grossly undemocratic. The UN cannot be reformed within itself or by exterior forces dependent on the sovereignty of nation-states."

Dennis Kucinich(D-OH)

In his 12-point plan to end the war in Iraq, Rep. Kucinich says the UN's role is "indispensable" as it is "the only international organization with the ability to mobilize and the legitimacy to authorize troops." Kucinich voted against the UN Reform Act of 2005, which stipulated the creation of an Independent Oversight Board to assess UN operations and pegged U.S. dues to the UN meeting certain reform benchmarks. He also proposed an amendment to the act that was meant to strengthen the International Labor Organization (ILO). That amendment

failed.

Barack Obama(D-IL)

Sen. Obama has repeatedly said that the United Nations should play a key role in managing crises like Darfur. As a member of the Senate Foreign Relations Committee, Obama voted against the Bolton nomination. His comments during those hearings provide a sense of his stance on the United Nations, including the need for reform: "Countries such as Zimbabwe and Burma, and others that do not want to see reform take place at the UN, are going to be able to dismiss our efforts at reform by saying: Mr. Bolton is a UN basher, someone who is ideologically opposed to the existence of the UN—thereby using Mr. Bolton's own words and lack of credibility as a shield to prevent the very reforms that need to take place."

Bill Richardson

The former ambassador to the United Nations (1997-98) has adopted a pro-UN stance in his campaign. He said February 2007 that "the United States should build international support for its policies. It should do it at the UN," and called upon Congress to increase the yearly UN peacekeeping budget (*New York Sun*). On his campaign website, Richardson emphasizes the

important of multilateral institutions. He says the UN Security Council must be expanded to "reflect international realities," and he calls for the United States to show new leadership in ensuring states meet their UN Millennium goal commitments, which include improving literacy, curbing the spread of HIV/AIDS, and sharply reducing poverty.

REPUBLICAN CANDIDATES[31]

Sam Brownback(R-KS)

Sen. Brownback advocates UN reform. He supported the National Security Revitalization Act in 1995, which "prohibited U.S. military forces from being placed under UN command and control in most situations" and "provided for the United States to be reimbursed for participation in UN peacekeeping operations." Brownback has also said that the United States should pay lower dues, which total about a quarter of general and peacekeeping dues.

[31] The Candidates on the United Nations, Council on Foreign Relations. Accessible at: http://www.cfr.org/publication/13404/candidates_on_the_united_nations.html?breadcrumb=%2Fcampaign2008%2Fissues

John H. Cox	Cox's stance on the United Nations is unknown.
Jim Gilmore	Gilmore's stance on the United Nations is unknown.
Rudy Giuliani	Shortly after 9/11, Giuliani gave a speech before the UN General Assembly appealing for UN member states to fight terrorism. Specifically, he said the United Nations must hold accountable states that support or condone terrorism. "Otherwise, you will fail in your primary mission as peacekeeper," Giuliani said. "It must ostracize any nation that supports terrorism. It must isolate any nation that remains neutral in the fight against terrorism."
Mike Huckabee	Huckabee's stance on the United Nations is unknown
Duncan Hunter(R-CA)	Rep. Hunter has called the United Nations "an organization of limited value and I would say whose military capability is always exaggerated—whose ability to project security forces in a hostile environment is always over-estimated." He voted in favor of the United Nations Reform Act of 2005. The Director of Internet Outreach for Hunter's presidential

campaign is Nathan Tabor, author of *The Beast on the East River: The U.N. Threat to America's Sovereignty and Security*.

John McCain(R-AZ)

Sen. McCain has generally supported U.S. engagement with the United Nations but has noted the recent oil-for-food scandal and faulty human rights institutions demonstrate a "crying need for reform." In a 1999 lecture at Kansas State University, McCain said, "The United Nations, although many of its founding principles were borrowed from our own, can never be an adequate substitute for American leadership. It has its uses, but to confer on that diverse organization, the leading responsibility for international stability, freedom and justice, will quickly render it incapable of any task whatsoever." On the 2004 Congressional National Political Awareness Test, McCain said the United States should continue its financial support for the United Nations, and should contribute troops to UN peacekeeping missions.

Ron Paul(R-TX)

Rep. Paul strongly opposes the United Nations. He introduced the American

	Sovereignty Restoration Act in 2003, which would withdraw the United States from the United Nations and would "evict the organization from its New York headquarters." That act has never been passed. He argues that the United Nations cannot be reformed and that it "is inherently illegitimate, because supra-national government is an inherently illegitimate concept."
Mitt Romney	Romney has been critical of the United Nations. In an April 2007 speech, Romney said, "the failures of the UN are simply astonishing." He cited the United Nations Human Rights Council as an example of these failures. Still, Romney said, neither isolationism nor U.S. unilateralism are sound postures for foreign policy. "America's strength is amplified when it is combined with the strength of other nations."
Tom Tancredo(R-CO)	Rep. Tancredo has not addressed this topic often, but favors reform of the United Nations, voting for the UN Reform Act of 2005.
Fred Thompson	Thompson's stance on the UN is unknown.

Tommy Thompson	Thompson's stance on the UN is unknown.

IV.

United States Military Power and the Post-Cold War Strategic Situation

UNITED STATES MILITARY POWER AND THE POST-COLD WAR STRATEGIC SITUATION

Vágner Camilo Alves*

The period from 1989 to 1991 was the most important turning-point in the international system in recent years. During the previous 45 years international relations had been controlled by the so-called Cold War. The international system revolved around the two superpowers, the United States and the Soviet Union. As continental states, each superpower was relatively independent in economic terms. They led rival military coalitions and also maintained their roles as models of contrasting societies: respectively, a free-market democracy on the one hand and on the other, a dictatorship of the proletariat with a planned economy. Hostility between the two, therefore, existed both in ideological and military terms. Because of the so-called "balance of terror", the capability of carrying out mutual nuclear destruction, direct conflict between the superpowers was avoided but there were many indirect wars. In these, when the military forces of one of the superpowers were present, the other acted only in an auxiliary capacity, providing arms and equipment to those fighting its rival.

Between 1989 and 1991, the Soviet empire imploded. First, it withdrew from Eastern Europe, an area it had occupied since the end of the Second World War. The destruction of the Berlin Wall and the unification of the two Germanies was an apt symbol of this

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process. In 1991, this 'wave' reached the very center of authentic socialism and the Soviet Union collapsed, dividing itself into the republics that had belonged to it. This was the definitive end of the Cold War and of a bipolar world order.

The fall of the Communist Bloc did not trouble the opposing force - quite the contrary. Although the situation briefly confused traditional policy-makers in Washington, they soon tried to occupy the power vacuum that had appeared. Traditional, realistic thinking in International Relations believes there is a natural tendency in human groups to develop their interests to the widest possible extent. These interests are limited by internal factors or by obstacles raised by other groups. The end of the Soviet Union released the bonds that restrained the remaining superpower. It was expected that, from that point on, US influence in the world and its involvement in matters of global security would be much more intrusive, and this is exactly what happened. American military power, in spite of undergoing a relative decline immediately after the Cold war, carried out a considerable modernization process and made the USA the only superpower on the international chessboard.

THE 1990-91 GULF WAR

Happening more or less at the same time as the collapse of the Soviet Union, the Gulf War was the event that shaped the new unipolar strategic scene. Leading a coalition of almost 30 countries, the United States put together a formidable war machine in the desert sands of Saudi Arabia in order to release Kuwait from its occupation by Saddam Hussein's Iraq. After six weeks of intense aerial bombardment and 100 hours of land-based military operations, the country was liberated. There were many consequences of the war, which may still be seen today.

The war was greeted as being the dawn of a revolution in military affairs – an RMA[1]

The coalition's victory was complete and the military casualties suffered were insignificant. The 42 Iraqi divisions entrenched in Kuwait and the south of Iraq, with hundreds of thousands of soldiers and thousands of tanks, armored cars and artillery, were easily removed at a cost of 240 dead in battle, of whom 148 were American, from a total of more than 790,000 soldiers who had been mobilized. How was this possible? A series of reasons has to be taken into account.

Without a doubt, some technologies controlled by US soldiers played an important role in the relatively bloodless victory. One of the most important elements was the control of the air the coalition enjoyed during the fighting. The destruction, during the first days of the conflict, of most of the Iraqi anti-aircraft defenses by cruise missiles and smart bombs, provided control of the air soon after hostilities began. The Iraqi air force, defeated in its first aerial duels, soon chose to remain sheltered in special bunkers. Later, even this solution became dangerous when aerial bombardment sought out these targets and many Iraqi pilots fled from the country with their aircraft to bases in the territory of the old enemy, Iran. Control of the air, therefore, was obtained right at the start of the war and made it possible for coalition aircraft to operate almost unopposed over Iraq and the theatre of operations. This supremacy made it possible to carry out direct aerial attacks against Iraqi troops as well as interdiction missions that deprived those troops of access to their

[1] According to Andrew Krepinevich, "a military revolution happens when there is a combination of new technologies in a significant number of military systems and operational and organizational innovations that change the character and conduct of armed conflicts." This is a widely-quoted definition, even though there are some criticisms of it.
Colin Gray, for example, disagrees that RMAs are always brought about by technological changes. He prefers to define them in a wider and briefer way as radical changes in the character or conduct of war (Gray, 2002: 4-5).

logistic base. Once the land offensive was launched, the main role of US and allied troops was mainly to take charge of the thousands of Iraqis who surrendered. In extreme cases, it was only necessary to overcome a few isolated points of resistance, made up of tired, disorientated and badly-equipped troops. In addition, about 40% of the Iraqi armor posted at the front was destroyed by attacks. (Press, 2001: 30-33)[2].

There was not only an advantage in the air, but also on land, in terms of superior intelligence and information. This was shown in the regular use by the infantry of personal GPS sets which provided soldiers with precise information on where they were, even at night in the desert, during sandstorms, right up to the advantage enjoyed by tanks and armored cars with thermal viewing systems and computers able to calculate the flight of shells while the vehicle was moving.

This technological superiority was symbolized in the overall battle plan adopted by General Norman Schwarzkopf. He moved his two strongest army corps to the far west of the Saudi desert so that, as his forces advanced into the Kuwait theatre of operations, the frontal assault on the Iraqi troops in Kuwait would draw the enemy's reserves into combat. The corps in the West would then carry out the so-called 'left hook'. They would make a rapid advance and surround the whole of the enemy force, more or less as Hannibal did at Cannae. Thus, not only was victory achieved, but all the opposing military power in that theatre of operations was destroyed.

Moving two whole army corps during the period of the air war without the Iraqis being aware of this and consequently being surprised by it, would only be possible if the coalition had a

[2] The author explains that this estimate not only includes as victims of air attack vehicles hit by bombs or missiles, but also those that were abandoned. The latter were indirect victims of the aerial campaign because they were immobilized purely by bombing. The frequent attacks could have killed the crews of the vehicles or made them abandon them for fear of being hit, or even caused inadequate maintenance, which ultimately made them useless when the land campaign began.

considerable advantage over the enemy in terms of intelligence and information. In truth, the 'left hook' was not new. Flanking maneuvers have been used by armies since ancient times - the mention of Hannibal is not a chance one. "Usually, speed is critical in carrying out a successful flanking maneuver. However, even if coalition forces had not moved quickly, the Iraqis would have been outflanked. The reason for this is that they simply could not see their opponents, had no idea where they were and did not know where they could reappear. Coalition commanders, on the other hand, knew where their forces were because each unit knew where it was and was linked to a secure and trustworthy communications network." (Berkowitz, 2003: 71)

In spite of the devastating effect of US superiority in the air and in the area of information, more accurate analyses of the land fighting that took place during the 100-hour campaign show that a certain proportion of Iraqi troops faced up to their enemy. Although most of the army deserted during the air attacks or surrendered immediately after the advance of coalition troops on Kuwait, some armored divisions in the rear and most units of the Republican Guard in the south of Iraq moved to previously prepared positions and fought bravely against the invading US forces, including those which had carried out the 'left hook'.[3] According to Stephen Biddle, in spite of the high rate of destruction of tanks and other Iraqi armor by air attack, and the technological advantage of the coalition forces, especially in terms of information and intelligence, a minimum of 1,200 and a maximum of 4,100 Iraqi armored vehicles survived, knew of the coalition advance and prepared themselves to halt it. (Biddle, 2004: 142-144). In the battles at Wadi al-Batin, Madinah Ridge and

[3] In the words of Kenneth Pollack, what is most striking is not the fact that between 150,000 and 250,000 soldiers deserted during the coalition's air campaign, nor that another 80,000 surrendered without a fight once the land and war had begun. What is impressive is that between 250,000 and 275,000 soldiers did not run away and some fought bravely (Pollack, 2004: 266).

near the Burqan oilfield, Iraqi troops, mainly from the Republican Guard, fought stubbornly and bravely even though they were defeated without causing much damage to their opponents. This means, however, that neither air supremacy nor high levels of intelligence and precision technology can totally explain the overwhelming victory achieved in this campaign.

The absolute US victory in the conflict, therefore, depended on the transformation of its armed forces by the RMA as a necessary condition but not a sufficient one to explain what happened. This conclusion emphasizes the value of training and greatly decreases the strength of explanations that claim the supposed RMA necessarily implies the total obsolescence of military forces that are unable to prepare themselves in accordance with it. On the contrary, the 1991 Gulf War also gives weight to traditional aspects of waging a modern war such as the capability for dispersal and camouflage on the battlefield and the expert execution of combined operations between different branches of the armed forces. As we shall see below, the current RMA cannot be considered as a cure-all. Although it played a fundamental role in military supremacy in the air and sea war, on land, even in a desert environment in which technological advantage was important, it did not invalidate more traditional ways of waging war.

CONSEQUENCES OF THE 1991 VICTORY

The war was primarily a clear warning to possibly revisionist states that believed the end of the Cold War meant the end of the established frontiers at that time. Washington showed with its victory that it would not tolerate this. It would not accept violent alterations in the territorial *status quo*, especially in strategically important areas such as the Middle East. The story of wars between countries since then shows how US preemptive dissuasion has been effective. The

only country that has in fact unilaterally used its military power against other states is the United States.[4]

In order to keep this potential available, the single superpower took certain measures during and just after the Gulf War. First, from the point of view of legitimacy, the concept of the "Rogue State" was created. The Rogue States are Third World countries with significant military power that are considered to be dissatisfied with the international 'new order'. For this reason, they are also anxious to produce or acquire 'weapons of mass destruction' - chemical, biological and nuclear weapons. In short, as well as Iraq, candidates for this label include Iran and North Korea. By means of the Rogue State idea, Washington achieved two aims at the same time. It filled the vacuum in terms of an enemy left by the collapsed USSR, thus legitimizing the huge US military machine that remained,[5] and increased the power of the new policy in terms of the much more rigorous non-proliferation of arms policy that it wanted to implement.

This non-proliferation policy, especially in terms of nuclear weapons but also concerned with ballistic missiles, was greatly strengthened after the Gulf War.[6] These arms and equipment had to have the highest level of restriction on their distribution. In 1995, the Nuclear Non-proliferation Treaty (NPT) was indefinitely extended. By this action the maximum number of countries with these arms was

[4] Interventions and wars in Panama, 1989; Iraq-Kuwait, 1991; Bosnia, 1995; Serbia,1999; Afghanistan, 2001 ; and Iraq, 2003-.

[5] Thus appeared the "two-war" doctrine, the policy of maintaining sufficient military power to fight two Gulf Wars at the same time. (Klare, 1995).

[6] The attacks with Scud missiles, old ballistic missiles produced by the Russians, were almost the only problem Iraq was able to cause during the war. The fear that Saddam Hussein would use these missiles with non-conventional, probably chemical, warheads worried the American military and political leaders until the formal end of the war. It should be noted that the greatest loss of US soldiers through enemy action was caused by a missile that, by a lucky chance, hit a military camp in the suburbs of Dhahran, in Saudi Arabia. Casualties amounted to 28 dead and 97 wounded. Considering that US losses from enemy action were uncommon, this number accounts for 25% of total US casualties in combat. (Hallion, 1992: 185)

limited and this problem was one concern less for the United States in its future military interventions in the outside world. Washington thus sought to secure its role as the only interventionist power, at minimal cost.

During the following 15 years, the single superpower exercised its global function as we have seen. Differences in attitude and policies from one government to another should not hide the unipolar nature of the international system and the existence of a single military superpower.

THE STRATEGIC SITUATION DURING THE CLINTON GOVERNMENT (1993-2000)

At the same time as it gave a clear message to one and all concerning the existence of a guarantor of the existing territorial status quo, the Gulf War created a problem in the Middle East. Iraq was kept in isolation, under a United Nations economic blockade enforced by all the major industrialized countries. Its air force could not legitimately overfly a large part of its national territory. Even so, Saddam Hussein, a declared enemy of the United States, continued to govern the country.

Clinton used US military power relatively sparingly, especially when compared to the previous and later policies implemented by the Bush family. The so-called Soft Power policy prevailed during this period. By means of its economic and cultural power, the United States shaped international relations in a more fruitful way and with less effort than by using military force. In spite of this, opportunities were not missed to change the strategic situation in favor of Washington. At this time, NATO underwent its first post-Cold War enlargement when it incorporated some countries from the old Warsaw Pact: the Czech Republic, Hungary and Poland. As a result, the Atlantic Alliance extended to the east, thus increasing the isolation of Russia.

Behind the rhetoric of Soft Power was also the President's great political fear of losing popularity through military actions that public opinion might not consider to have truly national value. Military action in Somalia in 1993 had a serious effect on the whole administration. After violent fighting in the capital, Mogadishu, with 18 American soldiers dead (along with hundreds of Somali militia), Clinton ordered the withdrawal of US troops from the 'Peace Mission' that was taking place. From that time on, the US government would avoid confronting enemies with land troops. The idea, a false one, that US air power alone had ensured victory in the Gulf War was an excellent justification for this. Cruise missiles and smart bombs had fallen on Iraq, the Sudan and Serbia to punish governing powers which, in one way or another, were refusing to behave properly in the view of the single superpower. Behind this was the concern that military losses would provoke a negative reaction on the part of American public opinion. The Kosovo War merits attention for this reason because it was seen in principle as a US victory achieved exclusively by the use of military air power.

In this conflict, a struggle concerning the political status of a Serbian province with an Albanian majority, the US, by means of NATO, forced Serbia to accept the region's autonomy. In the first "post-92 heroic" war, in which no US or NATO combatant was killed or wounded, victory was achieved after 78 days of uninterrupted bombing. This campaign is the one example of coercion achieved exclusively by air power. However, the most widely accepted interpretation today is that the secession of the province only occurred after the very credible threat of the intervention of NATO forces in the conflict and that the outcome of the question had already been decided (Pape, 2004). Contrary to the views of radical advocates of air power, complementary land forces are still seen as vital in most conflicts, even when they are exclusively conventional.

THE SEPTEMBER 11 ATTACKS AND THE WARS IN AFGHANISTAN AND IRAQ (2001-THE PRESENT)

September 11, 2001, should not be seen as a harbinger of profound changes in the international system. This may happen in the future, leading to the actual decline of the international system and causing a different, post-Westphalian world order to arise in which the sovereign state will no longer be the paradigm of international relations. However, it is still too early to make such predictions. In the short term, what the attacks did was to reinforce the existing unipolarity and lead the single superpower to increase the range of its interests.

The Afghanistan War was chosen by the US Secretary of Defense himself, Donald Rumsfeld (2002) as an example of what future wars should be like. The United States did not use a large number of troops in the operation. First of all, they infiltrated a small number of special forces into the country. These soldiers carried out attacks against the enemy's infrastructure, guiding smart bombs launched by air force bombers from thousands of feet in the air. At the end of the day, however, this force needed to be complemented on the ground. The Taliban could only be defeated with the help of the Northern Alliance, a local fighting force of about 15,000 soldiers which had controlled 15% of the territory of Afghanistan before US intervention (Boot, 2006: 354). In practice, the Northern Alliance functioned as the United States' conquering and occupation force.

Although the invasion of Afghanistan and the defeat of the Taliban regime in 2002 may be seen as a response to the September 11 attacks, the same cannot be said of the invasion of Iraq in 2003. In terms of this campaign, the War on Terror was a subterfuge used to impose a more incisive US policy in the Middle East that would lead to regime change in Iraq and a greater presence of the United States in the region.

In the beginning, the rapid victory increased US power and encouraged in Washington projects involving more international involvement. A closer look at the three-week campaign that defeated the Baathist regime, however, shows how unequal the war was. In spite of exaggerated reports about US military capacity in the heat of the situation close to events (Boot, 2003), a more objective analysis shows the weakness of the Iraqi enemy in 2003. Its incompetence had increased thanks to 12 years of isolation. The same may be said about the arms available to defend it. As the military historian van Creveld put it very well, evaluating US military forces based on this conflict "would be like judging the Wehrmacht on its performance against Poland. Not based on the initial invasion but on a hypothetical situation in which, after shattering the Polish army the Germans had withdrawn their troops, imposed 10 years of sanctions and then invaded the country once more" (van Creveld, 2006: 204). If the first victory against Iraq in 1991 should not be seen as irrefutable evidence of what an RMA imposes on everyone's armed forces, the 2003 campaign is even less of an argument.

American decision-makers innocently believed that it was enough to overthrow Saddam Hussein's government so that afterwards a multi-party democracy could be introduced in the country. They had not reflected with due seriousness on the probability of resistance by sympathizers with the old regime, far less on the installation in the country of pro-Al Qaeda guerrillas. The small, rapid invasion force - 150,000 soldiers - was found to be inadequate to occupy the country and impose order on all its territory. Many more soldiers would be necessary to achieve this - perhaps half a million, according to estimates made by civil and military US specialists.[7] The unilateralism of

[7] See, for example, the view of the US Army Chief of Staff, General Eric Shinseki, and of retired diplomat James Dobbins, both of whom have experience in peacekeeping and reconstruction operations in failed states. (Boot, 2006: 290 e 402)

American action has made it difficult to spread the burden of occupation among allied countries.[8] A few tens of thousands of guerrillas continue to make Iraq unstable and no political solution seems to be in sight. The present situation is serious and the country is in a state of civil war with occupation troops in the middle of this complex and dangerous political environment (Fearon, 2007).

The irregular war in Iraq and the need to provide new drafts of soldiers simply to prevent the political situation deteriorating for good have altered the trend that began after the September 11 attacks. The costs of the more imperial policy adopted then seem to be too high for American public opinion.[9] In the face of these obstacles, the short-term hope is that the single superpower will review its interests on the international scene and will manage them in a restrained way.

CONCLUSIONS

The major event that changed contemporary international relations was the fall of the Soviet power bloc and the subsequent end of the bipolar world order. In the strictly military and strategic sense, it is undeniable that from then on, the world has lived under a unipolar shield wielded by the single superpower, the United States of America. This situation was confirmed in 1991 after the Gulf War. In spite of global demilitarization that has occurred when compared to the situation that existed during the Cold War, the United States is the only country currently capable of projecting military power to any part of the planet.

[8] In spite of all efforts, at no time have they been more than 25,000 non-US troops in Iraq up to the present time. (Boot, 2006: 402)

[9] In 2003 and 2004 alone, about 900,000 US soldiers served in Iraq. Of these, slightly more than 1,500 died in combat and almost 12,000 were wounded. Even so, these figures are small when compared to the forces expended in the great industrial wars of the 20th century. In the Second World War, for example, 300 US soldiers died on average *per day*. In the occupation of Iraq, this figure is about *2* dead per day. (Boot, 2006: 416-417 and 590).

The September 11 attacks were, to a great measure, a revolutionary event, the forecast of the great and potential change that may occur in the medium and long term. It was a lightning bolt out of a clear sky. The attacks in New York and Washington showed the ability of a well-organized and fanatical terrorist group to inflict considerable material and human damage on any state, even the most powerful one.[10] This perhaps illustrates the tendency of erosion of state power by breaking its monopoly on the use of organized violence. The word to note here is 'perhaps'. September 11 was an isolated event that can be seen as a small blow against the power and security of the single superpower. It did not weaken it. Indeed, on the contrary, it led the United States to provide the greatest demonstration of military power in the post-Cold War era with the invasion of Afghanistan and Iraq, the latter without the approval of the UN or the majority of major states.

It is, therefore, undeniable that the United States is the greatest military power on the planet. Its military expenditure is evidence of this.[11] This position, however, must be placed in context. US military power has no adversaries in certain areas. This is the situation, for example, on the high seas and in the majority of airspace. The ability to project power on the surface of continents is, however, limited.

[10] The greatest attack on the United States in the 20th century, the furtive Japanese air and sea attack on the base at Pearl Harbor, cause the death of 2,413 people. The terrorist attacks on September 11 took the lives of 2,973, 23% more than the historic attack on December 7, 1941. (Boot, 2006: 246 e 360).

[11] According to the Military Expenditure Database of the SIPRI (Stockholm International Peace Research Institute) page on the Internet, in corrected dollar values, the United States spent more than 400 billion per year on defense during the government of President Bush Sr. Expenditure fell during the eight years of the Clinton administration but never dropped below 320-330 billion per year. With the election of President Bush Jr., and especially after September 11, expenditure grew considerably, coming to more than half a trillion dollars per year in 2005 and 2006. For purposes of comparison, other countries with large defense budgets such as China, Russia, France, the United Kingdom and Japan spend between 35 and 60 billion dollars per year.

In first place, US interventionism avoids at all costs targets that have a retaliatory nuclear capacity. Nuclear retaliation was at its height during the Cold War. In spite of not being very conspicuous today, due to the stability of unipolar order, the power of nuclear retaliation is a fact and its validity is recognized on the periphery. We need only quote of the nuclearization of India and Pakistan, historically enemies who are experiencing today, in regional terms, developments similar to those experienced in the recent past on a global level by the United States and the Soviet Union. The search for nuclear arms in Iran and North Korea, considered by Washington to be Rogue States, is easily explained. Because of a historical paradox, nuclear weapons created by the United States and an important element in retaliation policy against the Soviets during the Cold War, have today proved to be the most eagerly desired weapons by some marginal countries which see them as the cheapest and most effective instrument of retaliation against US invasions.[12]

On a lesser scale, chemical weapons, especially if carried in medium- and long-range ballistic missiles, are also controlled by international non-proliferation agreements. These are feared for their destructive capacity against less-protected targets in the rearguard. Because of the strictness of rules concerning the non-proliferation of missiles, the single superpower has tried to make most of the Third World subject to low-cost interventions.[13]

Even the superiority of US forces in conventional combat, seen in all its interventions after the Cold War, is worthy of explanation. It is not only the result of the technical superiority of US armed forces. The fact of the United States being far ahead in

[12] At the end of the 1991 Gulf War, when asked what he had learned from the war, General K. Sundarji, Chief of the Indian Army General Staff, stated: "Don't mess with the United States unless you have nuclear weapons".

[13] Although the Scuds kept the United States in a state of alert until the final minutes of the 1991 Gulf War, they caused no problems in the 2003 invasion of Iraq. No Scud was fired during this conflict. (Gormley, 2003)

terms of transforming its military power, in line with the supposed RMA in progress, does not in itself explain the easy victories it has achieved in battle. This technological lead has been accompanied by superiority in the application of force. Iraqis and the Taliban have been particularly incompetent adversaries in terms of applying classic technical and operational teachings in modern land-based warfare. Faced with better-trained enemies, as the low numbers of Al Qaeda forces in Afghanistan have partly been (Biddle, 2007), engagements will be more costly with greater destruction of equipment and higher loss of life.

However, although victorious and capable of carrying out forceful campaigns against inept adversaries lacking nuclear or chemical retaliatory power, the U.S. Army is not so efficient in occupying enemy territory for long periods. The organizational culture of US land forces is unsuited to counter-insurgency missions. Their training is focused on the maximum application of firepower and maneuver, aimed at defeating the enemy quickly. Guerrilla wars and terrorist activities require other combat techniques that are difficult for the US Army to learn because it does not wish to divert resources from what it sees as its main mission: maintaining superiority against its more traditional foes such as the Russian and Chinese armies. In addition, the change which is occurring in US land forces has made them lighter, quick and less numerous. The resources that have been saved have been applied to achieving precision in arms and to the ability to obtain and process information. This only increases problems when the mission is to occupy conquered territory. In Iraq, US National Guard units unsuited to the task have been used because of a lack of soldiers.

Finally, there is today a clear resistance on the part of the American people to pay the so-called 'blood tax'. Historically, this has been part of the political and strategic culture of the United States, arising out of the healthy liberal and democratic spirit of valuing the

lives of its citizens. In the post-Cold War era, however, this tendency seems to have markedly increased. The Gulf War of 1991 was a military turning point for Americans. It established the possibility of victories with a greatly reduced number of casualties. From that time on, a clear expectation developed at the heart of US society that the country's military strength is so great that it can bring victories with few or even no deaths. The sacrifice of some soldiers, depending on the level of importance given to the mission, may be enough to provoke demands for canceling operations and withdrawing troops. John Mueller states that there is a clear correlation between support for the war effort on the part of US public opinion in limited wars and the number of casualties the country's soldiers suffer in these engagements. In Korea, Vietnam and today in Iraq, the longer and more bloody the conflicts, the more the war's popularity falls. What is impressive is the difference in the amount necessary for this fall to occur if we compare Vietnam to Iraq. During the critical US involvement in Southeast Asia in the 1960s, in order for more than half of those consulted in opinion polls to feel that sending troops was a mistake, the war had lasted more than four years and almost 20,000 soldiers had died. In Iraq today, the same rate of rejection was reached at the beginning of 2005, after fewer than two years and about 1,500 dead soldiers (Mueller, 2005: 44-48). The sensitivity of US public opinion to the deaths of its uniformed citizens in battle seems to have greatly increased in recent years.

To sum up, we have seen the increase in US military power today. It must, however, be moderated. The appearance of power is actually greater than its substance. The United States has never been and certainly is not a modern Rome. The most careful analysis of US military interventions and of the general strategic situation since the Cold War provides strong reasons for us to believe that this is so.

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V.

DESCRIBING THE US POLITICAL SYSTEM: THE PRESENT SITUATION AND CHALLENGES

DESCRIBING THE US POLITICAL SYSTEM: THE PRESENT SITUATION AND CHALLENGES

Fabiano Santos

I. INTRODUCTION

This short essay contains some reflections on the present context of US policy, emphasizing institutional aspects of the political system. The main aim is to show how the institutional structure of US democracy is helping to shape the results of the political conflict and, as a result, to create a view of the electoral and post-electoral scenarios, that is, the period that will begin with the 2008 elections. Everything indicates that the Democrats should win back the White House, although it is difficult to make any forecast concerning the decision-making process and, therefore, of large-scale government initiatives, without taking into account the way in which power is distributed throughout the rest of the system, mainly in the two Houses of Congress.

To anticipate the argument, I shall claim that the answer to the basic dilemmas in American politics at the moment arises from the following factors: which party controls the House of Representatives; which party controls the Senate; the more or less conservative ideological profile of the presidents of the main committees in the Legislature and the ideological position of the President in terms of the center of gravity of Congress. More precisely, the ability of the government to change policies that are for some reason considered to be undesirable, either internally or externally, will depend in the first instance on the position taken by the majority party in the House and the Senate when faced with these questions; secondly, the way in which these same issues are distributed among

the permanent committees and who controls those bodies; and finally, the President's position in terms of those policies and in relation to the attitude taken by Congress. In other words, the more united the majority party and the closer the head of the Executive is to it, the greater will be the chances of facing up to the central questions, while on the other hand, the less united the majority party is and the further the President is from its main tendencies, the fewer will be the chances of significant changes to the *status quo*.

Before beginning the analysis it is important to emphasize that it will not take account of a series of factors that can definitely contribute towards the development of certain scenarios, especially decisions made by political figures in terms of the agenda of public policies that have to pass through the Legislature and be voted upon. External shocks such as terrorist attacks, economic crises in other countries and the pressure of public opinion are examples of non-structural events that affect the development of internal political conflict. Also, the contribution this text hopes to make will reflect on institutional determinants of US political dynamics with the aim of illustrating the parameters, independent of the nature of the external shock, which limit the capacity of political figures to work and act. In terms of undesirable policies, it would not be absurd to say that at least three questions are central to the current political US debate: how to resolve the situation in Iraq; the domestic question of individual rights that have been directly affected by the Patriot Act, and finally, the increase of poverty and inequality.

This essay has been organized in the following way: the next section contains the central core of reflection and shows, in general terms, the institutional structure of politics in the USA, drawing attention to what may be the main characteristic of the American political system, the strength of Congress; in the third and final section, following a brief discussion on the significance of a divided government, certain scenarios are analyzed, especially those that touch on the

probable confrontation of topics such as war, human rights and poverty.

II. THE INSTITUTIONAL STRUCTURE OF DEMOCRACY IN THE USA: THE POWER OF CONGRESS AND A DIVIDED GOVERNMENT

Large-scale political participation with very few restrictions to the right of voting and being elected, basic civil liberties, the alternation of parties in power and intense group loyalty are political phenomena that are accepted as central elements in defining a regime as democratic. The same elements, at the same time, have been involved with the development of American political history since Independence at the end of the 18th century and the constitutional process that produced the 1794 Constitution. After the mid-19th-century Civil War, which ended slavery, the USA progressed steadily to become, in the first half of the 20th century, the greatest democratic country in the world. It may be said that a major obstacle to the effective working of democracy consists in the age-old problem of political and social discrimination against citizens of African descent, the question that was duly posed with the start of movements for civil and political rights for black people in the 1950s and especially in the 1960s.

American democracy also developed because of its considerable institutional framework. Born out of negotiations between independent ex-colonies and following a war of liberation from the yoke of the British monarchy, it seemed natural to the founding fathers to opt for a federal republic as the main principle of political organization. The choice of a presidential system, with the separation of powers and two chambers of Parliament arose out of doctrinal debates and historical circumstances that have already been profoundly examined and had their origin in the famous papers of Jay, Hamilton and Madison collected in the *Federalist*. As for the party system, the country has always had a two-party system, with

the two largest parties until the Civil War being the Republican and the Federalist Parties, while from the abolition of slavery until the end of the 19th century, the old Federalist Party split and disappeared, producing the Democratic Party which has alternated in power with the Great Old Party (the Republican Party's nickname) to control the two houses of Congress and the presidency until the present time.

It is worth emphasizing that maintaining the two-party system is a direct consequence of the electoral system that was adopted in the House of Representatives since the beginning of the Republic — actually the only institutional selection system inherited from Great Britain, the former metropolitan power. We know from Maurice Duverger's classic work of 1958 that the electoral system involving single-name plurality, a branch of the great family of electoral systems also known as 'first past the post' leads, by means of the strategies of elites and electors aiming at not being excluded from the political system, to the restriction of party competition. With this system, the country is divided into districts that have only one representative: the candidate winning the largest number of votes. This trend to concentrate party forces occurs because electors and elites, in an attempt to avoid the election of alternative candidates whose position is far removed from their interests, use tactical voting to the detriment of sincere voting, in other words, they cease to support their main options and vote for other candidates who have better chances of winning but whose position is not totally distant from their own preferences and political opinions.

Federal representatives may be re-elected indefinitely and every two years electors return to the polls to choose the occupants of the 435 seats in the House. There are 100 seats in the Senate, each state having the right to two seats, and election to this House is also governed by the system of plurality, the difference being that in this case the electoral area consists of the whole state. Senators have a mandate of six years, with elections being held for a third of the seats

(a class) every second year. Presidential elections occur in turn: electors choose delegates from the states, each state having the right to a number of delegates proportional to its size and electorate and from that point an electoral college is formed in which they vote for their party's candidate. This system, conceived and implemented by the Founding Fathers, usually ensures that the winner will be the candidate who receives most votes from the electorate in general. Exceptions have been the election of John Adams who defeated Andrew Jackson in 1824, the election of Rutherford Hays in 1876 and more recently, the first election of George W. Bush.[1]

The important point now is to examine how the basic pattern of the institutional framework relates to the nature and development of the party system and spills over into a decision-making process with a well-defined profile which in certain conditions leads to significant changes in the country's political and legal *status quo*, within which, although in general terms, the option for marginal changes in public policies predominates, not to mention the countless cases of impasse and gridlock. The key to understanding this point is to ascertain the distribution of decision-making prerogatives within the political system. In other words, the question is: who has the right to what in the decision-making process? First of all, let us look at the President's prerogatives.

In contrast to presidential regimes in Latin America, in which it is common to see a significantly large role played by legislative prerogatives entrusted to the Executive, it may be said that in the USA the holder of this power is relatively weak. The first instrument worthy of note is the responsibility to submit the budget proposal to become a draft law concerning the State's income and expenditure in the year following submission. The second important instrument control by the President for intervening in the decision-making process,

[1] See Nohlen, 2005.

concerning changes in the country's legal *status quo*, is the possibility of vetoing laws approved by Congress - which can only be defeated by a two thirds majority if the House of Representatives chooses to do so. Actually, these two instruments cause problems for the approval of policies that differ significantly from the Executive's interests and choices, which makes this player decisive in any negotiation involving public policies at national level.

Two other prerogatives that to a certain extent have a relevant effect are the power to appoint and dismiss, and executive orders. In relation to the first, a common element in the presidential system, the President may name the members of the Cabinet, a ministry or secretariat, as well as innumerable other administrative offices. As for the second point, the Executive enjoys a wide range of maneuver concerning the process of executing laws that have been passed - which may be done in the form of an executive order.[2] There is some debate in the USA that questions whether this instrument, which does not need previous approval by the Legislature, has not given the President the possibility of changing the spirit of the original law and thus provides the prerogative of legislating by decree.

Nevertheless, the fact is that, compared to what we see in the rest of the world, the US Congress is the strongest and most institutionalized legislature in the democratic world. To begin to prove this point, it must be said that the Executive is not allowed to send draft laws for the consideration either of the House or of the Senate. Its agenda is in fact set by party members who have a seat in Congress. In the natural course of events, the head of the Executive is allowed by the Constitution to issue decrees as well as suggesting speeding up the progress of important proposals. Even the prerogative of submitting the draft budget proposal is clearly limited in its positive effects from the point of view of the President - Congress has the final

[2] See, mainly, Sala 1998.

word on what will be approved, with the government being able only to completely veto the text as finalized by the Legislature. The decision to veto the budget proposal, relying on control of at least just over a third of the members of the House, is extremely costly since the reversion point in this hypothetical case would simply be to paralyze government activities. In addition, the budget is vital if there is no policy of interventionism in terms of grants, which means that another important instrument of power is in the hands of the legislators.

Throughout history, the American Congress has justified the enormous powers given it by the Constitution, a process which has been called the institutionalization of the Legislature, a phrase that originally appeared in Nelson Polsby's classic 1968 text. An institutionalized legislature is usually one that has the initiative in the decision-making process in a political system. As well as being a powerful force in initiating approved proposals, it also plays a vital part in carrying out government programs and allocating resources. The trademark of this type of Parliament is its high level of internal complexity which is expressed in the broad division of legislative tasks between expert, permanent and highly specialized committees. Moreover, it is common to observe the prevalence of exclusively legislative careers, in other words the main aim of politicians' ambitions is to achieve office in the internal hierarchy of the Legislature, such as chairing important committees, leading a political group or being appointed to the Speaker's bench. After the Second World War especially, all indications pointed clearly in favor of the institutionalization of the US Legislature. Rates of parliamentary renewal fall significantly, the length of exclusively legislative careers increases exponentially, the rule of seniority by which appointments to committees and the internal hierarchy of the Houses are filled according to length of service is established (in fact, this trend had been growing since the second half of the 20th century) and the system of committees and subcommittees gains strength and a greater ability

to create and distribute information (see in Annexes I and II the permanent committees currently operating in the House and Senate as well as the micro-divisions between these bodies, the permanent subcommittees)[3].

But the power of Congress has not ceased to produce difficulties for the political system, problems that can be analyzed along at least two lines of discussion. The first concern is more the internal organization of the Legislature based on the system of permanent committees to the detriment of the parties as an area for formulating the agenda; the second focuses on the question of a divided government. I shall deal with the first question here, leaving the second to be looked at during the analysis of scenarios.

The first line of questioning begins with the presupposition that the organization of Congress serves its members' interests in terms of reelection[4]. Once the winning of a vote forms part of the representatives' ability to attend to interests based in the electoral district that elected them, they will try to specialize in areas of public policy that will have a major impact on that district. It is important to remember that the same problem is confronted by the other representatives, which leads them to develop internal institutions that will allow members to acquire expertise in relevant public policies and distribute benefits concentrated in favor of the electors in their districts. The system of specialist committees with wide powers of discussion, the rule of seniority as a means of gaining access to positions in the hierarchy of those committees and the system of rules that protect projects approved in committees from locations in plenary sessions are mechanisms by which the decision-making process may

[3] On the question of information as being decisive for the power of the American Congress, see Krehbiel 1991.

[4] The most important studies in this area are: Mayhew 1974; Ferejohn 1974; Fiorina 1977; Shepsle 1979; Weingast and Marshall 1983; and Cain, Ferejohn and Fiorina 1987.

serve the efforts of representatives in distributing localized benefits with high value for electors, an effort originating in the congressman's need to be re-elected.

An important critique of this view arose in the mid-1990s on the part of writers loyal to what came to be called the party line - the basic point of this view is, obviously, that parties should be the institutions relevant to organization and congressional decision-making in the American context.[5] More specifically, the legislative institutions would express the dilemmas of collective action and internal conflicts in the party or majority coalition. The parties would fulfill two important functions: they would be the electors' decision-making vehicle and the means of coordinating the behavior of politicians once they were elected. It should be noted that politicians benefit from the existence of parties because they facilitate their activities as candidates by showing their position on questions of public interest, as well as their parliamentary activities when they highlight their decisions concerning topics voted on in plenary sessions. Nevertheless, the interest that supports the appearance and strength of the parties is a collective one, while Congressmen and women are also elected by reason of their individual efforts in attending to the demands of their electors. The collective dilemma of politicians in terms of their parties arises precisely at the moment when there is the risk of the party's image weakening, either from lack of investment on the part of politicians in the ideas and policies that give a collective identity to the group, or by over-investment in matters that are merely parochial in scope.

The classic solution to problems involving collective action is to delegate to an individual or group of individuals the task of coordinating and channeling the efforts of individuals towards

[5] The most important works in this area are those of Kiewiet and McCubbins 1991; Rohde 1991; Cox and MacCubbins 1993; and, Sinclair 1995.

achieving a benefit for the public, that is, to give this group of individuals power and grant it incentives to take on the burden of organizing individual behavior and satisfying collective interests - in the life of the parties and the elected member, this agent is called the party leadership. The role of the Democratic and Republican party leaders is not specifically or uniquely that of controlling the conduct of party members, but that of not allowing individual actions to go too far in damaging the collective image of the party on the one hand and, on the other, not allowing conflicts of interest and opinion within the party to weaken its electoral and political position. In a word, the function of the party leadership is to draw together individual and collective interests into a single coalition of elected members. At certain times the task is made easy because agreement within the party is enough to ensure its coordinated actions in plenary sessions and committees. At other times the party is divided, which causes the leaders to avoid exposing it publicly, preferring to keep the more divisive item 'caught up' in some way at committee stage. For this reason, the main impression that existed for some time, according to which the committees were the main controllers of Congress - from a party point of view, which happened during the 1950s and 60s and for a certain period in the 1970s was a deep division in the majority party, the Democrats, concerning the idea of civil rights, which meant that proposals languished within the committees and thus created the impression that these bodies were more powerful than the parties.

With time, the parties were seen to be more appropriate bodies - the Democratic party, after going through a process of renewing its committee leaders, began to behave in a cohesive and disciplined way, especially when confronting the aggressive neo-liberal agenda of Ronald Reagan and later of George Bush. In the same way, the Republicans, when they regained a majority in the two Legislative Houses in 1994, after almost 50 years, generated an intense and disciplined opposition to the Democrat President, Bill Clinton.

Later, the same Republicans, still with a majority in Congress, applied their united support to the radical right-wing policies adopted by President George W. Bush. On the other hand, it is also important to remember that the two parties have traditionally held positions more or less to the left or, to use American terminology, liberal, and positions more or less to the right of the ideological spectrum or, once more using the local terminology, conservative. This means that the decision-making process of the Legislature, without which nothing can be done in American politics, from the budget to foreign and trade policies, is a result of the lines drawn by the party when it controls committees and the leadership of the House and the Senate, and of the relative strength of liberal and conservative positions within the parties. When the Democrats have a majority, the question is asked: what is the size of the conservative faction among the Democrats? On the other hand, when the Republicans are in the majority the question becomes: what is the weight of liberal opinion within the party?

III. DIVIDED GOVERNMENTS AND SCENARIOS FOR THE POST-2008 PERIOD

As a result of the high rate of returning congressmen and senators after elections, a return made easier by the organization of Congress being based on committees with a monopoly of jurisdiction, after the Second World War the typical US presidential model emerged, that of a divided government,[6] a situation in which the majority that controls Congress consists of the party in opposition to the President. Two observations are important concerning this topic: first, divided governments are typical of two-party systems, a situation which provides a clear view of the presidential party versus the party

[6] There are several good sources that deal with this subject. See, for example, Cox and Kernell, 1991 and Mayhew, 1991.

opposing the President; second, it is important to remember that the American Congress is first and foremost a majority system, that is, the party that has a majority in one House has the right to chair all committees as well as naming those chairs. As a result, the strength of the agenda is concentrated in the majority party, which means that when that party is in opposition, a very special logic exists in the political system and its decision-making process.

Annex III gives an overview of the distribution of party control of the Presidency, House of Representatives and Senate since the first post-WWII administration.

When the party controlling Congress is the same as that controlling the Presidency, the political agenda is basically dictated by the Head of the Executive. When the government is divided, the agenda is shared between the Legislative, with its opposition majority, and President. The ability of the Head of the Executive to push forward policies will depend moreover on his relative position in terms of the main ideological tendency in each House. If his position is extreme, to the left in the case of a liberal President, or to the right when there is a conservative one, it is a question of knowing first of all what is the majority or minority situation of his party in Congress and the size of the liberal or conservative groups in the opposition party. If the President takes an extreme view and his party has majority in both houses as well as being united in supporting the Executive, we expect to see significant changes in the *status quo*. This was certainly the case in the George W. Bush administration until the 2006legislative elections. (See, in Annex IV, the distribution of seats between the parties from 2001 until 2007.) If, on the other hand, maintaining the premise of the relative position of the President, his party is either in the minority or divided, with a marked liberal tendency, in the case of the Republican Party, and conservative in the case of the Democratic Party, then we cannot expect to see significant movement towards a more progressive or reactionary agenda.

Having an idea of the basic parameters or the workings of the US political system, we can now pass on to reflect on the probable scenarios the country will face after the 2008 elections.

First of all, let us look at some of the important themes in American politics in recent years. In the economic and social area, challenging poverty must be at the centre of the concerns of the main political figures. Today, 12.6% of the population are considered to be poor, that is, living below the poverty line. This percentage stabilized in 2005, after having grown consistently since the year 2000. It is now at it highest since 1959 (22.4%), the first year in which the estimate was produced and published. Lackluster economic performance, together with years of tax-cutting and the consequent reduction in the government's ability to spend money on the social area may be considered to be the probable causes of this situation. Still on the domestic front, but in the area of individual rights and freedoms, the most sensitive question seems to be the law called the Patriot Act, passed as a result of the 11th September terrorist attacks and the War Against Terror.[7] In foreign affairs, the undoubted question is how to manage the exit of troops from Iraq and, in a more general way, rebuild the country's diplomatic relations with its historic allies, as well as regaining vital multilateralism and global relations.

Secondly, we may examine the most probable hypotheses in terms of the distribution of party forces in the political system. Given that the Democrats have just regained a majority in Congress, and given that rates of reelection are traditionally very high, it is reasonable to expect this situation will be repeated after 2008, that is, a rather greater majority of Democrats in the House than in the Senate. And if we take into account a certain 'coat-tail' effect following the presidential elections, by which the more or less successful performance of the candidates for the Executive 'pulls up' the performance of their

[7] Concerning the effects of the Patriot Act on the traditional freedoms and individual guarantees in the USA, see the excellent work of Scalércio 2007.

party in congressional elections, the determining variable will then be the result of the election for the post of Chief of the Executive. If the Democrat wins, then that advantage in Congress will tend to increase, while on the other hand it is easy to imagine a narrow majority in the House and a Republican victory in the Senate.

Concerning these scenarios, I should start with the one which at this moment seems to be the more probable - a Democratic victory in the dispute for the White House. Given the continuation and even increase in the majority on Capitol Hill, we may force the some progress in challenging the problems mentioned earlier, the scope of which will depend on the cohesion of the majority party in relation to the President's agenda. Treatment of the social and economic question will certainly have to be carried out relatively quickly – it is traditional for Democrats to invest in social affairs, to energize the economy with pro-active policies and, if necessary, to increase taxes on the rich.

As for the question of individual rights and freedoms affected by the Patriot Act, the question is more delicate and will depend not only on the unity and size of the Democratic group, but also on the size of the more liberal group among the Republicans, especially in the Senate. In this house, there is the possibility of the filibuster, a technical maneuver by which a senator may disrupt the progress of the voting system by making uninterrupted use of the right to speak in the plenary session.[8] Defeat of the filibuster can be achieved by a motion signed by at least 3/5 of the Senate. As a result, any withdrawal or modification of the Patriot Act in order to re-align it with the tradition of civil liberties will depend on the size of the conservative group committed to the War on Terror established in the Bush years – if this group is larger than 2/5 of the Senate, the chances of any progress in this direction are small.

[8] For a good analysis of the effects of the filibuster on the decision-making process in the USA, see Krehbiel, 1998.

As for the question of withdrawal from Iraq, and the more general sense, revoking unilateralism as a doctrine for actions in the outside world, we may expect that the question will not create greater obstacles, although in terms of trade, the Democrats are traditionally more aggressive in defending the interests of US producers given the strength of the union vote in favor of this party. Thus, if on the one hand we may expect more diplomatic multilateralism with the Democrats united in power, on the other hand we may also foresee more protectionism in trade. There seems to be general agreement on withdrawal from Iraq and the USA will have to define the way in which relates to the Middle East question and in this context the rejection of unilateralism will have an essential role.

In the rather less probable but far from impossible event of a Republican victory in the race for the White House, we shall again see a divided government, with Republicans controlling the Executive and Democrats in control of Congress or at least of the House. This combination has occurred on several occasions and the result has always been a more or less antagonistic compromise, depending on the degree of conservatism of the Republican President, between social expenditure, some reduction in taxes and maintaining military expenditure. In the context of 2008, therefore, some points should be noted: a) there is very little chance of an extreme Republican candidate winning, at least in terms of domestic matters, especially in the economic and social areas; b) there is little margin available to reduce taxes and increased military spending although there is on the other hand scope for increasing social spending. This being the case, in the probable nomination of a moderate candidate and in the event of victory, we may expect to see a compromise with a Democratic Congress in terms of increasing social spending to relieve poverty and stimulate economic activity.

With regard to Civil Liberties, there will be little chance of tackling the question of the Patriot Act, given the historic constituency

and conservative inclination of the Republicans and the reactions that the topic of 'terrorism' is still capable of arousing in the electorate. Finally, and in terms of the outside world, we may expect the continuity of liberal trade policies, the management of withdrawal from Iraq on 'honorable' terms (especially if the precedent of the policy adopted by Republican President Richard Nixon in the case of Vietnam is invoked), and little change in the unilateral attitude in diplomatic relations.

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ANEXO I

COMISSÕES DO CONGRESSO DOS EUA

Committees	Subcommittees
Committee on Agriculture	Subcommittee on Conservation, Credit, Energy and Reserach
	Subcommittee on Department Operations, Oversight, Nutrition and Forestry
	Subcommittee on general farm, commodities and risk management
	Subcommittee on horticulture and organic agriculture
	Subcommittee on livestock, dairy and poultry
	Subcommittee on specialty crops, rural development and foreign agriculture
Committee on Appropriations	Subcommittee on agriculture
	Commerce, justice, science
	Defense
	Energy and water
	Financial services
	Homeland security
	Interior and environment
	Labor, HHS, Education
	Legislative branch
	Military construction, VA
	State, foreign operations
	Transportation, HUD
Committee on Armed Services	Readiness Subcommittee
	Seapower and Expeditionary Forces Subcommittee
	Air and Land Forces Subcommittee
	Oversight and Investigations Subcommittee
	Military Personnel Subcommittee
	Terrorism and Unconventional Threats and Capabilities Subcommittee
	Strategic Forces Subcommittee
Committee on the Budget	Não encontrei subcomissões
Committee on Education and Labor	Health, Employment, Labor and Pensions Subcommittee
	Workforce Protections Subcommittee
	Healthy Families and Communities Subcommittee

Committee on Energy and Commerce	Commerce, Trade, and Consumer Protection
	Energy and Air Quality
	Environment and Hazardous Materials
	Health
	Oversight and Investigations
	Telecommunications and the Internet
Committee on Financial Services	Subcommittee on Financial Institutions and Consumer Credit
	Subcommittee on Housing and Community Opportunity
Committee on Foreign Affairs	Subcommittee on Oversight and Investigations
	Subcommittee on Africa and Global Health
	Subcommittee on Asia, the Pacific, and the Global environment
	Subcommittee on Europe
	Subcommittee on International Organizations, Human rights, and obersight
	Subcommittee on the Middle East and South Asia
	Subcommittee on Terrorism, Nonproliferation, and trade
	Subcommittee on the Western Hemisphere
	Subcommittee on Border, Maritime and Global Counterterrorism
Committee on Homeland Security	Subcommittee on Transportation Security and Infrastructure Protection
	Subcommittee on Emergency Communications, Preparedness, and Response
	Subcommittee on Management, Investigations, and Oversight
Committee on House Administration	Não encontrei subcomissões
Committee on the Judiciary	Subcommittee on Courts, the Internet, and Intellectual Property
	Subcommittee on Commercial and Administrative Law
	Subcommittee on Crime, Terrorism, and Homeland Security
	Subcommittee on the Constitution, Civil Rights, and Civil Liberties
Committee on Natural Resources	Subcommittee on Insular Affairs: Legislative Hearing on H.R. 2920
	Subcommittee on Insular Affairs: Legislative Hearing on H.R. 53
Committee on Oversight and Government Reform	Domestic Policy
	Federal Workforce, Postal Service, and the District of Columbia
	Government Management, Organization, and Procurement
	Information Policy, Census, and National Archives
	National Security and Foreign Affairs
Committee on Rules	Subcommittee on the Legislative & Budget Process
	Subcommittee on Rules and Organization of the House

Committee on Science and Technology	Space & Aeronautics
	Technology and Innovation
	Research and Science Education
	Investigations and Oversight
	Energy and Environment
Committee on Small Business	Subcommittee on Finance and Tax
	Subcommittee on Contracting and Technology
	Subcommittee on Regulations, Healthcare and Trade
	Subcommittee on Rural and Urban Entrepreneurship
	Subcommittee on Investigations and Oversight
Committee on Standards of Official Conduct	Não encontrei subcomissões
Committee on Transportation and Infrastructure	Subcommittee on Aviation
	Subcommittee on Coast Guard and Maritime Transportation
	Subcommittee on Highways and Transit
	Subcommittee on Railroads, Pipelines, and Hazardous Materials
	Subcommittee on Water Resources and Environment
Committee on Veterans' Affairs	Subcommittee on Disability Assistance and Memorial Affairs
	Subcommittee on Economic Opportunity
	Subcommittee on Health
	Subcommittee on Oversight and Investigations
Committee on Ways and Means	Subcommittee on Trade
	Subcommittee on Oversight
	Subcommittee on Health
	Subcommittee on Social Security
	Subcommittee on Income Security and Family Support
	Subcommittee on Select Revenue Measures
House Permanent Select Committee on Intelligence	Não encontrei subcomissões
House Select Committee on Energy Independence and Global Warming	Não encontrei subcomissões

Fonte: www.house.gov

ANEXO II

COMISSÕES DO SENADO DOS EUA

Committees	Subcommittees
Committee on Agriculture, Nutrition & Forestry	Subcommittee on Nutrition and Food Assistance, Sustainable and Organic Agriculture, and General Legislation Subcommittee on Energy, Science and Technology Subcommittee on Domestic & Foreign Marketing, Inspection, & Plant & Animal Health Subcommittee on Production, Income Protection and Price Support Subcommittee on Rural Revitalization, Conservation, Forestry and Credit
Committee on Appropriations	Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Commerce, Justice, Science, and Related Agencies Defense Energy and water development Financial services and general government Homeland security Interior and environment and related agencies Labor, health, human services, Education and related agencies Legislative branch Military construction, veterans affairs, and related agencies State, foreign operations, and related programs Transportation, Housing and Urban Development and related agencies
Committee on Armed Services	Airland Emerging threats and capabilities Personnel Readiness and managment support Seapower Strategic Forces
Committee on banking, housing, and urban affairs	Securities, Insurance, and Investment Financial Institutions Housing, Transportation, and Community Development Economic Policy Security and International Trade and Finance
Committee on the Budget	Não encontrei subcomissões
Committee on commerce, science and transportation	Aviation Operations, Safety, and Security Surface Transportation and Merchant Marine Infrastructure, Safety, and Security Space, Aeronautics, and Related Sciences Oceans, Atmosphere, Fisheries, and Coast Guard Interstate Commerce, Trade, and Tourism Science, Technology, and Innovation Consumer Affairs, Insurance, and Automotive Safety
Committee on energy and Natural Resources	Subcommittee on Energy Subcommittee on National Parks Subcommittee on Public Lands and Forests Subcommittee on Water and Power
Committee on environment and public workd	Transportation and Infrastructure Clean Air, Climate Change, and Nuclear Safety Fisheries, Wildlife, and Water; and Superfund Waste Management

Committee on Finance	Subcommittee on Health Care Subcommittee on Taxation and Irs oVersight and Long-Term Growth Subcommittee on Energy, Natural Resources, and Infrastructure Subcommittee on Social Security, Pensions, and Family Policy Subcommittee on International Trade, and Global Competitiveness
Committee on Foreign Relations	Não encontrei subcomissões
Committee on health, education, labor and pensions	Children and families Employment and workplace safety Retirement and aging
Committee on Homeland Security and governmental affairs	Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia Permanent Subcommittee on Investigations Ad Hoc Subcommittee on State, Local, and Private Sector Preparedness and Integration Ad Hoc Subcommittee on Disaster Recovery
Committee on the Judiciary	Administrative Oversight and the Courts Antitrust, Competition Policy and Consumer Rights The Constitution Crime and Drugs Human Rights and the Law Immigration, Refugees and Border Security Terrorism, Technology and Homeland Security
Committee on Rules and administration	Não encontrei subcomissões
Committee on Small Business and Entrepreneurship	Não encontrei subcomissões
Committee on Veterans' Affairs	Não encontrei subcomissões

Fonte: www.senate.gov

ANEXO III

PARTIDOS COM MAIORIA NO CONGRESSO E NO SENADO EM CADA LEGISLATURA

Presidente	Legislatura	Senado Maioria	Deputados Maioria
H. Truman (1945-1953) Dem	1945-47	Democratas	Democratas
H. Truman (1945-1953) Dem	1947-49	Republicanos	Republicanos
H. Truman (1945-1953) Dem	1949-51	Democratas	Democratas
H. Truman (1945-1953) Dem	1951-53	Democratas	Democratas
D. Einsenhower (1953-1961) Rep	1953-55	Republicanos	Republicanos
D. Einsenhower (1953-1961) Rep	1955-57	Democratas	Democratas
D. Einsenhower (1953-1961) Rep	1957-59	Democratas	Democratas
D. Einsenhower (1953-1961) Rep	1959-61	Democratas	Democratas
J. Kennedy (1961-1963) Dem	1961-63	Democratas	Democratas
L. Johnson (1963-1969) Dem	1963-65	Democratas	Democratas
L. Johnson (1963-1969) Dem	1965-67	Democratas	Democratas
L. Johnson (1963-1969) Dem	1967-69	Democratas	Democratas
R. Nixon (1969-1974) Rep	1969-71	Democratas	Democratas
R. Nixon (1969-1974) Rep	1971-73	Democratas	Democratas
R. Nixon (1969-1974) Rep	1973-75	Democratas	Democratas
Rudolph Ford Jr. (1974-1977) Rep	1975-77	Democratas	Democratas
J. Carter Jr. (1977-1981) Dem	1977-79	Democratas	Democratas
J. Carter Jr. (1977-1981) Dem	1979-81	Democratas	Democratas
R. Reagan (1981-1989) Rep	1981-83	Republicanos	Democratas
R. Reagan (1981-1989) Rep	1983-85	Republicanos	Democratas
R. Reagan (1981-1989) Rep	1985-87	Republicanos	Democratas
R. Reagan (1981-1989) Rep	1987-89	Democratas	Democratas
G. Bush (1989-1993) Rep	1989-91	Democratas	Democratas

G. Bush (1989-1993) Rep	1991-93	Democratas	Democratas
B. Clinton (1993-2001) Dem	1993-95	Democratas	Democratas
B. Clinton (1993-2001) Dem	1995-97	Republicanos	Republicanos
B. Clinton (1993-2001) Dem	1997-99	Republicanos	Republicanos
B. Clinton (1993-2001) Dem	1999-2001	Republicanos	Republicanos
George W. Bush (2001-) Rep	2001-03	Empate	Republicanos
George W. Bush (2001-) Rep	2003-05	Republicanos	Republicanos
George W. Bush (2001-) Rep	2005-07	Republicanos	Republicanos
George W. Bush (2001-) Rep	2007-09	Empate	Democratas

Fonte: www.house.gov

ANEXO IV

PARTIDOS COM MAIORIA NO CONGRESSO E NO SENADO
EM CADA LEGISLATURA

		Senado				Deputados			
Presidente	Legislatura	Democratas	Republicanos	Outros	Total	Democratas	Republicanos	Outros	Total
George W. Bush (2001-) Rep	2001-03	50	50		100	212	221	2	435
George W. Bush (2001-) Rep	2003-05	48	51	1	100	204	229	2	435
George W. Bush (2001-) Rep	2005-07	44	55	1	100	202	232	1	435
George W. Bush (2001-) Rep	2007-09	49	49	2	100	231	201	3	435

VI.

Is the United States Distancing itself from Global Engagement towards Limited Responsibility?

Is the United States Distancing itself from Global Engagement towards Limited Responsibility?

Diana Villiers Negroponte

Two contending cultural polls exist within the U.S. body politic between an expansionist engagement with the world, and a withdrawal, if not an isolationist tradition. Both are reflective of "American exceptionalism" that lies at the heart of American foreign policy.[1] The expansionist attitude is based upon the liberal tradition that the U.S.A. is founded on the hope of building a "new world order" characterized by progress, peace, a republican form of government, open trade, personal freedoms and the rule of law. There exists a belief that our liberal and democratic ideals will spread world wide from the U.S.A. to create a more open, peaceful international system, characterized by democratic governments and open markets. The mission is expansive, and is not necessarily restrained by other nation states. In pursuit of these goals, the U.S. government seeks to create a more liberal international system, and an international system of laws and custom. The end is believed to be worthy, in itself, because it will make Americans more influential, more prosperous and more secure.[2] An alternative, and equally strong cultural norm exists within the tradition of "American exception-alism." This is an isolationist tendency in which Americans seek to withdraw from a violent and complex world with international

[1] Stanley Hoffman with Frederic Bozo, Gulliver Unbound: America's Imperial Temptation and the War in Iraq, New York: Rowman & Littlefield Publisher Inc. (2004) p.19. Originally published in French as *L'Amérique Vraiment Imperiale?* Paris: Editions Louis Audibert (2003).

[2] Those who advocate peaceful relations between democracies assume that democratic states do not go to war against each other, are more compatible for trade, communications and the resolution of disputes. Furthermore, they believe that there exists greater willingness to join in defending common values.

commitments that it cannot control. The tendency is exacerbated when the level of disparaging foreign criticism of America and Americans rises perceptibly. Then, Americans turn inward, retreating from commitments to international organizations. Instead, Americans focus on domestic issues, perceived internal moral strengths and sense of economic wellbeing. Since the late 19th century, a constant oscillation has existed between expansive engagement and a retreat toward isolationism.

The clearest reflection of these contradictory American moods is George Washington advice to avoid entangling alliances,[3] and Woodrow Wilson's commitment to "make the world safe for democracy."[4] Historical evidence suggests that after periods of extensive international engagement, there follows a period of withdrawal into domestic absorption, characterized by disillusionment with the experience and costs of international involvement. The key issue, therefore, is whether we are witnessing such a period of withdrawal in contemporary U.S.A. Does it amount to a neo-isolationist mood, demonstrated by the U.S. Senate's refusal to continue discussion on the immigration bill and the U.S. House of Representative's rejection to date to vote on Free Trade Agreements with Colombia, Peru, Panama and South Korea? When President George W. Bush warned about a growing tendency towards "isolationism and protectionism,"[5]

[3] In George Washington's Farewell Address of 1796, he wrote, "The great rule of conduct for us in regards to foreign nations, is in extending our commercial relations to have with them as little political connection as possible."

[4] We are glad ... to fight thus for the ultimate peace of the world and for the liberation of the peoples, the German peoples included; for the rights of nations great and small and the privilege of men everywhere to choose their way of life and of obedience. The world must be made safe for democracy. Its peace must be planted upon the tested foundations of political liberty. We have no selfish ends to serve. We desire no conquest or domination. We seek no indemnities for ourselves, nor material compensation for the sacrifices we shall freely make. We are but one of the champions of the rights of mankind. We shall be satisfied when those rights have been made as secure as the faith and freedom of the nations can make them. Woodrow Wilson requesting that the U.S. Congress declare war on Germany, April 2, 1917.

[5] George W. Bush, State of the Union Address, January 31, 2006 www.whitehouse.gov/news/release/2006

was he using rhetorical images to castigate political opponents, or was he recognizing the a rising nativism and sense of limited liability in the U.S.A.? Finally, who expresses this isolationist mood in America today, the foreign policy elite or ordinary American people? In short, is the word 'isolationist' used by publicity hounds and politicians to gain news headlines, or is it a mood shared broadly by a majority, or growing number of Americans?

A working definition of isolationism helps to clarify the principal elements:

> Isolationism refers to various beliefs and policy positions which tend to contradict the general thrust of post 1945 U.S. internationalism. Isolationist attitudes and policy stances are those that question core U.S. commitments to global diplomatic activism, to European security, to leadership of the liberal international economic order and to multilateral alliance structures.[6]

The clearest case of isolationism was the period following the 1st World War. In rejection of the massive human carnage, the U.S. withdrew into "Fortress America."[7] Isolationists believed that the U.S.A. should remain distant from foreign lands because a continental, hemispheric power was impregnable. They held the notion that "we are insulated by water against effective attack,"[8] or as Greta

[6] I have adapted the definition developed first by John Dumbrell in "Varieties of Post-Cold War American Isolationism," Government and Opposition, 34:1 (1999) and cited in David Hastings Dunn, "Isolationism Revisited: Seven Persistent Myths in the Contemporary American Foreign Policy Debate," Review of International Studies, 31:240 (2005).

[7] Manfred Jonas, Isolationism in America: 1935 – 41, Ithica, NY: Cornell University Press, (1966).

[8] Phillips Bradley, 1937, cited in Paul Starobin, "Isolationism Redux" National Journal: Washington, DC. 38:13, (2006)

Garbo proclaimed in that great movie, The Grand Hotel, "I want to be left alone." In 1939, the much respected journalist, Hanson Baldwin wrote that "by frittering away our great strength in foreign theaters, we may well destroy that impregnability which today means certain security for the American castle."[9] In this he was supported by a number of influential people, among them the celebrity aviator Charles Lindbergh, who founded the movement 'America First' that same year, and gained the support of an estimated 800,000 adherents. Lindbergh called for a policy of isolationism and the suspension of all aid to Great Britain. However, when Japan attacked Pearl Harbor on December 7 1941, and Germany and Japan declared war on the U.S.A the next day, Lindbergh disbanded 'America First.' This isolationist movement had lasted little more than a year.

Isolationism was a mood, fed by fear and a growing nativism that felt safe within the familiar bounds of an English speaking, Judo-Christian continent. We have not witnessed the returned to a true isolationist period in the 20th century, but we have continually faced a preferred cultural disposition to withdraw our troops, reduce our foreign aid, protect our commerce and dam the flow of foreign immigrants to North American shores. I call this cultural mood, a preference for" limited liability." It is not as radical as the isolationism of the 1930s, but the consequences of its goals can impact, seriously and negatively, U.S. foreign policy.

Some have noted cycles of ideological expansionism followed by periods of retreat, or relative isolationism. The scholar, Frank Klingberg divided America's relations with the world into periods of "extroversion" and "introversion" each lasting about a generation.[10]

[9] Hanson Baldwin, "Impregnable America" American Mercury, pp. 256-267, July 1939.

[10] Frank L. Klingberg, Cyclical Trends in American Foreign Policy Moods: The Unfolding of America's World Role, Lanham, MD. University Press of America (1983).

After the introverted period of the 1930s, America turned outward in the 1940s and 50s, engaging with European allies in the fight against Nazism and Japan, dedicating millions of dollars to post- 2nd World War reconstruction, and establishing multilateral alliances to contain communisms. However, that expansionist foreign policy ended with the failure of the Vietnam war. Vietnam pushed the pendulum back toward introversion or isolationism.[11] In the mid-1970s a majority of Americans believed that America "should mind its own business internationally."[12] The foreign policy establishment of both political parties responded to public demand for a reduction in weapon systems, foreign aid and an insistence that allies share the burden of containing the Soviet Union. The conservative columnist, David Broder, wrote in 1972, "Vietnam has left a rancid aftertaste that clings to almost every mention of direct military intervention."[13]

The idea of generational cycles is contentious with scholars arguing over when one cycle begins and ends. However, it is clear that throughout the 20th century, U.S. history has witnessed periods of significant and prolonged military expansionism followed by periods of withdrawal, or "limited liability." In the post Vietnam period, Ronald Reagan could not achieve Congressional support for the dispatch of large scale U.S. troops to Central America in support of the Salvadoran government because the American public remained viscerally hostile to any significant Third World intervention. In 1982, he posted troops temporarily in Honduras.[14] That same year, Reagan

[11] Michael Roskin, " From Pearl Harbor to Vietnam: Shifting Generational paradigms and foreign Policy," Political Science Quarterly, 89:3.563-588 (1974).
[12] Pew Research Center, 1976 cited in Peter Beinart "The Isolation Pendulum; Expect a Cyclical U.S. Retreat from World Affairs after the Iraq War," The Washington Post, January 2, 2006.
[13] Idem..
[14] President Reagan established a temporary airbase at Colomoncagua, Honduras to shore up support for the democratically elected Roberto Suazo Cordoba against growing internal protest and growing Sandinista strength in Nicaragua.

sent the Marines briefly to Lebanon, but withdrew them soon after the Hezbollah attacked their barracks in Beirut. As the neo-conservative intellectual, Norman Podhoretz noted, "in the use of military power, Mr. Reagan was much more retrained...in the face of serious opposition, he would usually back down."[15] Conscious of the political mood that was wary of prolonged foreign entanglement, President Reagan used military force sparingly.

Following the end of the Cold War, there arose a strong national mood to disengage from the world in one of four ways: fight fewer wars, trade less freely, allow few foreigners into the U.S.A. and give less foreign aid. The scholar, David Rieff noted a trend toward neo-isolationism that would make effective US action in the former Yugoslavia "all but impossible."[16] The journalist, Murray Weidenbaum warned of a growing paradox between increasing globalization of business and economic activity versus "a new spirit of isolationism."[17] Two years later, the neo-conservative intellectual Richard Perle asked "is the United States turning inwards?" [18] A strong national mood of disengagement from international commitments and a desire to enjoy the "peace dividend" created by the end of the Cold War resulted in severe constraints on the means available to President Bill Clinton's desire to end the conflicts in Bosnia, Kosovo, Haiti and East Timor. Military and foreign aid spending declined, and no American spirit could be found to protect the Tutsi people of Rwanda or the Kosovars in Serbia. The U.S. President responded to a national need to limit its foreign liabilities, restore domestic attention and resolve internal problems, such as health care. Given the global outreach of the North

[15] Norman Podhoretz, Editorial, Commentary, Summer,1984.
[16] David Rieff, "Whose Internationalism, Whose Isolationism?" World Policy Journal, 13:2.1 (1996).
[17] Murray Weidenbaum, "American Isolationism versus the Global Economy," Society, 33:4.54 (1996).
[18] Richard Perle, "Is the United States Turning Inwards?" International Journal (Toronto) 54:1.1 (1998)

American economy and growing global, technological penetration, no U.S. President could return to the isolationist policies of the 1930s. However, he could and did lessen its international commitments in response to a national demand for 'limited liability.'

Elsewhere, I have noted this strain of 'limited liability' in the early years of the George W. Bush administration.[19] In his first year in office, President Bush announced his intent to withdraw from the Nuclear Non-Proliferation Treaty, he rejected the Kyoto Protocol, withdrew U.S. signature to the International Criminal Court[20] and accepted, initially, President Clinton's more limited defense budget. Those limitations on multilateral engagement came to an abrupt halt on September 11, 2001.

The attacks on American soil by 12 men using the weapon of four commercial aircraft and their passengers created a "seismic jolt" to our national security. We were brutalized on September 11 and a determination was born to root out Arab malignancies. The attack on the Taliban in mid-October that year did not provide sufficient blow against Arab radicalism that was, in any way, proportionate to America's sense of loss and shock. In our hurt, President Bush converted the right to defend ourselves into a broader military response. We would take our fight to the enemy, confront evil and assert global leadership. In his Address to the Nation, the evening of September 11, Bush stated that "we're the bright beacon for freedom and opportunity in the world." He phrased the fight against evil into a positive fight for freedom and democracy. Later, he would use Woodrow Wilson's phrase and turn the prevailing

[19] Diana Villiers Negroponte, "Rhetoric and Reality behind the Pursuit of Liberal Democracy as a Goal of U.S. Foreign Policy." Duke University Center for International Studies, November 9, 2006.

[20] In the final days of his administration, President Clinton signed the Treaty, but he never had time to present it to the Senate for ratification. Debate exists as to whether he signed the treaty, knowing that the U.S. Senate would never ratify such an international obligation with significant limitation on U.S. criminal law.

American mood into a grand strategy of creating a "world that must be made safe for democracy."[21]

The U.S. has not yet made Iraq 'safe for democracy': we are mired in a prolonged social conflict in Iraq, and engaged in a long standing fight against the Taliban and mujadin in Afghanistan. Our expansive international engagements has resulted neither in short term success, nor in a longer term vision of how U.S. forces can disengage from both conflicts. As a result, a growing isolationist mood pervades the U.S. Congress and nation. In his State of the Union address of January, 2006, the President warned against a growing national mood to withdraw.

The road to isolationism and protectionism may seem broad and inviting – yet it ends in danger and decline – America rejects the false comfort of isolationism...Isolationism would not only tie our hands in fighting enemies, it would keep us from helping our friends in desperate need....American leaders, from Roosevelt to Truman to Kennedy to Reagan, rejected isolation and retreat, because they knew that America is always more secure when freedom in on the march.[22]

President Bush recognized the growing mood of defeatism, and a nativist desire to protect American interests. The U.S. Congress had recently defeated Chinese efforts to purchase a majority interest in Dubai port services. A few months later, under significant U.S. protectionist pressures, the Chinese government withdrew its offer to acquire majority ownership in the energy company, UNOCAL. Sixteen months later, the U.S. Congress, reflective of the desires of its constituents, has halted immigration reform,[23] not voted on Free Trade

[21] George W. Bush, Commencement Address, United States Military Academy, West Point, New York, June 1, 2002.
[22] Presidential State of the Union Address, White House, January 31, 2007.
[23] On June 28 2007, the Republican leadership in the U.S. Senate failed to muster enough support to proceed to a vote on the Immigration bill. On a procedural motion, requiring 60 out of 100 votes, the Senate refused to move forward and vote on the bill, which itself was a compromise between supporters and critics of immigration.

Agreements with Peru, Panama, Colombia and South Korea, and rejected consideration of the 54 cent tariff on sugar cane despite the need for biofuels to lessen our dependence on foreign oil. Are we witnessing a period of retreat from foreign commitments, international engagements, and an activist foreign policy?

To determine whether we have abandoned a period of active international engagement in favor of limited liability, we need to identify indices of withdrawal. I note five factors: (1) a failure to achieve military victory; (2) a growing irritation with multilateral institutions that fail to keep us safe or advance our interests; (3) public recognition that economic costs of international expansionism were too high; (4) in the alternative, a preference for resolution of domestic issues that can be solved through U.S. pragmatism; and, (5) a withdrawal into a political environment that can be controlled.

Using current polling data, in the USA, I have sought to examine these factors through examination of American responses on the following issues: presence of U.S. forces in Iraq and Afghanistan; support for the 'war on terrorism'; attitude toward the United Nations; support for U.S. foreign aid programs; promotion of liberal democracy; promotion of U.S. business overseas; and, attitudes toward foreign immigrants. The results do not show a definite shift away from global engagement, but they do reflect a trend away from foreign commitments.

PRESENCE OF U.S. TROOPS IN IRAQ AND AFGHANISTAN

In the latest Pew Global Attitudes Project, 56% of Americans say it is time for troops to leave Iraq.[24] However, a significant minority are concerned that the withdrawal of US forces could lead to greater

[24] "Global Unease with Major World Powers." The Pew Global Attitudes Project, Washington DC, June 27 2007, p. 24.

regional instability.[25] When asked whether the U.S. should maintain its current troop level in Iraq, 31% support the current level and 59% believe that we should reduce our troop level.[26] Regarding Afghanistan, over half, 50%, say that US troops should stay in Afghanistan with a minority, 42%, saying that our troops should leave that country.[27] The poll results suggest that there is no majority for immediate and overall withdrawal of US forces from the international arena. Instead, we note a desire to disengage, but not at the cost of increasing regional violence. There exists a considered opinion among the majority of Americans that U.S. forces cannot withdraw precipitously. However, in the longer term, that retreat should take place.

WAR ON TERRORISM

The Pew Global Attitudes Project shows that US public support for the 'war on terrorism' dropped in 2007. As we move further away from the devastating events of September 2001, public support for the war on terror has declined from 89% in 2002 to 70% today.[28] The decline is open to several interpretations: diminished awareness of external threat; satisfaction with domestic security precautions; or, unwillingness to pay the cost of ongoing international vigilance. Although the threat is framed as an external threat to American society, the principal U.S. government spokesman on the issue is Judge Mike Chertoff, who co-ordinates domestic responses

[25] Idem. Furthermore, The Los Angeles times/Bloomberg Poll, June 7 – 10 interviewing 1,183 adults nationwide finds that 25% support withdrawal right away compared to 43% who seek withdrawal within a year and 26% who believe we should stay as long as it takes.

[26] NBC News/Wall Street Journal Poll, June 8 – 11, 2007 interviewing 1,008 adults nationwide.

[27] Pew Global Attitudes, p. 24.

[28] In 2002, 89% of Americans supported the 'war on terrorism.' This declined to 81% in 2004 and has declined ever since to 70% today. Pew Global Attitudes, p. 22.

from a Department of Homeland Security. The threat is viewed as a domestic issue, requiring domestic responses. Since March 2003, this has mitigated the reaction to attack foreign training camps. Instead, Americans seek to strengthen internal security measures, including the construction of a wall on our southern border with Mexico.

THE UNITED NATIONS

A recent Gallop Poll shows that only 29% of Americans believe that the UN is doing a good job of trying to solve the problems it has had to face versus 66% who say that it is doing a poor job.[29] This compares with polls taken between May 2000 and January 2003 when the UN received some of its most positive ratings from the American people, routinely exceeding 50%. However, when Americans were asked if they want the UN to do more to foster discussion among countries, close to half want the UN to have a *major* policy-making role in world affairs, while an additional 29% favor the UN taking a *lead* policy role. Only 22% say it should serve a *minor* policy role.[30] At the same time, the State Department's budget for UN Peacekeeping has remained even with a contribution of $1 billion in 2006 rising minimally to an estimated $ 1.1billion in 2008.[31] The results suggest that an idealistic expectation for the UN endures within the American public, but hopes were dashed by the inability of the UN to constrain Saddam Hussein or constrain the U.S. government from invading Iraq in March 2003. Its perceived weakness to protect the national

[29] Lydia Saad, "United Nations Ratings Remain at Lowest Ebb," The Gallup Poll, Gallup Poll News Service, February 8, 2007 citing Gallup's annual World Affairs poll, updated February 1–4 , 2007.
[30] Idem. Preference for the UN taking a 'leading role' required that member states conform to UN decisions. Where the UN took a 'major role", member states could act separately. The 'minor role' limited the UN to provide a forum for communication.
[31] Department of State Budget for Fiscal Year 2008. The Brookings Institution comparison of actual expenditures 2005 and 2006 and estimated budget for 2007.

security of the U.S.A. has contributed to growing skepticism toward the multilateral body.

FOREIGN AID

In the period 2006 to 2007, the U.S. Congress reduced the overall State Department's budget by 5.22%.[32] Reductions included a 21.05% reduction for the Andean Counter-drug Initiative, a 5.01% reduction for global Child Survival and Health, a reduction of 6.18% in AIDS relief, a 3.59% reduction in International Disaster and Famine assistance following a reduction of 22.32% the previous year. The figures show a significant reduction in U.S. foreign aid. This can be explained by increases in the previous fiscal year. For instance the support for AIDS relief expanded by 43.74%,[33] but it reflects also the lessening of concern for foreign assistance.

PROMOTION OF LIBERAL DEMOCRACY

American enthusiasm for the promotion of liberal democracy has waned. In 2002, 70% said they believed the US should be promoting democracy around the world, compared to 60% in 2007.[34] Substantial partisan differences exist on this issue. Republicans favor democracy promotion by 74%, independents show 59% in favor and 54% of Democrats say that U.S. foreign policy should feature democracy promotion. That reflects clear majorities among the population. However, a high level of skepticism exists on whether the policy is pursued in nations which serve U.S. national interests with Democrats more skeptical than Republicans.

[32] Idem.
[33] The AIDS Relief budget rose from $1.4 billion in 2005 to just under $2billion in 2006.
[34] Pew Global Attitudes, p. 25.

PROMOTION OF U.S. BUSINESS ABROAD

A majority (55%) of Americans believe that US enterprises should be promoted abroad. However, this number is down somewhat from the figure of 63% five years ago.[35] These numbers are not strong enough to support any conclusion that Americans have withdrawn from international commercial engagement, or are reluctant to spread their ideas and business interests overseas. We can only note the reduction of an expansive vision.

IMMIGRATION

A minority (28%) of Americans believe that the people who emigrate to the U.S. today will make society better. A higher percentage (35%) believes that it will make American society worse. However, a considerable number (29%) do not believe that immigrants will make American society better or worse.[36] This suggests that a sizeable percentage of Americans do not hold strong feelings one way or another on the presence of immigrants in the U.S. When asked whether recent immigrants to the U.S. contribute to this country, or cause problems, 57% said that they contributed versus 28% who said they caused problems.[37] The expanding U.S. economy has absorbed the working immigrant population, but the needs of their children for health care and education have added to the burden on state tax payers. This has resulted in conflictive attitudes among Americans toward immigrants, most of whom are from Mexico and Central

[35] Idem p. 27
[36] CBS News/New York Times Poll, May 18-23 2007.
[37] In response to the same question in 2001, 51% then believed that immigrants contributed to US society and 31% believed that they cause harm. The trend demonstrates declining negative attitudes and rising positive attitudes towards immigrants. See CBS/New York Times poll, May 2007.

America. The mayor of a small town in Pennsylvania succeeded in passing a local ordinance that outlawed the renting of property to illegal immigrants. This created notoriety for the mayor, provoking both acclaim and criticism in the national media. The mayor's actions are reflective of anti-immigrant sentiment, but do not reflect all Americans, who remain divided on the issue.

A daily and heavy dose of criticism against the recent Immigration bill by the CNN anchor man, Lou Dobbs, has resulted in 47% of Americans opposing the bill versus 30% in favor. But the CNN poll also found that 22% of respondents were unsure whether to support or oppose the bill.[38] When the pollsters for NBC News/ Wall Street Journal asked whether immigration helps more than hurts, they found that 46% believed it helped the U.S. versus 44% who considered it hurt more. This near parity has remained even over the last two years with a relatively small number of respondents, (10%) claiming that they were unsure about the help or hindrance of immigrants.[39] Reconciling these numbers suggests that a significant number of Americans do not understand the details of the current Immigration bill with its complicated compromise between advocates and critics. However, few Americans have not considered whether immigrants hurt or help. The relative small number of unsure respondents leads to the inference that Americans form firm opinions on the benefits and costs of foreign immigrants in their midst. Those opinions are evenly divided.

On other issues, there is a clear trend to reduce U.S. engagement overseas. The reduction in foreign assistance, a lessening of support for democracy promotion, a reduced commitment to overseas business promotion are all indicative of a desire to end expansionism. Overall, the data suggests hesitancy over U.S. diplomatic

[38] CNN/Opinion Research Corporation Poll, June 22 – 24 2007.
[39] NBC News/Wall Street Journal Poll, June 8-11, 2007

activism and a growing tendency toward limited American liability. That said, the data does not suggest a retreat into 'Fortress America' that some politicians, scholars and journalists infer.

This leads us to the question whether political leaders and talk show hosts use the language of isolationism as a blunt tool to criticize opponents. During the presidencies of George H.W. Bush (1988-1992), William J. Clinton (1992-2000) and George W. Bush, the White House frequently warned of a return to isolationism. In 1991, George H.W. Bush denounced those who would "retreat into the isolationist cocoon [and those] "on the right and left [who] are working right now to breathe life into those old flat-Earth theories of protectionism, of isolationism."[40] The frequency of these warnings increased during the Clinton presidency when a Republican controlled Congress sought continually to frustrate his foreign policy. For the Clinton White House, the loss of the Democratic controlled Congress in 1994 led to its foreign policy agenda being thwarted by the Republican leadership, as well as by cross bench resistance to its international policies.[41] For Clinton, this opposition represented "a struggle [between] the tradition of American leadership and those who would advocate a new form of isolationism."[42] When the U.S. Senate rejected the Comprehensive Test Ban Treaty in 1995, President Clinton charged that Congressional leadership favored "the most isolationist proposal... in the last 50 years."[43] President George W. Bush warned of increasing isolationism as he urged Americans to remain supportive

[40] George Bush, 'Remarks at the American Enterprise Institute' Washington DC, 4 December 1991, cited in Andrew J. Bacevich, American Empire, Cambridge: Harvard University Press (2002) pp. 75-76.
[41] David Hastings Dunn, "Isolationism Revisited: Seven Persistent Myths in the Contemporary American Foreign Policy Debate," International Studies, 31:239 (2005)
[42] President Clinton, March 1995 cited by William Schneider, The New Isolationism in Robert J. Leiber eds. Eagle Adrift, New York: Longman, 1977, p. 26.
[43] J.D. Rosner, The New Tug of War: Congress, the Executive Branch and National Security, Washington DC: Carnegie Endowment (1995) p.2.

of the 'war on terrorism.'[44] In the language of politicians, the term 'isolationist' has become a pejorative term to suggest ignorance, weakness on defense, as well as short sightedness by those who gather to protest the annual G8 meetings.[45]

Elected presidents are not the only ones to use the term. In 1992, Pat Buchanan the independent Presidential candidate stated that,

Our security rests on US power and will, and not on whether Zimbabwe, Sudan, Syria, Cuba or even China is ruled by tyrants. Our forefathers lived secure in a world of tyrannies by staying out of wars that were none of American's business.[46]

Buchanan appealed to the nativist mood in American politics, lashing out also at foreign aid and immigrant workers. Today, John Edwards, the Democratic Presidential candidate expresses strong preference for protectionist trade policies that favor American workers. In his claim that free trade threatens the domestic economy, he found that American support for free trade dropped from 56% in 2000 to 45% in 2005.[47] Edwards has appealed to a growing number of Americans who see a correlation between the competitive character of a globalized economy and the fear of job losses.

The term 'isolationist' is much used and abused in the American foreign policy debate. It is used to castigate opponents, awaken nativist sentiments and assert preference for the American worker, or as Lou Dobbs repeatedly says "support for the American middle class." Despite the fact that successive American administrations have warned against the resurgence of isolationism in the post Cold-War period, there is little evidence to support a significant withdrawal

[44] "United States: The Isolationist Temptation; the Public Mood," The Economist, 378: 8464, 49 (2006). And George W. Bush, "Remarks at the Paul H. Nitze school of Advanced international Studies, Question and Answer Session" Washington DC.: April 17, 2006.
[45] See George W. Bush, "Remarks on Departure from Oxford, UK" July 23 2001.
[46] Idem, citing Pat Buchanan.
[47] The Economist, 378: 8464, 50.

of American international engagement. There is no coherent isolationist platform, no recognized leadership figure and no self-identified representative in Congress. However, despite these facts, there is widespread indication of a resurgence of limited American liability, and a reduction in the willingness to commit personnel, funds, business enterprises and ideas to an expansive international engagement. The consequences of which deserve our serious attention.

VII.

War and American Technological Development

WAR AND AMERICAN TECHNOLOGICAL DEVELOPMENT*

Carlos Aguiar de Medeiros**

INTRODUCTION

This chapter argues that the basic innovations that have formed modern American technology since the Second World War (and that have spread rapidly throughout the world, such as jet airplanes, transistors, optic fibers, nuclear energy, computers, the internet) have been conceived, developed and driven as a military undertaking (Roe Smith, 1985). The "military-industrial-academic complex" created a broad process of innovation led by scientific discoveries in the USA; the aim was both to win the Cold War with the Soviet Union and push forward the frontiers of science, so that American technological leadership would be consolidated worldwide. The doctrine that technological weapons superiority is the decisive factor in military victory was re-affirmed as the dominant view of the American military in the post-war years, and it has not changed, even after being revealed as completely inappropriate to local wars, as was eloquently shown in Vietnam and, today, is seen in Iraq.

The "military-industrial-academic complex" has, at various times, generated not only a stimulus in demand but also in supply of

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innovations; it has also created a decentralized and coordinated network of technological institutions and communities that is unrivalled in today's world. Given this specific characteristic, the influence of the armed forces in technology was in no way held back by limited R & D resources or restricted to government purchases from arms manufacturers, but included rather the creation of institutions especially directed to shifting the scientific frontier and accelerating technological progress. This political objective became a defining feature in American science and technology.

With the huge war effort in the Reagan era, the "military-industrial-academic complex" won the Cold War. After the collapse of the Soviet Union, the shrinking Defense budget was accompanied by new initiatives and new formulations about future wars. The September 11th terrorist attack and the extraordinary increase in military spending that followed lent significant momentum to the new war strategies that seem, today as in the past, to be pushing American science towards a new wave of innovations.

As well as this introduction, the chapter has three sections. The first describes the creation of the American system of innovations. The second explores some of its characteristics, and the last considers some recent trends in this system since the end of the Soviet Union, as well as examining how new concepts of war stimulate the creation of new technologies.

CREATING THE "MILITARY-INDUSTRIAL-ACADEMIC COMPLEX"

For Holley (1983), it has only been since the Second World War that American military policy has considered the thesis that war is decided by the technologically superior weapon to be essential.

This idea of the superior weapon combines both the technological characteristics of artifacts and also the strategic concept of war, and it bestows a central priority on fundamental

technological innovations and strategic ideas about the use of new armaments[1].

The American military commitment to scientific research was a result of the Second World War. During the war, research and development efforts were no longer confined to military laboratories, as they had been in the First World War. The creation of the National Defense Research Council (NDRC), in 1941, established a new structure for science and engineering, giving rise to an ample network of research in conjunction with universities. With the atomic bomb, the penalty paid for any delay in the arms race could have devastating consequences. To gain superiority in the search for a superior weapon, it was necessary to extend the technological frontier by broadening scientific communities at a speed, and in a dimension and direction, quite distinct from their industrial competitors'. The MANHATTAN project was the most important benchmark of this new era.

That which Dwight Eisenhower named the industrial-military complex was, from the start, a "military-industrial-academic complex", as was later recognized by Senator William Fulbright (Leslie, 1993). The National Research Council (NRC) created in 1941, as well as its successor, the Office Defense Research Council (ODRC) were directed by Vannevar Bush, deacon of engineering at the Massachusetts Institute of Technology (MIT). He was the architect and creator of the new system of innovation in the United States.

In this framework, the universities would be the nerve center of scientific research. Arms-supplying industries such as Lockheed, General Electric, Boeing, General Dynamics and AT&T were notable among the largest companies, while MIT, the University of California,

[1] As emphasized by Milward: The production of modern armaments beyond a certain level of complexity is only possible in states which possess the best equipped, *largest, and most innovative engineering industries. Since it is also in such countries that most of the technological innovations in armaments designs take place, the process is a self reinforcing one in which most powers can only struggle to maintain a level of armaments technology which does not to fall far behind the best.* (Milward, 1977: 171)

Stanford, Harvard and Columbia were the main institutes responsible for post-war American technology.

The victory of the strategy of superior weapons underwent a transformation after it became clear that the Soviet Union was building up military capacity. Weapons research became a vigorous technological policy and a drive to expand new knowledge. This objective was clearly recognized by the DoD and established unambiguously by the Defense Science Board in 1956. The Advanced Research Projects Agency (originally ARPA, now DARPA), reporting to the DoD, was a leading figure in the creation of new technology. For this effort, the limiting factor was not the availability of financial resources. After the war, the armed forces were well funded and the DoD purchasing policy created a strong protected demand for the main armaments suppliers. The limiting factor was, rather, the stock of knowledge and the operational structure of the innovation system. Thus, the task was not held back by R&D incentives in industry or in universities, but lay rather in the creation of an extensive and dynamic system of innovation. The challenge was to reduce the time period between inventions and innovations, accelerating technical progress and directing it to the production of "radically new armaments". This challenge was taken on by the DoD. It involved not only the supply (expansion of the store of knowledge), but also the demand (technological orders), and it was guided by military efforts in search of better weapons and the best ideas about how to use them. As a result, the military functioned as the largest autonomous force in the configuration and direction of the USA's inventive process.

Politically, the perception that the USA was technologically behind in the arms race was used as an argument to strengthen military budgets and create political coalitions that would favor innovations and help break out of bureaucratic inertia, decisive aspects in the construction of institutions ready for the scientific and technological efforts needed. German missiles and the atomic bomb during the

Second World War were what created the ODRC and made the "military-industrial-academic complex" viable; the success of Sputnik in 1951 was vital to the expansion of financial resources and to the creation of the Defense Science Board in 1956 and of NASA in 1958. During Reagan's government, the arms race accelerated so as to contain and defeat the Soviet Union, and this generated an extraordinary growth in the military budget; again, in 2001, the terrorist attack was the catalyst for a huge expansion in military spending. These peak moments can be observed in the data below.

The data show five distinct moments: expansion of military spending in the 1960s, a drop in the 1970s, vigorous expansion in the 1980s, marked contraction in the 1990s, rapid recovery after 2001. Let us consider, in this section, the first two decades, which are the first years in this system of innovation.

Evolution of the Defense Budget and Research Spending in Military Development (in millions of dollars at 2007 rates)

Financial Year	Total	Research and Development
1962	384,822	25,791
1969	470,086	23,669
1974	341,482	25,846
1979	348,242	26,109
1984	480,679	37,324
1989	466,775	42,439
1994	352,954	31,118
1999	341,742	32,110
2002	409,804	39,360
2007	**439,534**	**50,794**

SOURCE: DoD, USA, Values Total Obligational Authority. Financial term that expresses the value of the budget used by the defense program in the financial year.

The success of the "superior arms strategy" requires organizations capable of administrating complex systems, gathering information and resolving operational and political conflicts. It is about power, the power of organizations over the complexity and challenges of new tasks. The "military-industrial-academic complex" led by the armed forces in the USA was an achievement of no lesser importance than its technological results, such as jet airplanes, the atomic bomb, missiles, transistors or computers. By dealing with basic innovations in the search for new machines, the selection of the best ideas depends on how decisions are made. Following in the steps of Hughes (1998), the creation of this system of innovations came out of certain key projects.

The SAGE (Semiautomatic Ground Environment) project was a clear example of the importance of organizations in the process of innovation. It created an extensive network that connected state laboratories, universities (the main part of this million-dollar project, comparable to the MANHATTAN project, was developed by MIT with collaborators such as John von Neumann from the Institute for Advanced Study at Princeton and many other institutions such as CALTECH and the University of Harvard) and industrial laboratories (such as Bell, Polaroid etc) involved in a long-term multidisciplinary work. One unintended consequence of the project was the development of many innovations in computers, communications and administration.

The SAGE project did not have a decision-making structure that was suitable for its level of complexity and diversity. This project showed up the systemic difficulty of "big science" in great undertakings where "the administrative problems were as complex as the operational ones" (Hughes, *op.cit*). Therefore, the crucial experience was to come very early on with the ATLAS project, the first successful intercontinental missile project, which started in 1954, involving "17 directly contracted companies, 200 subcontracted ones and a workforce of 70,000 people" (Hughes, *op.cit.*).

Systems engineering and operational research engineering developed in projects such as SAGE and ATLAS became examples of "big science", a term first used by Alvin Weinberg of the Oak Ridge National Laboratory to describe the close connection between physics and engineering in big military projects. This was the connection that would dissolve the frontiers between science and engineering, accelerating the sequence of phases in the innovation process. Systems engineering was a fundamentally military innovation.

In the ATLAS project, the administration of complexity was not limited to solving complex hydrodynamic and aerodynamic designs, but involved instead carrying out contractual specifications, performance monitoring of equipment and testing a highly decentralized network of suppliers and universities. Who takes the decision, and at which level? How to coordinate innovations and solve conflicts between producers and users? The response given by the directors of ATLAS was "supplier competition", which required complex administrative instruments.

The arms race established the timetable and trajectory of technological innovations in the USA. The change from prioritizing basic research in microwave physics to solid state physics speeded up the microelectronics revolution and was motivated by missile projects and NASA's 1960s APOLLO project. The electronics laboratories created at Stanford and MIT were especially connected to military objectives.

The influence of these laboratories and, in particular, of the Stanford Electronics Laboratory (SEL), was of great importance to Silicon Valley. SEL's budget was completely dominated by individual contracts with the Army, Navy, Air force and NASA.

A network was a new idea in the use of computers. It originated with the arms race and was to increase information control mechanisms. In fact, the original idea came from RAND Corporation, which aimed to create a communications network that might survive

a nuclear attack and make a missile counter-attack feasible. To achieve this objective, the system had to be decentralized and non-hierarchical.

The original ARPANET project was to create a network that could share time and money spent on the database and the sophisticated programs required in the solution of complex problems. This system of sharing many terminals interconnected to a central computer was conceived to resolve processing problems, such as those involved in the storage and recovery of information. ARPA and the engineers who directed its Information Processing Techniques Office thought out the basic architecture of the Internet. The first step was to connect ARPANET to other networks created by ARPA. The most complicated aspect in connecting networks with different characteristics was to develop a recognition protocol; until 1983, there were two conflicting standards. This conflict was ended by the DoD when it decided that all computers linked to ARPANET should use the TCP/IP protocol, from then on generating a standard for the Internet.

The following years were technologically dominated by the spread of these technologies for civil uses. Throughout these years, there were many changes in the arms race, in political support for military spending and in the nature of technical progress, all of which led to significant changes in the American system of innovations. In these changes DARPA, the successor of ARPA, continued to be a leader. Before investigating the transformation that took place, it is important to summarize some features of this system of innovation and of the mechanisms by which it spread.

THE SPREAD OF TECHNOLOGY IN THE AMERICAN SYSTEM OF INNOVATION

Due to their range, it is no easy task to evaluate the weight and influence of military innovations in the set of basic innovations

that molded the post-war American economy. If we consider as basic innovations those that create new sectors in industry (as, for example, did Mensch, 1979), and if we keep to Pavitt's[2] industrial classification, it is possible to say that the "military-industrial-academic complex" created the basic innovations in all new industries based on science (aerospace, computers, telecommunications equipment) and kept its leadership in many industries based on specialized suppliers (such as numerical control machines and other capital goods), industries that, along with pharmaceutics, business services and banks, make up the main high-technology sectors.

As has been observed, however, it is not only machines but also ideas about how to use them, as is the case of the Internet, that were developed by military projects in networks of institutions especially built and supported by the DoD. These nascent industries were concentrated in the 1950s and 60s, and were stimulated by the provision of government funding and purchases without concerns about the costs.

The "military-industrial-academic complex" has a peculiarity that distinguishes it from other national systems of innovation. Due to the academic laboratories' protagonist role, the decentralized network of researchers and the motivation of the main formulators of technological policy, the commercial spread of military technology took place by means of emerging firms. Institutions such as DARPA or NASA, for example, took on the function of venture capitalists. Scientists and engineers used their accumulated knowledge in public laboratories to create new corporations, exploring new technologies. Besides this method of transferring technology through learning and knowledge incorporated in individuals, the transfer of technology directly to large corporate suppliers and indirectly to their specialized suppliers was the main way of spreading new technologies. To the

[2] See Dosi, Pavitt & Soete, 1990.

extent that commercial uncertainties and risks were temporarily suspended by military support, the lifecycle of the innovation process was shortened and the opportunities for commercial exploitation were assured by the accumulation of technical capacity built up in industrial laboratories.[3]

Military technological undertakings in the USA biased technological change, stimulating and selecting specific variants of the new technologies. This was, for example, the case of the transistor, where the demand for high performance in electronic systems included resistance to very high temperatures (necessary for missiles and war planes), forcing producers, such as Texas Instruments, to seek new and more expensive transistors. Although there is not only one use for any new piece of knowledge, the direction of technical progress molded by the arms race created a bias in costs, absent from commercially used technologies, such as those developed by the successful Japanese system of innovation. An important example took place with numerical control machines. This was an innovation demanded by the Air Force in the 1950s, developed for high-speed airplanes and intercontinental missiles. Their components would have to bear high temperatures and perform to the highest specifications. The technology of these machines quickly spread through the worldwide economy in the 1970s, but unlike the American machines, the equipment developed in Japan emphasized simplicity and low cost, so as to be suitable for commercial use. As a result, in 1978, American industry became a net importer of numerical control machines.

This technological bias, as well as the electronics industry's maturity and the dramatic cuts in the military budget that took place in the 1970s, were important aspects of changes in American military leadership in terms of its innovation system.

[3] A good example examined by Cypher (1987) was the case of the Bell Telephone Laboratory. Another important case was IBM, the great beneficiary of the electronic research led by the Lincoln Laboratory on military request (Leslie, 1993).

THE 1990S: NEW STRATEGIES AND TRANSFORMATIONS IN TECHNOLOGICAL POLICY

As can be seen in the table above, the decline in military R & D spending began in the 1970s. After 1980, during the Reagan years, the defense budget grew dramatically, and there was also a spectacular increase in R & D spending. The 1990s, and up to 2001, however, were marked by stringent cuts in defense spending and in resources for R & D. From 2001 onwards, one can observe that although the global budget did not, in absolute terms, return to the highest peaks of the 80s, the R & D budget is in fact higher now than at any other time. It is important to consider the technological transformations and institutional changes, and especially the relations between the DoD and the main arms and technology suppliers.

After the revolutionary technological innovations of the 1950s and 60s, technological momentum changed. If, in those decades, the real challenge was to introduce basic innovations in new armaments, in the 1970s, thanks to the speed of electronic innovations, new electronic devices lost their novelty more quickly than did military artifacts. The challenge became to introduce these innovations continually into existing arms and communications equipment. This, in part, meant that the emphasis began to move from the "near side" of technological progress (DARPA, 2007), to increasing innovations in known technological systems.

On the other hand, military procurement stopped being the only source of demand from, and of incentives for, high-technology industry. Electronics, personal computers and telecommunications equipment industries had spread worldwide by then, forming an extraordinary demand for modern technology. Innovations in these sectors originally led by military objectives gained autonomy in the same measure that the industry itself matured. Adapting to military ends those innovations obtained in a much bigger market, and

channeling research efforts from much richer industrial laboratories into a dual-use technology (civil and military) constituted the new priorities of the armed forces.[4]

During the 1970s, the military sought a new approach to technological policies for the production of sophisticated arms. The Manufacturing Technology Program (ManTech) under the direction of the Air Force Systems Command (AFSC)[5], started halfway through the decade, was part of this new policy. Its origin is associated with the evolution of the numerical control machine and the Air Force program for building computerized factories.

As previously observed, the rapid spread of new electronic equipment demanded more balanced military technology that took costs into account. To cut the cost of new weapons, there had to be a quicker transition of military-use technology to civil uses, and commercial research had to be channeled to military projects. This, in turn, needed a sweeping modernization of industry and the creation of a new dual-use technology.

Despite having been created in the 70s, the program took on greater relevance in the 90s when the cuts in resources of this decade were to impose new models on the organization of the military complex. Both the ManTech program and DARPA were to concentrate their efforts in channeling R & D resources from big laboratories into military projects.

DARPA took on a more prominent position. This DoD agency, whose historic importance has already been noted, shared this new approach in industrial policy, but also took on a much more

[4] It is important to observe that today 2/3 of all R & D of the USA is financed by industry; however, most of these resources are devoted to the development of existing technologies. The basic research is financed by the government. According to the report of the American Association for the Advancement of Science (AAAS) government spending of R & D is predicted to reach $143 billion dollars in 2008, of which the DoD will spend $79 billion. (AAAS, 2007)

[5] See Cypher, *op. cit.*

ambitious function in terms of scientific and technological leadership. Reporting directly to the Secretary of Defense, it possesses complete independence from the conventional structure of military R & D. Just as in other innovative institutions such as RAND Corporation, its qualified staff are recruited from among the engineers and scientists of the best universities and research laboratories. Managing a bigger budget than ManTech's with greater contractual flexibility, its main objective is to "create radical innovations for national security" (Fernandez, 2002) by means of scientific and technological discoveries. The main idea is to build a bridge between the "far side" of innovation, which the private sector does not reach, and the "near side" where private investment predominates. But the capacity for scientific and technological creation that enables technologically superior weapons to be built also requires a dynamic in which military projects find growing support and quick responses from the big industrial and scientific laboratories. Such a project becomes more feasible as investments in "dual-use" technologies expand. With fewer resources than it had in the 1980s, the DoD has, since 1992, stimulated a restructuring policy and increased the efficiency of the main arms suppliers.[6] A wave of mergers and acquisitions in the 1990s and early years of this century generated a great concentration of capital in the American armaments industry. This process took the main institutional investors to the armaments manufacturers – as to any great industry – and made the Stock Market a key funding center for the arms industry.

This transformation might suggest a growing autonomy in the industry and less DoD control over technology, with great interference from investors and their financial objectives in the productive and technological decisions taken by the industry's engineers and executives (Serfati and Mampaey, 2006). However, this autonomy is feigned. As the authors observe, the surge in share prices

[6] For more details see Serfati and Manpaey (2006)

in the main corporations from this complex after the September 11 terrorist attack reveals an "internalization" in its strategies of "unlimited war"; the targets and objectives set out by agencies such as DARPA become the focal points where extensive private resources are now allocated. Some of these points will be presented at the end of the next section.

AFTER THE SOVIET UNION: ASYMMETRIC WARFARE, THE ARMS RACE AND TECHNOLOGY

With the end of the Soviet Union and the main nuclear threat, the USA defense budget shrank considerably. In 2002, after the September 2001 terrorist attack, military spending rose dramatically. But more important than these changes is investigating whether, when the arms race with the Soviet Union ended, the stimulus for technical progress in a never-ending search for new arms did, in fact, undergo some sort break in continuity.

Post war, the concept of dominant warfare was based on the strategy of containing the USSR and seeking military superiority through nuclear artifacts. One essential aspect of this doctrine was the concept of symmetrical warfare, in terms of both technological capacity and also the adversary's strategy. Reagan's strategic defense initiative (Star Wars) aimed to exploit American leadership in space technology, expanding the theater of war into space, with stations that could annul the threat of Soviet missiles.

The unsuitability of this strategy for localized wars and conquests of territory, as eloquently demonstrated in the American defeat in Vietnam (and currently in Iraq), did not shake the convictions of American military personnel in the strategy of war centered on the search for technological weapons superiority.

In the case of Vietnam, the USA faced the military challenge by always banking on its massive conventional military superiority

and its technological arsenal. The escalation of the war showed two important technical and political dilemmas associated with the "strategy of the technologically superior weapon" in local conflicts and territorial conquests. In the first place, there was the statement that the counterpart of high mobility ensured by helicopters would demand a growing labor force in static positions working on logistics that would, in turn, be exposed as fragile targets for enemy sabotage action. In second place, there was the dilemma created by the USA's incapacity to wage a cheap war or to sustain a long and expensive war politically. But due to the existence of the USSR, the war against Vietnam could be won on another plane. The Nixon/Kissinger strategy was that it should be won on the stage of high diplomacy, exploiting the contradictions in Sino-Soviet rivalry. On the other hand, it was held that the main focus of war should be against the Soviet Union. This proposition was reinforced by the announcement, in 1973, of the successful tests with multiple-warhead Soviet missiles.

From the military point of view, the Nixon/Kissinger strategy of facing the Soviet Union, inciting competition with the "technologically superior weapon" was fully resumed at the end of the decade by Reagan and taken further by Bush in the first war against Iraq, without the USA having created a trustworthy doctrine for limited wars and technological capacity-building for intervention in third-world countries (Kolko, 1985: 545). This issue can be found today at the center of events in Iraq and is, as argued below, concentrated in a huge technological effort by the USA.

With the end of the Soviet Union and even before the September 2001 terrorist attack, the security challenges formulated by American military personnel changed radically. With an unprecedented expansion of its imperial power, the USA government, through the DoD and DARPA, developed a new concept of war, a new strategy demanding new scientific achievements and new technologies. As was shown in the Quadriennial Defense Review

Report (QDRR), prepared immediately before September 2001, and published some days after, and in the National Security Strategy presented by President Bush in 2002, a new arms race had already begun.

This new strategy considers that the end of the Soviet Union meant that there was no longer any adversary to rival the military power of the USA, but the emergence of regional powers (in Asia), the globalization of American interests, the spread of military technology and the growing importance of non-state actors opened new theaters of war. These include waging the country's wars and winning them in local and simultaneous wars. On the other hand, in accordance with this new concept of warfare[7] that the 2001 terrorist attack stimulated so much, the strategy of when to start a war would be independent of a declared attack, resting rather on evaluation of the imminence of attack by a potential adversary (preemptive warfare).

In contrast to the old theater of war, this new strategy considers a diffuse and dispersed set of operations, spread across distant and hostile environments, with minimal support on the ground. For this strategy, revolutionary capacity to win is necessary, and it is essential to anticipate and simulate the potential enemy's own capacity for attack. This potential attack on the USA and its allies is considered both in terms of conventional weapons of mass destruction and also in terms of biological and chemical weapons, or even in the form of an attack on the defense system's information structure.

The nucleus of this strategy is to acquire a permanent control of space and the exclusion of adversaries (the interruption of communications among Iraqi troops in the Gulf War is a mark of how important new information technologies are for military ends), to carry out precise attacks (evident in Afghanistan, in marked contrast

[7] It is not our objective here to analyze how real or exaggerated is the DoD's evaluation of its new adversaries' capacity for attack. It is rather to extract some of the technological consequences that emerge from this doctrine.

to the massive and inefficient attacks in Vietnam in the 1960s) and gain operational superiority in areas where access is denied. This is about a combination of bombardments and command in external operations and a new type of fortification in the defense of internal spaces. As analyzed by DARPA and the DoD, to face the new defense demands that have emerged from this concept of attack, it is necessary to make radical innovations in mobile sensors retrieving intelligence from images, signals, computation, cryptography, translation, communication, invisible aircraft and platforms, unmanned vehicles, localization systems, etc.

The main challenge in this "Bio/Info/Micro" science is to integrate the biological and physical systems with information technology, so as to create algorithms, software and the guiding architecture that the DoD needs in the future. Most future DoD plans involve large networks of men and robots that are capable of reacting to aggressions and creating an operational domain for soldiers in the future.

Some revolutionary projects can be seen in the table below:

The Defense Advanced Research Projects Agency (Planned procurements)

Description of the Program	Timetable
Cognitive expansion using human-computer symbiosis systems in combat simulations	5 years
High Productivity and Quantum Computation Systems, and innovative technologies	9 years
War games and Asymmetrical Environment, creation of automatic and adaptive behavior models with asymmetric adversaries, in neural networks, evolutionary programming, hybrid thinking techniques	5 years
Next Generation systems aiming at revolutionary improvements in military communication, technologies for integrated systems in microelectronics and in wave form	5 years
Communication system providing high quality visual information to combatants in the air, on land and under water. Increased capacity for communication with submarine operators	4.5 years
Mind-machine interfaces by creating new technologies that increase human performance through access codes in real time integrated with peripheral operational systems	5 years
Biological systems of product-input, design of DNA modules that allow the use of organisms (plants, microbes) as remote sentinels in the detection of chemical or biological environments	3 years
Concepts of Bio-Magnetic Interface, development of programs that allow magnetism and biology to be integrated, and the discovery of mechanisms to detect, manipulate and control biomolecules and cells. Magnetic sensors and discovery of new optic microscopes	3 years

Source: DARPA, Planned Procurements, December 2001.

The terrorist attack made the development of this concept into a great priority; the defense budge increased and DARPA's approach gained strong support. The rhythm of industrial innovations that will emerge from these ideas is not yet known, but what can be said is that today, as in the past, the issues of war continue to raise new scientific and technological challenges that form the American technological trajectory.

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VIII.

The Role of Oil in American Geopolitics

THE ROLE OF OIL IN AMERICAN GEOPOLITICS

Ernani Teixeira Torres Filho

INTRODUCTION

At the end of the nineteenth century, kerosene replaced whale oil as the main source of domestic illumination all over the world. With this, oil started to be part of modern mass-market consumption. Since then, the widespread use of gasoline- and diesel- powered engines led "black gold" to it position as the main international source of energy. Oil today is responsible for making practically all our transport systems work, on the ground, and in the sea and air. In particular, as Winston Churchill[1] realized at the start of the twentieth century, it was the most efficient fuel for moving armed forces around.

Historically, it was its military – not economic – importance which first put oil at the center of international geopolitics. Everything started with a German military ship threatening the port of Agadir in French Morocco in July 1911[2]. The episode convinced Churchill that war between Britain and Germany was an imminent reality.

At the same time, it became clear that maintaining British leadership in the seas would require the fleet to be converted, like some other countries' navies, from coal power – an abundant fuel in Great Britain – to oil. At the time, this product was basically produced in the USA and in some "exotic" countries, which were far away and

[1] Before becoming Prime Minister, Churchill was First Lord of the Admiralty, the main civilian position in the British Royal Navy.
[2] The Agadir incident allowed Germany, which also had colonial interests in Morocco, to obtain territories in another part of Africa as compensation from the British and French.

politically insecure[3]. Warships powered by oil, even at that time, reached greater speeds and were more economical in terms of space and labor.

Once this conversion had been decided on, the British government, aiming to guarantee stable and affordable supplies for its new Navy, adopted a complementary measure – unknown at the time – of acquiring an oil company, later to become BP (British Petroleum). British admirals did not trust a market under the control of a few American corporations and Shell. The latter, despite its large number of British share-holders, was effectively run by the Dutch[4].

The battles of the First World War (1914-18) confirmed the military relevance of oil. Horses and coal-powered locomotives lost their place to vehicles with gasoline-powered or diesel engines. The defense of Paris in September 1914 was, for example, undertaken by French troops who moved from the city to the front in taxis. In the Second World War (1939-45), oil had a still greater strategic value. The control of a stable oil supply was a key element in the course of the conflict, both in the Pacific and in Europe. The attack on Pearl Harbor in 1941 was an immediate response by Japan to the embargo on oil imposed by the USA, its traditional supplier[5]. With the destruction, in that battle, of the American Pacific Fleet, Japan was free to take the rich oilfields in Indonesia, then a Dutch colony,

[3] This is still true today – oil mostly comes from the Middle East, Russia, Venezuela and Africa.

[4] History proved that the British admirals were right to be suspicious of Shell's "loyalty"; despite having supported Britain in the First World War, the corporation's founder and director for many decades, the Dutchman Henri Deterding, retired in the 1930s and was an open supporter of German Nazism.

[5] At the end of the 1930s, the USA supplied about 75% of the oil consumed by Japan, and American oil exports to that country were only suspended, and indeed only indirectly (by freezing Japanese government assets in the USA), on July 25th, 1941, four years after the invasion of China and only after Indochina had been completely occupied by the Japanese. President Roosevelt was afraid of opening a Pacific military front, as well as a European one, if he decided to prohibit the export of oil to the Japanese. See Yergin, 1992.

without any imminent risk of US retaliation. In the same way, the invasion of the Soviet Union and North Africa by the Germans was to control the oilfields of the Caucasus and Iran. The scarcity of oil was one of the main factors in halting the war machinery of Japan and Germany, while the abundance of American oil opened the way for a faster Allied victory.

The experience of the Second World War led post-war American strategists to be quite clear about the importance of oil in the rebuilding of international relations. As Klare wrote (2001),

> American strategists considered access to oil especially important because it was an essential factor in the Allied victory over Axis powers. Although the nuclear strikes on Hiroshima and Nagasaki ended the war, it was oil that fueled the armies that brought Germany and Japan to their knees. Oil powered the vast numbers of ships, tanks, and aircrafts that endowed Allied forces with a decisive edge over their adversaries, which lacked access to reliable sources of petroleum. It was widely assumed, therefore, that access to large supplies of oil would be critical to US success in any future conflicts.

In the following decades, oil was an element present in almost all big international crises. The beginning of the Cold War was marked, in 1946, by Anglo-American pressure for immediate de-occupation of the oilfields in northern Iran by Soviet troops. De-colonization and the renewal of nationalism in the following years involved, as a backdrop, the elimination of Great Britain from the political forefront in the world of oil. The failed attempt to retake the Suez Canal – the main route for Arab oil on its way to Europe – by Britain, France and Israel in 1956 marked the end of the European colonial world and the rise of Arab nationalism. The various Arab-Israeli wars, the clashes of 1973 and 1979, the Iranian revolution, the conflict between Iran and Iraq and the most recent crisis in the Middle East – which started

with the invasion of Kuwait in 1991 and is still ongoing, with US troops occupying Iraq – are all important events that are connected to the strategic control of main productive regions, distribution routes and world oil reserves.

In parallel with its geopolitical importance, oil was responsible for some of the most relevant chapters in the economic history of modern capitalism. It became the most liquid type of merchandise and the most ubiquitous of all commodities[6]. The widespread use of cars, planes, ships and trains powered by gasoline or diesel has impacted on the spatial reorganization of industries and cities, allowing for the physical integration of an increasingly urbanized and internationalized economy. The existence of enormous reserves, allied with the low cost of extraction and the economic advantages created by its use, has made "black gold" the main source of global energy.

Oil has also fostered the rise of big corporations, among them the largest, most sophisticated and emblematic of the modern world[7]. Oil corporations, because of their size and experience, are responsible for funding and managing investments that, in isolation, involve billions of dollars and dividends that can continue for decades. They command enormous resources that migrate around the globe, from areas in decline to new frontiers of production.

It is common nowadays to hear that oil no longer has such a high strategic value. It is supposed to have become just one commodity[8] among many traded in the spot, futures and derivatives markets. There

[6] Petrol today is responsible for about 10% of world trade. See Weston, Johnson and Siu, 1999.

[7] According to the magazine Fortune 500, Global edition 2000, - see Fortune (2001) – the largest corporation in the world in terms of sales was the oil giant Exxon, while Shell and BP were, respectively, the sixth and seventh largest, following the same criterion.

[8] A commodity can be defined consumable and generic good whose quantities can be sold at a price established in a centralized competitive market: the term is also used, as here, to emphasize a market, not only where transactions take place, be it as spot, futures or derivatives, but where the determination of market prices basically reflects supply and demand.

is more than a little exaggeration in this observation. The fact that it is currently bought and sold on the basis of flexible market structures is not enough to sustain this claim. From the viewpoint of the developed world and especially from that of the USA, oil was, is and will continue to be an important item on the national security agenda, not just in terms of guaranteeing its supply, but also and mainly from the point of view of its current supply flow.

With this situation in mind, this chapter aims to analyze North American oil geopolitics from the Second World War onwards. In so doing, we will present it in terms of the three standards that regulated the international market during the period. The first, which extends from 1945 to 1973, is characterized by the consolidation of American hegemony in the Middle East and by the market leadership of the big US oil corporations.

The second, which lasted from 1973 to 1985, was marked at the outset by the First Oil Crisis, i.e. the break-up in the order that had existed for nearly three decades among repercussions from the crisis in the international post-Bretton Woods monetary system and the American defeat in Vietnam. Following that came failed attempts to re-regulate the market, which were overturned by, among other things, the Iranian Revolution of 1979. Finally, the most recent period has seen, since 1985, the constitution of a new system of regulation in the international oil market, based on its "financialization"[9], in an environment marked by the resurgence of American hegemony[10].

[9] The term "financialization" was coined as "financeirização" by Braga (1997), to explain the global regime of financially-based price formation, a standard that started to dominate the international economy most clearly from the 1980s onwards and which, in the oil market, submitted corporations and countries after 1985 to a different logic for the setting of prices and contracts, based on flexible markets.
[10] See Tavares (1997).

THE POST-WAR OIL MARKET (1945-1973)

The "golden age" of the growing international economy, which stretched from the end of the Second World War in 1945 until 1973, could be said to have been "powered by oil". Oil became the world's main energy source, taking the place held by coal since the beginning of the first Industrial Revolution. Europe, Japan and even the United States were, until the mid twentieth century, economies basically driven by coal. This change in the energy matrix resulted from various factors, such as lower prices, less damage to the environment and the rise of motorization. However, the greater use of oil was also driven by political motives. Governments and industries realized that it was a way of reducing the strength of the up till then powerful and active coal-mining unions. The result was that the demand for oil increased, for almost three decades, at rates of over 7% a year. In 1945, the world market required 7.1 million barrels of oil per day (bpd). In 1974 the world burned 55.9 million bpd, almost eight times as much. Oil, then, had already become the biggest international business, much as we see it today.

This increase in demand for oil was met by a growing supply coming from sources outside the USA. Between 1948 and 1972, American production increased from 5.5 million to 9.5 million bpd. While global demand for oil was booming, international reserves in non-Communist countries were growing even faster, about nine fold. The result was that, despite the strong international demand, the price of oil throughout this period tended to fall constantly or, as it was said, "the world is swimming in oil".

The stability of the oil market during the "golden age" was based on two important institutional arrangements. The first was the agreements signed in the 1940s between the big corporations to establish the rules of their joint operation in the Middle East. The second important mechanism was the concession contracts signed

between the big corporations and the countries of the region[11]. These instruments, as well as guaranteeing control over production and selling price to the corporations, most importantly included the rule of sharing the results, then fixed at 50% for each party – corporation and government. These contracts provided the financial resources necessary for development of new oilfields, for high-density capital investments, as well as for installation of new refineries and increasing distribution networks. On these two institutional pillars was based the market power of the USA as the "last-resort supplier", thanks to the high capacity for production lying idle in its territory.

Military and political security in the Middle East was thus the object of an Anglo-American condominium. Britain was the former colonial power that, at the start of the nineteenth century, had eliminated pirates and pacified local sheikhs. The end of the Ottoman Empire in the First World War allowed the expansion of the British zone of influence in the Persian Gulf towards Mesopotamia, the Arab Peninsula and, in the Mediterranean, to Palestine. Egypt, because of the Suez Canal, was a country where British presence had also been established during the nineteenth century.

American presence in the Persian Gulf only became a reality at the end of the Second World War. On the one hand, it was a consequence of the interest of American corporations in directly controlling part of the enormous oil reserves in the region. On the other, it was a response to an invitation by local governments interested in reducing the imperial influence of Britain over their countries. The strategic value of the promising Saudi reserves, more than the defense of American corporate interests already installed in the country, led President Franklin Roosevelt to hold a meeting in Iran in 1945 with King Ibn Saud of Saudi Arabia, while on his way back from the Yalta

[11] The only relevant oil-producing country in the Middle East that abolished the concession system before the end of the 1960s was Iran, in 1954; even so, the contracts for operating the fields were handed over to the big Anglo-American corporations.

Conference. The success of this event sealed an alliance that has lasted until today, despite occasional rifts appearing. Anti-British feelings among the Arabs guaranteed, with the blessing of the US Department of State, that big American corporations would have exclusive Saudi concessions. The corporations involved, Jersey (Esso), Socony (Mobil), Texaco and Socal (Chevron), are still today the operators of Saudi oilfields.

The story of how the USA entered Iran is also highly illustrative of the political transition that took place in the Middle East from the Second World War onwards. Originally, the country formed the frontier between the zones of influence of the Russian and British Empires. Its oilfields were developed by BP, then a British state-owned company. During the Second World War, the Americans and British deposed the Shah because of his closeness to Nazi Germany, replacing him with his son, Mohammed Reza Pahlavi. The country was to be the stage for the first great conflict in the Cold War. In 1946, the Soviets were told by the British and Americans to withdraw their troops from the north of the country – the oil-producing zone. In 1950, at the beginning of the Korean War, an exchange of fire on the border between Iranian and Soviet forces led the USA to make contingency plans to respond to a possible Russian invasion of Iran. The country, at that time, produced 40% of the total oil from the Middle East.

The end of the Second World War also made Iran take on greater relevance in the economic stability of Britain. Since it was a zone under British influence, imports of Iranian oil to the United Kingdom could be turned into sterling and not US dollars, then extremely scarce. In addition, the British Treasury was collecting more in taxes, without even counting the dividends, than the Iranian government was receiving in royalties. For these reasons, the process of decolonization in Iran centered on the question of nationalizing oil reserves. The measure was implemented in 1954. For the first time,

the Mexican example of 1937 won converts[12]. The subsequent defeat of the nationalist government of Mossadegh, in the middle of an attempt to depose the Shah, was one of the key moments in the Cold War. Americans, British and Soviets became directly involved in the episode. Even with the return of the monarch to power, the oilfields were not given back to BP, nor ever again conceded to other foreign corporations. An accord was reached: the ownership of goods and reserves would be maintained by an Iranian state corporation, but in return the operation of the fields and the commercialization of oil would be handed over to a consortium formed by big corporations, especially US ones. The strong presence of American capital in the undertaking was seen by the Iranians as a guarantee that the British colonial past would never come back.

The post-war system of economic regulation in the oil market based on concession contracts between local governments, especially in the Arab countries, and corporations – mainly American, and free to fix prices and quantities – proved to be very robust until the second half of the 1950s. Its first crack appeared as a result of the competitive action of companies excluded from the agreements made in the 1940s, who wanted to have their own access to sources in the Middle East. One important actor in this break-up process was the Italian government, a newcomer, acting via its state company ENI. Enrico Mattei, president of the corporation, suggested to some of the region's governments – especially that of Iran – an accord that would share results on the basis of 25% to ENI and the other 75% to the leasing country. The reaction of the big Anglo-American corporations to this Italian initiative was so strong that Mattei was led to accuse them of forming a cartel, baptizing them the "Seven Sisters"[13]. The trail blazed by Mattei was soon followed by the

[12] Mexico was the second country, after the Soviet Union in 1920, to nationalize its oilfields, in 1937.

[13] The group known as the Seven Sisters was formed by 4 American corporations operating in Saudi Arabia through ARAMCO - Jersey (Exxon), Socony-Vacuum (Mobil), Standard of California (Chevron) and Texaco– as well as Gulf (American), Shell (Anglo-Dutch) and BP (British) that operated in conjunction with them in Kuwait.

Japanese and by independent North American companies. The first pillar in the international market – the division based on a fifty-fifty split – had been clearly compromised.

The second factor that generated strong anxiety was the return of the Soviet Union to the international oil market. It was a traditional exporter which had retreated since the Second World War, but between 1955 and 1960 Soviet production doubled, thanks to new areas coming into production. The USSR quickly became the second biggest producer in the world, regaining a position held by Russia at the beginning of the century. Its oil exports started again in 1955 and had become an important source of instability in the international market by 1958; this came to be seen by American government strategists as an aggressive economic movement within the framework of the Cold War.

Faced with the situation of excessive supply, prices began to slump. At first, all costs of this adjustment were absorbed by the corporations. The participation of governments of the exporter countries in the results was calculated on the basis of an official price that did not take into account the discounts practiced in the market. Thus, traditionally, "extraordinary" losses or gains only affected the results of the concession holders. Meanwhile, the onus on the corporations increased substantially when the American government decided to do what it had done in the 1930s and, to protect the income of its producers, imposed quotas on imported oil from 1959 onwards. Prices, outside the USA, collapsed.

With toppling international prices, the big companies, trying to pass on part of their losses, started to reduce their official prices. At the start of 1959, BP cut its price by 10%, triggering off a reaction in the exporter countries in the attempt to defend their national income. In August 1960, Jersey (Exxon) decided to follow BP and cut the price of its oil by 7%. In response, five countries – Venezuela, Saudi Arabia, Iran, Iraq and Kuwait – which represented 80% of world

exports, decided to found the Organization of Oil Exporting Countries (OPEC), on 14 September 1960, with the aim of bolstering the international price of oil.

The model that OPEC was based on came from the American Texas Railroad Commission (TRC). Between 1931 and 1971, this regulatory agency in the state of Texas took on, by law, control of the oil supply in the state[14]. The Texan government's decision to intervene was in response to the desperate situation that local producers were in at the start of the 1930s.

Already depressed by excessive production since the 1920s, the market faced worse problems after the Crash of 1929. Complete collapse loomed when a gigantic field, the East Texas, was discovered in early 1931. A few months later Texan oil, which had traded at US$1.85 a barrel in 1926, fell to US$0.15. This situation meant that the TRC was charged with fixing production quotas for the various oil companies, with the immediate objective of raising the minimum price per barrel to US$1. TRC was the main price-regulating commission for oil prices in the USA and its example was followed by other American states[15].

The operational model used successfully by TRC was studied by the Venezuelan Juan Pablo Perez Alfonso during his years of exile in the USA in the early 1950s. When the military dictatorship ended in his country, Peres Alfonso accepted the invitation to be the new Minister for Mines and Hydrocarbons. In this capacity, he was obliged to return to Washington in 1959 to negotiate over the American decision to impose oil import quotas, which were very restrictive to

[14] Before the Texas Railroad Commission and other American state-level agencies, American oil was the object of price regulation by Standard Oil, a private trust dissolved in court in 1911.

[15] In the state of Oklahoma, the Board of Commerce had already been in a power struggle to regulate the production of oil, with the aim of keeping minimum prices, since 1915.

Venezuela. The US market accounted for 40% of Venezuelan oil sales. Furthermore, Mexico and Canada were exempt from the same restrictions because, it was argued, they were important for US national security. At first, the Venezuelans proposed an inter-American agreement that, as with other commodities, would establish import quotas for countries, rather than letting corporations decide whom they would buy from. After all, Venezuela had guaranteed an oil supply to the USA during the Second World War. In addition, it was the Mexicans and not they who had nationalized American oil companies.

It did not take Perez Alfonso long to realize that, for the USA, oil was treated differently to coffee or sugar, and that a common border made a huge difference to its national security. Washington did not even give an official reply to his proposals. Frustrated, he sought new allies in Cairo, where a meeting was taking place among Arab ministers from oil-exporting countries, irritated by the recent initiative of corporations, especially BP, to hand on the losses resulting from the international fall in prices. The Venezuelan proposal to create an international body to defend exporting nations' interests, following the example of what TRC had been doing for almost three decades in the USA, faced some initial resistance. However, when the news came that Jersey (Exxon) had just reduced its prices unilaterally, it was the last straw: OPEC was created.

During the early years, the Organization's achievements were very limited. It was not the right situation for progress. Imports to the USA were subjected to quotas, Soviet oil was flooding the market, Arab countries were military rivals, and oil from exporting countries was the property of the corporate concession-holders. Even so, there were two relevant steps forward. Corporations, before being able to take important decisions about oil, were to consult local governments individually, thus avoiding an interlocutory role for OPEC. In addition, they no longer had the clout to unilaterally

change the prices on which were based the income passed to conceding countries.

The last of the three economic pillars in the oil market system directly after the war – that the USA was the "last-resort supplier" – crumbled in the 1960s. The situation of permanent abundance that had been in place since the 1930s was passing, thanks to the increase in international demand. It was the height of the process that made standard manufacturing and consumption ubiquitous in the USA, and this involved the intensification of demand for oil. In 1970, US production reached its highest ever: 11.3 million bpd. The following year, the TRC eliminated restrictions on Texan oil production. Two years later, the system of oil import quotas, established in 1959, was abolished. American idle capacity, which in the early 60s had reached 4 million bpd for a world demand of about 20 million, now fell to less than 1 million in 1972, for a global demand of 44 million[16].

In these circumstances, the American government officially informed its European partners in 1968 that they could no longer count on American oil reserves to guarantee energy security in Western Europe at times of crisis, as they had until then. The news was received with surprise and consternation. The first embargo by the Middle Eastern countries, as a result of the Six-Day War against Israel, had happened less than a year earlier. On this occasion the guaranteed supply from the US had been crucial in forcing Arab withdrawal. Added to this, in the same year, was the decision of the British government, faced by another balance of payments crisis, to make its intention to leave its eastern Suez military bases, as a measure in "reducing the fiscal deficit". In fact, the British decision was not motivated by cost-cutting, as spending in the area was only £ 12 million a year.

[16] See Yergin (1992: 567).

For London, the rise of nationalism in the Middle East was making its military presence unadvisable[17]. The last British troops set off for home in November 1971, leaving behind a dangerous power vacuum in a region that produced 32% of the capitalist world's oil and which possessed 58% of international reserves. Out of the 21 million extra bpd involved in the 1960s surge in demand, 13 million had been produced in the Middle East.

The USA, which was starting to become an important oil importer, became concerned about the British troop withdrawal. Meanwhile, faced with loud public protests about its own military involvement in Vietnam, Washington kept out of direct involvement in Middle Eastern security. Following the Nixon Doctrine in sway at the time, the role of balancing regional power was supposed to be attributed to a "friendly" local power. In American eyes, Iran was the best choice as a successor to the British. The Shah's delusions of grandeur and his personal relationship with the President and with the establishment guaranteed him the position of regional "police chief".

The final collapse of oil's post-war international order came with the wave of revisions in concession contracts, which swept the Middle East in the early 1970s. The initiatives of Mattei, the Japanese and independent Americans were enabling new concessions not to follow the fifty-fifty principle. Meanwhile, the agreements from the 1940s, as well as others signed later on the same basis, had not until then been the object of renegotiation. The picture changed when, in September 1970, the new Libyan government, led by the young Colonel Gaddafi, achieved an increase of 55% in his country's participation in the results of an already agreed contract, threatening an independent American corporation with nationalization.

The lack of an immediate reaction from the other oil corporations and from western governments to the Libyan initiative

[17] See Yergin (1992: 566).

led other countries to compete among themselves to obtain a greater percentage in concession contracts that had already been signed. Faced with this "mutiny", the big corporations, with American government support, demanded that negotiations be carried out in blocs – and not by each corporation – forcing local governments to unify by means of OPEC. The result was the Tehran Agreement, in April 1971, which made 55% - 45% the rule and increased the price of a barrel to US$0.35. In return, the countries guaranteed to the corporations that they would not make new demands for higher prices for a period of five years.

The calm lasted only a short time, however. The instability of the international monetary system sent exporter countries back to the negotiating table, demanding compensation for the devaluations of the dollar. The price dispute, however, gave way to a new type of demand from the governments: "direct participation", meaning the country would buy part of the rights over its oil reserves. This was the most radical change in the market status quo since the beginning of the century. "Direct participation" was a euphemism for differentiating the intentions of OPEC members from the nationalizations of the past, in Russia, Mexico and Iran. It was also a strategy, basically defended by the Saudis, to prevent the countries from having to compete to get consumer markets[18].

In practice, several countries – such as Algeria, Libya, Iraq and Venezuela – went straight for complete nationalization. Saudi Arabia and Kuwait negotiated a scheme by which the participation of their governments would reach 51% in a short space of time[19]. Iran, which was already the owner of its petrol, took the opportunity and transferred operations in its fields to a state company.

[18] Defending the strategy of participation versus nationalization, Sheikh Yamani, Saudi Arabia's minister for oil, argued in 1969 that "if we become operators and traders of our own oil, we will enter a race leading to a dramatic collapse of the price structure". (Yergin, 1992: 583).
[19] Total nationalization was reached a few years after the First Oil Crisis.

With nationalizations, the last of the three economic pillars in the post-war system disappeared: the stability of the concession contracts that guaranteed corporations the power of fixing quantities and prices. Even so, the market in the following months continued to function quite stably, as if by inertia. The situation, however, was rushing towards a serious crisis. In 1973 the idle capacity in the world was only 500,000 bpd, about 1% of the western world's demand. With the start of a new Arab-Israeli war, the Yom Kippur or October War, the market went into collapse and the international price tripled. It was the end of an era in the history of oil.

FROM THE AMERICAN-SAUDI-IRANIAN CONDOMINIUM TO CHAOS (1973-1985)

The reduction in idle capacity, due to sharply increasing demand, made oil prices double between 1970 and 1973.

This situation increased the intensity of a public debate which had reached a deadlock over the possibility of an energy crisis. Soon there was panic. In August 1973, Japanese, European and independent American corporations sought, at the same time, to reinforce their stocks, putting pressure on a market that was already subject to a severe restriction on supplies.

As a result, for the first time in over 20 years, market prices overtook the official ones, i.e. those that were used as a basis on which corporations calculated income for local governments[20]. In practice, this meant that the corporations were appropriating most of the extraordinary gains. To make the outlook worse, the dollar had been devaluated twice, abruptly cutting the value of financial assets owned by some Arab countries closely linked to the American currency,

[20] The increase in prices posted, in function of American inflation, was well below those in the spot market.

such as Saudi Arabia. In circumstances of unsteady exchange rates it was better to leave the oil undrilled than to accumulate financial assets. The reaction of the exporting countries did not lag far behind. While "arm-wrestling" with the corporations, Kuwait and Libya imposed quantitative restrictions on their exports. This type of measure was also discussed in Saudi Arabia.

In parallel, the Arab countries – together with the big American corporations – began to put pressure on Washington to change its policy of supporting Israel. The King of Saudi Arabia, normally averse to any appearances in the media, made a declaration on US television warning that, although the Arabs were not interested in restricting their oil exports to the USA, "We have no wish to restrict our oil exports to the United Sates in any way (but) America's complete support to Zionism and against the Arabs makes it extremely difficult for us to continue to supply the United Sates with oil, or even to remain friends with the United States"[21]. The "oil bomb" was ready to be deployed at the most opportune moment.

Despite the declarations of Arab leaders to the press and the announcements from the Soviets that the Middle Eastern situation was moving close to a new war, the Americans ignored all the warnings. They were taken by surprise, on October 6, 1973, when Egypt and Syria made a joint surprise attack on Israel, starting the Yom Kippur War.

Faced with direct American support for Tel-Aviv, the Arab countries imposed an embargo on oil exports to the West and cut off negotiations with the corporations[22]. From then on, they fixed the price of their oil autonomously. They immediately imposed a rise of 70%, leveling the official price with that practiced on the open market,

[21] Yergin, 1992: 596-597.

[22] On the day when the Yom Kippur War began, a meeting was taking place at the OPEC headquarters in Vienna between countries and corporations, in which the exporters asked for an increase of 100% - about another US$ 3 per barrel.

of US$5.12 a barrel. Cuts in production and panic led to a new round of negotiations. In December 1973, the price of a barrel of oil rose to US$11.65, four times what it had been worth three months earlier. In contrast to the 1967 embargo, the Arab countries saw their income increase, despite cuts in production. The position of "last-resort supplier" was now held by Saudi Arabia and not by the USA.

The USA restricted itself to reacting to the embargo with political actions. It sought support so that oil would be shipped again as soon as possible. The Saudis were not averse to the initiative, but they made it clear that the viability of the proposal would depend on the position of other Arab leaders, in particular on the Egyptian President, Anwar Sadat. Once the accord had been made between the USA and Egypt, the embargo was officially lifted in March 1974. Even so, the world would never be the same again. The "oil bomb" had been deployed successfully. The political weight of the corporations and the countries in the decision about market share and destination had changed definitively. The system of alliances between the countries in the region and the hegemonic power, the USA, was going to be dictated by new principles.

Now that the crisis of 1973-4 was over, the oil market seemed to be moving towards a new order. Market regulation, especially the administration of prices and supplies, was being directly run by the exporter countries, by means of their "cartel", OPEC. The corporations no longer had a voice in these matters. Concessions were replaced by long-term sales contracts – with prices and quantities stated – that would allow a balance between supply and demand to be obtained in the scope of each of the big corporations. In parallel, security in the Middle East would be guaranteed by military accords signed between the USA and the four main regional powers: Iran, Saudi Arabia, Egypt and Israel. The Americans would have the role of mediator in local conflicts and would protect the region from external enemies, especially

the Soviets[23]. It was imagined that everything would return to business as usual, but with higher oil prices.

History showed that the world did not go on in this direction. The Crisis of 1973 marked the end of the post-war "golden age". The developed economies entered a long period of stagflation, where low growth and inflation ruled simultaneously. Developing countries experienced external structural imbalances, which resulted from funding by international private banks. Under pressure from rising prices and world recession, the demand for oil grew more slowly. Furthermore, the global balance in current transactions in oil-exporting countries, which had seemed permanent, disappeared in less than five years. For OPEC, the surplus of US$67 billion in 1974 waned until it turned into a deficit of US$2 billion in 1978.

In practice, political and economic instability did not allow the accords of 1974 to bring about a stable order. Rivalry between the main producing countries did not let OPEC work like a cartel. It was just a forum where the exporter countries could liaise and where the two most relevant actors, Iran and Saudi Arabia, crossed swords.

For the Shah, the Crisis of 1973 was of his making and would turn his country into the fifth industrial power in the world, following the path taken by the post-war "economic miracles". For the Iranians, the price of oil should, therefore, be the highest possible in the short term, so as to finance their industrialization program. Meanwhile, the Saudis had different objectives. Their country had a small population subject to a traditional regime, averse to any modernization. Strategically, they were more concerned that high international prices could threaten the purchasing countries and the international economy. Another source of tension for the Saudis was the relative carte blanche that the USA had given Iran, from the military point of view. The

[23] The Soviets, who had been allies of the Egyptians during the Nasser years, were expelled from the country by the new regime of Anwar Sadat.

Shah, despite being the paladin of short-term price rises, could acquire any type of American weapon, even the most technologically modern, as long as it was not nuclear. In the mid 1970s, Iran was responsible for nearly half of US arms sales abroad.

In this situation, the new American government under Carter, who had come to power in 1977, seemed at first to consolidate the oil market order as it had been under Nixon and Kissinger. Concerned with Iranian economic instability, flooded with petrodollars, and under pressure on human rights from the new US administration, the Shah adopted a more moderate position on the issue of price hikes. In exchange, the USA continued to give him carte blanche to buy arms. In the American view, the market power of Iran and Saudi Arabia, which together controlled 48% of OPEC production, would be enough, with American support, to easily determine the direction international oil prices took. The previous and relatively precarious arrangement had already been capable of limiting the increases to only two – to US$ 11.46 in 1975 and to US$ 12.70 in 1977, below the rate of American inflation. Iran's support for the thesis of price stability should be enough to establish the Nixon-Kissinger strategy as the new long-term system in the market.

Washington did not, however, know how precarious the Shah's regime was. It was a shock for the USA to watch, throughout 1978, the rapid and irreversible deterioration in the political scene in Iran. In January 1979 the Shah was forced to abandon Tehran, in the midst of a revolutionary wave which swept to power the Shia clergy, led by the Ayatollah Khomeini. The project of market regulation, based on a USA-Iranian-Saudi condominium, was buried for ever.

The shockwaves of the Iranian Revolution sent the international oil market into chaos. Iranian production immediately stopped, generating a drop in supply of about 4 million bpd. Saudi Arabia and other producers increased their exports by more than 2 million bpd, in a bid to reduce the negative impact of suspended Iranian

production. At first, it seemed as if the situation might be dealt with. For a market of 50 million bpd, the effective impact of a net reduction of 2 million represented less than 5% of global demand. Even so, prices skyrocketed, passing from US$13 to US$34 per barrel. The world, already shocked by the events in Iran, was panicking again.

The traditionalist and anti-American nature of the Iranian Revolution raised doubts about the sustainability of political regimes in other countries in the region. After all, Muslim fundamentalism was also a growing political force in countries such as Saudi Arabia, Egypt and even Algeria. In these circumstances, western countries and the American government in particular seemed to have little power to guarantee stable functioning of the market. At the same time, the control of corporations over production had disappeared in the wake of nationalizations. It had been replaced by long-term contracts which were soon to be denounced for reasons of *force majeure*. On the one hand, corporations made use of this clause to stop supplying their clients because of the lack of Iranian oil. On the other, producing countries claimed the same right when they suspended supplies contracted and increased their *de facto* prices.

The scarcity of oil hit different actors to different degrees of severity, and at the same time the market conventions disappeared. In practice, all the purchasers – whole corporations, independent refineries and distributors – were trying to protect themselves, while simultaneously increasing their stocks. This "herd effect" of uncertainty meant that the excess demand was not only 2 million bpd but in fact 5 million, which was 10% of the global market. The spot markets, until then marginal, took center stage in the price-setting process. OPEC did no more than sanction the situation – faced by this whirlwind, it freed its members to charge "whatever seems fair in the circumstances".

In this chaotic environment Saudi Arabia was the only dissonant voice in OPEC in favor of exporter countries joining

together to combat the market crisis, practicing a price-stabilizing policy. The increases were going against the interests of the Organization in that they stimulated the appearance of new competitors, the replacement of oil with other energy sources, and the reduction in demand caused by more careful use. The Persian Gulf would go back to being just one factor in market adjustment.

Defeated, the Saudis announced that they would maintain their official prices. In compensation, they would reduce production to normal levels, 8.5 million bpd, once Iranian production returned to the market.

In November 1979, the Shah went to the USA for hospital treatment, and this provoked the invasion of the American Embassy in Tehran. American staff were taken prisoner and kept as hostages. The American image as a hegemonic power was greatly damaged. The Carter administration appeared unable to deal with the situation, and the President was not reelected. The prisoners were only freed, after a failed rescue attempt, on the day that the new President, Ronald Reagan, took power in 1981.

When war broke out between Iran and Iraq in September 1980, it seemed only to presage a third crisis. Soon, 4 million barrels fewer were reaching the market each day. Arab light crude oil prices rose to their highest ever, US$42 per barrel. This time, however, the reaction was different. Panic was avoided thanks to high stock levels, coordination between industrialized countries, increase in supply from new sources – the North Sea and Alaska – and, principally, by the realization that the demand for oil was in decline. October 1981 marked the date when OPEC raised prices for the last time in a decade. The chaos began to dissipate.

Part of the reduction in demand came from a structural origin. It resulted from the energy-conservation policies developed throughout the 1970s. The increase in oil efficiency between 1973 and 1985 reached 32% in the USA and 51% in Japan. Another factor,

however, was the change in American monetary policy. The Federal Reserve had reacted to inflation by raising the basic interest rate to 21.5% per year, the highest level yet reached, which took the US economy into its worst post-war recession. The interest rates crisis forced other developed economies to adjust to a new recession-based picture. Simultaneously, it threw industrializing countries – the main source of the growth in international demand – into the worst crisis of their history. This meant that demand from non-Communist countries was limited to 45.7 million bpd in 1983, 6 million fewer than in 1979.

The position of exporter countries was also weakened by the increase in production outside OPEC. Its market share had fallen in less than five years from almost 2/3 to less than half of the non-Communist world supply. New fields were opening off the British North Sea coast. The Soviet Union was also increasing exports. All this additional oil was being sold on spot markets.

Prices on these markets were soon lower than the official OPEC ones. The Organization at first refused to follow spot markets, afraid to stimulate a fall in prices. To defend this position, it had to cut production. In March 1982, the upper limit was set at 18 million bpd, with quotas for all its members, except Saudi Arabia. The Saudis had to adjust their sales automatically so as to hold up the official price. This was a substantial break with tradition. In 1979, the limit established by OPEC had been 31 million – now there was a cut of 13 million. It seemed as if Perez Alfonso's dream had at last come true. OPEC was now working as a cartel, on much the same bases as the TRC.

Despite these measures, the wrestling match between the OPEC members and their competitors went on. The main competitor was Great Britain, thanks to North Sea oil. In 1983, the British produced more than Algeria, Libya and Nigeria together and, at various times, led price cuts. Competition forced OPEC to fix ever lower prices and

production quotas. The resulting drop in income for exporting countries led them into a fiscal and balance-of-payments straitjacket. The struggle over quotas within OPEC became dramatic. Even during the Iran-Iraq War, the world went back to "swimming in oil".

In this context of excess supply, the changes in market regulation moved on quickly. With nationalizations and the insecurity arising from unilateral breaches of contracts guaranteeing long-term supply, the big corporations, which controlled refineries, distribution and resale, abandoned their old strategy of integrated operations – the balance between supply and demand within each corporation – in favor of commercial disintegration. Purchases of oil[24] started to be made based on spot markets. This change had the support of the American government, then involved in deregulating its own market. Controls were eliminated by 1981, after having limited for decades the integration of its internal oil market into the international one. The USA represented the biggest isolated consumer, as well as being responsible for 25% of the global supply. This was a large and secure enough basis on which to develop an economic order supported by spot markets.

The next step was the institutionalization of futures markets. Nymex[25] started its futures operations in oil and its derivatives in March 1983. Soon oil corporations and financial institutions were actively trading oil-related futures on a large scale on Nymex. Another consequence of liberalizing the American market and of "financializing"[26] the market was that corporations were thrown into a wave of mergers and acquisitions.

The fall in international prices in a liberalized environment weakened the corporations greatly. Smaller companies began to fail,

[24] Other services that were until then strategic were now contracted out too and organized on the stock market, as was the case of rental of oil tankers.
[25] New York Mercantile Exchange.
[26] See Braga, 1991 and 1997.

financing by banks became common until banking crises – as in Texas – obliged the American authorities to intervene to prevent worse problems.

The collapse of Continental Illinois, the seventh biggest American bank, after being involved in the energy sector, took the financial crisis among oil corporations to the front pages of the newspapers. Although nationalization of Continental kept it from bankruptcy, the panic led to suspension of new financing for companies in the sector and to a drop in the value of their assets.

If the corporations and banks involved with oil were in crisis, the same could be said of some of the extremely indebted big exporter countries. Mexico was especially under the spotlight, as its enormous external debt was concentrated in several big North-American banks. At the time, the involvement of the nine major money center banks of the USA with Mexico was to the tune of 44% of these institutions' capital. Worse still, involvement of these same banks with Latin American countries reached 250% of their capital. Any Mexican solvency problem would affect credit for the whole region and, consequently, the health of the American financial system. The Mexican moratorium of 1982 triggered off the biggest external debt crisis yet seen on the continent, starting Latin America's "lost decade".

The problem of the Mexican external debt was just one of the facets in the process of financial straitjacketing experience by oil-exporting countries. Within OPEC, the situation already prevented Saudi Arabia from being the market adjuster, i.e. varying its production to sustain the price established by the Organization. The costs of this policy were more than its financial capacity could bear. From revenues of US$119 billion in 1981, the kingdom saw this reduced to US$36 billion in 1984. Worse, however, was the cost that this process was demanding in terms of market participation. In mid 1985, Saudi production fell below that of Britain.

THE FLEXIBLE OIL MARKET AND THE AMERICAN MILITARY "UMBRELLA" OVER THE MIDDLE EAST

In the face of the failed OPEC agreements of 1982, Saudi Arabia decided in 1985 to change its strategy dramatically. Instead of continuing to adjust production to maintain a certain price, it would fix on a certain volume of production, independently of the market price.

Official prices were abolished and contracts with Saudi oil started to adopt the netback principle, accompanied by prices used on the spot market, apart from a pre-established margin[27]. Other countries in OPEC had to follow Saudi policy. Prices would now no longer be fixed by means of negotiations within OPEC, but would fluctuate along with the action of thousands of contracts negotiated on the spot and futures markets. For independent producers – especially Britain – the decision eliminated the advantages of being free-riders, enjoying the advantages of the OPEC price maintenance strategy, without incurring the costs of limiting their own production. Furthermore, a collapse in prices would affect them more than it would the Arab countries. The Saudis had – and still have – the lowest production costs in the whole world.

In just a few weeks, international prices collapsed. A barrel of West Texas Intermediate fell from a high of US$31.75 in November 1985 to less than US$11.50 in April 1986. Independent exporter countries decided to negotiate with OPEC. This was the start of the consolidation of the new market order, based on flexible prices. Once again, there was an authority with power among the big producers: Saudi Arabia.

[27] Netback pricing refers to a system in which the supply price of a good (in this case, crude oil) is established on the basis of its final demand price – that of oil derivatives: gasoline, diesel, etc – minus a margin that remunerates the costs along the supply chain – transport, resale, distribution and even refining.

The problem of a flexible market system is that prices can be subject to great volatility, which does not combine well with the strategic and long-term nature of the oil industry. Even so, the Saudis gave in to a new international situation in which exchange rates and interest rates, as well as other important prices, were also subject to great fluctuations. There was no sense in fixing the price of oil in the American currency, when the dollar itself was subject to big fluctuations in terms of other convertible currencies. To mitigate this problem it was necessary to give OPEC, under the leadership of Saudi Arabia, the role of market regulator, based on the starting point of a politically determined price. This additional step was not hard to take.

The prospect of a long period of very low prices was worrying for not only the producers but also for the big consumers. Pressure to contain the deflationary spiral came initially from the US government. Despite its liberal rhetoric in the Reagan administration, its Vice-president, George Bush, was an oilman, as well as representing Texan voters.

In the lead up to a trip to the Middle East in April 1986, Bush declared: "I happen to believe, and always have, that a strong domestic U.S. (oil) industry is in the national security interests, vital interests of this country"[28]. With very high cost margins in relation to the Saudis, American producers – and all their chain of suppliers, financial institutions and state governments – were suffering more from the reduction in international prices than the Gulf countries. The USA was then the second biggest oil producer in the world, after the Soviet Union. In a meeting with the Saudi government, Bush alerted them to the possibility that the USA, Japan and Europe would take advantage of low prices to increase taxation on imported oil. There would thus be a transfer of resources from the exporting countries' treasuries to those of the importers. It was, therefore, urgent to establish prices on the international market.

[28] Yergin, 1992: 756.

With the green light from America, the Saudis successfully sought to attract other exporting countries who were concerned about the prospect of facing a financial crisis, so as to carry out a joint action to establish the international price. Saudi Arabia refused to return to its role as market adjuster. The solution was to have the big exporters manage their production, as a group, in accordance with the fluctuations of global demand, acknowledging a rule of proportionality within OPEC. Surprisingly, all the countries, including the warring nations of Iran and Iraq, signed the accord.

Just the independent producers were needed. When the Soviet Union joined, pressed by the need for foreign currency, the accord was made viable[29]. The drop in international prices, commanded by Saudi Arabia, was holding back perestroika under Gorbachev.

Now there was the reference price to fix. The value of US$18 per barrel was accepted in a consensus of producers and consumers. It was low enough to stimulate economic growth and the recovery of demand for oil, and high enough to guarantee a satisfactory income to producers, especially the Americans, inhibiting pressure from higher taxes on imports into the USA and in other rich countries. The accord was sanctioned in December 1986 by OPEC. In practice, the "reference price" of US$18 represented the upper limit of a price band, with US$15 as the lower limit.

Prices above or below those stipulated would be combated by increases or reductions in production quotas for member countries – as well as their independent allies. The oil market, like the foreign exchange markets, would be subject to a "dirty fluctuation[30].

With this accord, the oil world started a new era of relative stability. The flexible market allowed the inter-relations between

[29] At that time the Soviets committed themselves to reducing their exports by 100,000 bpd.

[30] The "dirty fluctuation" refers to the capacity for explicit or potential intervention from the Central Bank to counteract, within certain limits, undesirable tendencies in the exchange rate.

producers and consumers to be dispersed in a network of spot, futures and derivatives contracts, made in real time. The relationship between the price of demand and of supply became integrated on the basis of the netback principle. For the other elements in the production chain, a certain "fixed income" was guaranteed, which would cover operational costs. OPEC and its independent associates would be responsible for the administration of the price band.

In order to complete the maintenance of this new order there was still the problem of political-military fragility in the Middle East to solve. The way out was to transfer management of the issue directly to the USA, without any local intermediaries. The USA, politically strengthened throughout the Reagan administration, saw its hegemonic position in the world become incontestable when the Soviet Union collapsed in 1989. Bilateral military agreements with Saudi Arabia, the Gulf Emirates, Egypt and Israel allowed it, finally, to occupy directly the vacuum left by the withdrawal of British troops in the early 1970s. The establishment of American military bases in the region was a mere question of time, once the ghost of Vietnam stopped frightening American public opinion. The first step was taken after a request from the Kuwaiti government for military protection for its tankers from Iraqi threats. The oil-tankers from Kuwait started to sail under the American flag, escorted by US warships. A few months later, the American fleet was already on routine patrol in the Gulf.

The end of the eight-year war between Iran and Iraq in July 1988 seemed to announce that the region, after more than 15 years of conflict, was heading for peace. However, less than two years later, Iraqi troops invaded Kuwait in 1990. The definitive capture of their small neighbor meant, for Iraq, control over 20% of production and world reserves. The power of Saddam Hussein in the oil world would increase substantially. There was still the risk of the annexation extending to another Arab country of even greater importance: Saudi Arabia. The reaction to the Iraqi invasion united nearly the whole

Arab world under the American leadership of the recently sworn-in President George Bush.

The conflict meant that daily production immediately fell by 4 million barrels. The international price, faced with fears of an invasion of Saudi Arabia, went over US$40 per barrel on the futures market, twice what it had been. In December, however, other producers were already taking the space left by the Iraqis. The Saudis had increased exports by 3 million bpd. Prices gave way, partly because demand fell. In January 1991 the Americans headed a coalition of 33 countries to launch a massive attack on Iraq. The market's response was immediate, with a barrel falling to US$20. By the end of February, the Iraqis signed a ceasefire. Unlike Vietnam or the intervention in Lebanon, American losses this time were minimal.

Once the Iraq-Kuwait episode was over, the market went back to business as usual. The damage left by Saddam Hussein still needed to be repaired. About 6 million bpd were being consumed by fires started by the Iraqis before their withdrawal. In addition, sales from Iraq were now to be controlled directly by the UN. The system of market regulation implemented from 1986 onwards had been reinvigorated by events. American leadership in the region was consolidated, including by the installation of permanent bases in Saudi territory.

Between 1992 and 1998, prices fluctuated within a relatively normal pattern. Global demand went back to growth rates of 1.4% per year, basically because of the increase in consumption by Asian countries. In 1996, the market was once again faced with a lack of idle capacity. At this time, the Venezuelans, challenging the leadership of Saudi Arabia, disobeyed their quotas and retook the position of main exporter to the American market, to the detriment of the Saudis. At the same time, as prices had overshot the upper price limit, OPEC decided to increase its production quotas in December 1997, without taking into account the size of the economic crisis underway in the

Asia-Pacific region. In addition, 1 million bpd of Iraqi oil came back onto the market during 1998. The result was an accumulation of stocks and a fall in prices. A barrel of crude oil imported into the USA fell from an average of US$23.22 in December 1996 to US$9.39 in December 1998. One of the main victims of the price drop was Russia. Already financially fragile, the country was destabilized by the loss of foreign currency that would normally come from oil sales. The result was a staggering devaluation in the ruble.

Another consequence of the same process was the wave, lagging in comparison to other sectors of the economy, of mergers and acquisitions in the oil market. The first big operation involved the purchase of Amoco by BP in August 1998. Soon afterwards came mergers between Exxon and Mobil, between BP-Amoco and ARCO and between the French and Belgian TotalFina and Elf. Later, there was the incorporation of Texaco by Chevron and of Conoco by Phillips. This movement to centralize capital was a result of several factors. From the point of view of the sector's long-term evolution, substantial cost reductions had been made in the previous decade, thanks to management and technological innovations. Between 1980 and 1992 direct employment in the eight biggest companies in the sector had fallen from 800,000 to 300,000 jobs. Simultaneously, the cost of new discoveries had fallen from more than the equivalent of US$20 per barrel of oil in 1979-1981 to less than US$5 in 1993-1995. The average cost of production during the second half of the 1980s fell from US$7.20 to US$4.10 per barrel. These gains were unequally distributed and were reflected in the market value of corporations. It was the largest and most capital-oriented corporations that commanded the acquisitions. Finally, the high liquidity in markets and the speculative bubble of the late 1990s had raised share prices dramatically, making the sale of some companies very attractive to their directors.

In response to the fall in prices, OPEC decided to carry out two cuts in production: by 3.2 billion bpd in 1998 and, again, by 2.1

million in March 2000. But Asia had started to grow again and so had its demand for oil.

Even so, supply continues limited. Exporting countries until now have aimed to maintain the price of a barrel at about US$25, in a strategy to recover part of the losses of 1998. The lack of idle capacity still persists, but current expectations are that this situation should not last much longer. In these circumstances, any relevant event can thrust prices to over US$30 or even US$40 per barrel, in the short term. The strike which took place in Venezuela in 2003 and the abrupt cut in its exports to the USA is an example. Prices went to exactly US$32 thanks to the increase in imports from Mexico and the Middle East. Its impact was not so dramatic since it was an incident that American intelligence sources and big oil corporations had already foretold.

A completely unexpected event, however, was the attacks on the World Trade Center on September 11th, 2001. One of the effects was to increase US concern about energy security, especially in relation to dependence on oil supplies from the Middle East. The new American stance began to include the hypothesis of a direct military conflict with unfriendly regimes in the region. Until then, it had been argued that market mechanisms were working well and, from this point of view, the only relevant cause for military concern was the security of oil pipelines and of the region's governments.

According to Johnson (2004), one of the main reasons for the existence of more than 725 American bases in the world is the increasing American dependence on foreign oil supplies. This author explains that many American detachments are on foreign soil to defend (American) oil concessions from competitors or to protect oil-pipelines, although the government claims they are there for other reasons, such as "the war on terror" or "the war on drugs", or to train foreign troops, or even to get involved in humanitarian interventions. In some cases, oil is the only plausible explanation for new bases. In these ca-

ses, the American government has produced elaborate cover stories to make it seem that the use of public resources and armed forces is to protect private capitalist interests. The invasion of Afghanistan and the rapid expansion of bases in Southwestern and Central Asia are among the best examples.

The Taliban regime in Afghanistan showed that there is the possibility of strategically important countries in the Middle East being run "irrationally", no longer responding to normal market rules. In this case, the hypothesis of a direct military intervention has come to be seen as a necessary evil. The invasion and occupation of Iraq by American troops after March 2003 represents a step beyond this viewpoint. It has stopped being tolerable to let a strategic asset for the USA – in this case, Iraqi oil – be under the control of a regime that contests, violates or disturbs the international order too much, especially the flexible oil markets. Each actor should play his role. OPEC, led by Saudi Arabia, is to guarantee the adjustment between supply and demand, within a price band currently between US$22 and US$28 per barrel. Corporations should sustain the expansion of supply in the long term. The American government's role is to guarantee that markets and their principal agents function in an orderly manner.

OUTLOOK

The Crisis of 1973 marked the end of the period of accelerated international growth in oil. With the Second Crisis, of 1979, the problem got worse. Since then, growth in demand has been less than 0.9% per year, a little more than a tenth of what it had been soon after the War. In 2003, world consumption was limited to 79.2 million bpd, only 23.1% more than the 64.3 bpd of 1979.

Despite relative stagnation since 1973, the regional composition of the market has changed substantially. In the USA,

Europe and Japan, which together answered for 70% of world consumption in 1974, the increase in demand was absolutely marginal, thanks to the action of factors such as low economic growth rates, technological innovations and successful programs to rationalize energy use. In the countries that succeeded the former Soviet Union, market regression was sharp. The economic crisis generated by pro-market reforms reduced regional demand from 8.5 million bpd in 1980 to 3.4 million bpd in 2002, a cut of 60%.

In compensation, consumption in Latin America, and mainly among the Asian Pacific-coast countries in rapid industrialization, grew at rates of over 6% per year throughout the 1990s. The Chinese market, for example, more than doubled over the period, increasing from 2.2 million in 1990 to 5.3 million bpd in 2002.

From the standpoint of supply, there was also an important geographical de-concentration. New areas came into production, such as the British and Norwegian North Sea oilfields. The Soviet Union and the USA, historically the leaders, lost participation in relative and even absolute terms. The importance of oil from the Middle East grew, especially from Saudi Arabia, for supplying the global economy. The Saudis occupied part of the market left by the Americans – increasingly net importers from 1970 on – and by two of their main competitors in export to the international market: the Russians and the Venezuelans[31].

Saudi participation in international production, at just below11.8% in 2002, does not in itself justify the strategic and market importance that the country has held in recent decades. The power of Saudi Arabia is due to three other characteristics of its oil. The first is

[31] In 2002, nine countries were responsible for about 70% of world production, of which the three biggest – Saudi Arabia, the USA and Russia – represented a little more than 32%. In 1965, five countries supplied the same 70% - to a market that was less than half the current one – with the three biggest, the USA, the Soviet Union and Venezuela, producing more than 50% of world needs.

the extremely high proportion of international reserves that it holds. Today, the oil already identified is capable of supplying current world demand for more than 40 years – a comfortable prospect. However, the regional distribution of this oil is quite unequal. At the end of 2002, 65.2% of proven reserves were to be found in the Middle East, of which 25% were situated in Saudi territory[32].

The second important strategic characteristic of the Saudis is their control over most of the idle capacity of oil that exists in the world, which, throughout the 1980s and 1990s, guaranteed them the position of "last-resort oil supplier". Among the members of OPEC, the estimated idle capacity currently varies from 7.3 to 7.8 billion bpd depending on the prospects for reactivating fields[33]. Of this total, Saudi Arabia is responsible for 2.6 to 3.1 million bpd. This may not seem much in a market that moves about 75 million bpd, but it is enough to alter, in the short term, the stock situation and, consequently, international prices – especially in the very short time in which it can be put into operation[34].

A third advantage the Saudis possess is the low cost of producing their oil, below US$2 per barrel, while the lower quality Venezuelan 'heavy crude oil' can cost up to five times as much and the Russian up to three times as much. This difference has enormous importance in terms of capacity to sustain long-term strategies in market disputes. In long-term low-price contexts, the Saudis tend to suffer less than their competitors – all of whom are dependent on oil exports to finance fiscal and exchange accounts.

[32] As well as Saudi Arabia, the main holders of proven reserves in the Middle East are: Iraq, with 10.7%, Kuwait with 9.2% and Iran with 8.6%; together, the four countries are responsible for 53.5% of the world total. See BP, 2003.

[33] The idle capacity of Iraq should not be taken as part of this total, since decisions about its use have not depended on its leaders since the end of the conflict in Kuwait in 1991.

[34] According to the Energy Information Agency of the United States (EIA), 2002 (a), "Saudi Arabia is the only country capable of providing a significant increase in supply within 90 days".

These three factors explain the success of Saudi Arabia's leadership in OPEC and, consequently, in the oil market. Between 1985 and 1997, international prices were between US$15 and 20 per barrel for 2/3 of the whole period. The only moment when there was a greater rise was during the invasion of Kuwait by Iraq in 1991.

Among developed countries, the most important challenge in the long term, especially for it strategic consequences, is the increase in the USA's external dependence[35].

Today imports are responsible for 53% of the supply of the American market and the outlook points to an increase in this percentage to 62% by 2020[36]. Although the main sources of oil for the USA are situated on the American and African continents, the flexible market operates as an integrated whole and its supply center is the Persian Gulf. From this point of view, direct American military presence in this region is an important guarantee not only of the continuing status quo of these countries but also of their alignment with US interests.

This situation may well change, but not dramatically, with the increase of Russian exports. Russia's short-term potential is large and represents an important lever in this country's relationship with the USA and, more particularly, with Europe, because of the latter's greater geographical proximity. There is a possibility that Russia may use its oil and natural gas as a means to move closer to, or even be a candidate for, EU membership. In this somewhat unlikely hypothesis, the consequences for America's long-term hegemony could be dramatic. As Sir Halford Mackinder affirmed in 1904, "a world empire will be ready to become a reality on the day that Germany makes a lasting alliance with Russia"[37]. The same theme was dealt with by Henry Kissinger, ninety

[35] European dependence on the Middle East has also tended to increase, thanks to the downward trend in North Sea production.
[36] See EIA, 2003.
[37] Cited in Fiori (2002); translated from the Portuguese version.

years later. In the conclusion of his book *Diplomacy*, he affirmed: "it is not in the interests of any country that Germany and Russia get together, whether as principal partners, or as principal adversaries. If they become very close, they will raise fears of a "condominium"; if they fight, they will involve Europe in escalating crises"[38].

Ongoing Asian growth may open new possibilities for accommodation between Russians and Arabs. There is the prospect of Russia supplying China and Japan with gas and oil, even to reduce the almost complete dependence that the Asian-Pacific countries have on Arab supplies. The Chinese economy, if projections of its growth continue to become reality in the long term, may also generate important effects on the oil market. Its demand has tended to increase sharply, while local supply will stay at current levels. Consequently, China will become a new actor on the world oil stage, as have other importing powers.

From this point of view, there are already some moves for the Chinese and certain ex-Soviet republics to get closer, especially those along its borders[39]. This will certainly mean a greater Chinese political presence, both in the Caspian Sea and in the Middle East. In the same way, we cannot discard closer relations between China and Russia, in the use of Russian energy resources located in its Asian zone. Again, closer ties between Russia and China and even with Japan could, as in Europe, generate anxiety or fear in other countries, especially in the USA.

CONCLUSIONS

Since the end of the Second World War, the oil market has passed through three phases, each one marked by a specific framework

[38] Ibidem; translated from the Portuguese.
[39] There is a 2,350km-long oil pipeline being built between Kazakhstan and China, with the direct involvement of state-owned companies from both countries.

(see Summary Table, at the end of the chapter). In the first (1945-1973), the central decision-making took place in the big Anglo-American corporations. The "Seven Sisters" established stable prices and each operated the balance between supply and demand, retaining within themselves the various segments of the chain, from the "(oil) well to the (gasoline) pump"[40]. Their decisions and actions were supported by concession contracts with the governments of producer-countries, and by inter-corporation agreements that established strict geographical areas for activities, eliminating the competition in exploration and production. The market showed a trend of rapid growth, at 7% per year, and supply was structurally excessive from the 1920s on. The market's global security was based on an Anglo-American condominium. The former colonial power, Great Britain, was directly responsible for the internal and external security of Middle Eastern countries, and had troops stationed in the area. The United States were the "last-resort suppliers" and guaranteed not only their own energy security, but also that of Europe.

In the second phase (1973-1982), the oil market stagnated because of international recession and high prices. The big oil corporations lost control over production to the governments of exporting countries. They continued to hold sway, however, over the refineries and distribution, and continued to provide the "market balance" within themselves, by means of fragile long-term buying and selling contracts that pre-set prices and quantities.

The lack of idle capacity and the succession of crises in the international economy, as well as in the Middle East, made these long-term contracts worthless, subjecting prices and availability of oil to great instability. From 1973 on, Saudi Arabia became the "last-resort supplier". It disputed market leadership first with Iran, and

[40] The oil industry is normally described as being composed of two segments: the upstream, which includes exploration and development of oilfields, and the downstream, which includes refinery, transport, distribution and resale.

then with the Soviet Union. The attempts of OPEC and Saudi Arabia to establish stable prices resulted, in practice, in increased market share for the independent countries to the detriment of the Saudis, thanks to the increasing supply of oil from other regions, such as the North Sea, in the context of decreasing global demand. With the withdrawal of British troops, the security of Gulf countries was at first taken care of by Iran and Saudi Arabia, under bilateral accords with the United States. This system collapsed after the Iranian Revolution (1979).

The third phase (1985...) has been characterized by low growth in demand and by the existence of relative idle capacity, concentrated in Saudi Arabia. The oil corporations have increased operational fragmentation, with a rise in outsourcing and "commoditization". Relations between corporations and exporting countries have become multilateral and flexible. Prices are set by means of thousands of contracts transacted on spot and futures markets, depending on how far the producer countries subject themselves to the netback principle. The formation of the flexible oil market started in the USA, at the beginning of the 80s, with the Reagan government's deregulation measures. It was completed by Saudi Arabia, after a price war, which submitted its co-members of OPEC and its independent competitors – the Soviet Union, Norway and Mexico – to the new flexible price system. Fine-tuning is done by a system, established by US pressure, of production quotas and price bands administered by OPEC. The security of the Persian Gulf became directly administered by the USA, which filled, after a time lag of 20 years, the gap left by the British withdrawal with its own troops.

There is a corresponding link between each of the three standards for the oil market order seen since 1945 and the changes undergone by American hegemony in the same periods. The international context between 1945 and 1973 was characterized by complete US hegemony, despite growing challenges. Between the

victory of the Second World War and the defeat in Vietnam, the western world bowed down to the military and economic power of the USA in the Cold War climate.

The supremacy of the fixed dollar was a sufficient guarantee for long-term contracts at stable prices, given the super-abundance of oil supplies. At the same time, American oil corporations invaded spaces previously dominated by the Europeans, especially the British, who had been expelled in a decolonization process supported by Washington. The break-up of this order was the result of growing challenges to American hegemony. While the dollar was subjected to devaluations and the American army was defeated in Vietnam, the oil corporations were obliged to grant their rights in production sources to the conceding governments. The relatively sudden – but predictable – end of the structural conditions for excessive oil supply, in place since the 1920s, consolidated and amplified this global deconstruction of the international order. It is no coincidence that the First Oil Crisis is considered to mark the end of the "golden age" of post-war capitalism.

The inability of the USA to immediately impose a new international order left the oil market – as well as other relevant markets – subject to great instability. The weakness of the American currency, allied to a situation of structural supply shortages, made it impossible to go back to a stable relationship – a guarantee of supply at prices and in quantities fixed over the long term – between oil corporations and exporter countries. At the same time, the attempt to fill the military vacuum left by British troop withdrawal from the Persian Gulf with a local *gendarmerie* – in this case, Iranian – came to an abrupt end when the Ayatollahs took power in Tehran in 1979.

A stable new order in the oil market was only achieved from the mid 80s on, by the joining of two new elements. The return to the dollar as the standard international currency after 1979 and a new flexible environment had as a corollary the re-regulation of the main

commodities markets in tune with these principles. The integration of the oil market into the global "financialization" process started in the USA, the main consumer market and great producer. Instead of pre-fixed quantities and prices, contracts started to be ruled by volatile expectations in an atmosphere of uncertainty. The principle of netback, later accepted by Saudi Arabia and by OPEC, submitted producers to short-term prices as well as to futures price curves, based on expectations of global unemployment and liquidity in the world economy under North American command.

The cartel of exporter countries under Saudi leadership became the supply manager, thus guaranteeing that the price of "black gold" remained within the pre-fixed fluctuation bands, in a pact with the USA[41].

From then on, the new flexible standard in the oil market – following other markets – has shown itself to be extremely resistant to crises, and has been one of the basic elements in the stability of American power. Apart from the Gulf War, the only major event was the sudden fall in demand arising from the Asiatic exchange crisis in the second half of the 90s. More recently, in the first months of 2004, the market once again saw the price band breached. The difference is that in this episode, as well as a dramatic and unforeseen increase in global demand, there was also more supply risk in the face of threats to oil installations in Saudi Arabia and the growing opposition to US military occupation of Iraq. As the dollar then suffered devaluations in terms of other convertible currencies and the sector's idle capacity is very limited, there was pressure to revise the price band again, for the second time since its creation in the mid 1980s[42].

[41] According to Odell (2004), the price band was the object of joint monitoring – albeit disguised – of the supply and demand relations by OPEC and the International Energy Agency, which allowed the rapid and effective reestablishment of market stability within the preferred price band. It was the first time these organizations acted in a cooperative fashion.

[42] The expectation at the time of writing was US$25 to US$32 per barrel.

Despite the relative scarcity of supply in the first months of 2004, the prospects for medium and long-term growth in demand are middling, when compared to the post-war period. On the other hand, the possibility of technologically replacing petrol as the basic fuel for transport systems is unlikely to become a reality in the next two decades. With this in mind, the current flexible market system should not undergo breaks in its continuity in the near future, even with increased US external dependence.

It is, however, possible that there will be a substantial increase in price volatility, because of the increasing internal and external political fragility in the Middle East. The way in which the USA has responded to crises in Afghanistan, Palestine and Iraq indicates that the path initially chosen by the hegemonic power to guarantee internal and external security in the countries around the Persian Gulf is one of permanent direct confrontation – or at least the real threat of direct confrontation. This stance has already provoked dramatic responses, such as the destruction of New York's World Trade Center in 2001.

Based as it is on multiple military interventions, this strategy is unlikely to be capable of sustaining a stable order for the Middle East and, consequently, for the oil market. It will probably be another "blowback"[43] in American foreign policy. In particular, American-Saudi relations may suffer setbacks that make it difficult to keep the coordinated action between the two countries to the level of the last two decades. The Palestinian-Israeli conflict, as well as undermining the legitimacy of American presence in the Middle East, generates serious stress on the bases of Arab regimes, especially for the Saudis. The Palestinian question, together with the presence of US bases in Saudi Arabia, was part of the argument that Bin Laden, leader of Al-Qaeda, used to justify the terrorist acts of 11th September 2001.

[43] This is a term used by the CIA to refer to the undesirable or unsought consequences of American military policies or actions worldwide. See Fiori (2002).

In any case, the main factor in maintaining the current order in the oil market will continue to be US capacity to sustain the dollar as the unquestionable currency in international trade and capital. From this viewpoint, and looking at a reasonable period of time, there are no indications that the dollar will have any competition in its hegemonic role.

Thus, it is to be hoped that the oil market will continue in the near future to maintain two relevant characteristics for the USA. On the one hand, it will always be a locus which will reflect disruptions in the international order, whether these start from an economic or a military-political fracture. Any deeper rupture could, furthermore, develop out of short-term limits in oil supplies. In this case, the oil market could become a factor that worsens these fractures and even, for limited periods, an autonomous element in disorder, if interests contrary to the USA were to seize it as an instrument of pressure.

SUMMARY TABLE
Systems that Ordered the Post-War Oil Market

Basic Characteristics of Systems	Consolidation of American Hegemony (1945-1973)	Saudi-American-Iranian Condominium (1973-1985)	Flexible Market with American Military Presence in the Gulf (1985-2002)
Market Trend	Rapid Growth	Stagnation with fluctuation	Slow Growth
Price Formation	Stable and posted, fixed by corporations	Unstable, fixed by exporter countries	Fluctuating, with price band administered by OPEC, under Saudi command
Idle Capacity	Structurally excessive	Very restricted	Relatively restricted
Instruments to Support Market Operations	Accords between corporations over exclusive areas of exploration, and Concession Contracts with producer countries	Long-term sale Contracts between corporations and exporter countries, fixing quantities and prices	Flexible Markets, based on multiple contracts – spot, futures and derivatives
Market "Equilibrium"	By corporation, integrated from "well to pump"	Integrated by corporation, with a basis on long-term supply contracts	Disintegration of corporations and "commoditization"
"Last-resort supplier"	United States	Saudi Arabia	Saudi Arabia
Internal and external security of the Persian Gulf	Anglo-American Condominium, with British military presence until 1971	Bilateral accords between the USA and local countries, with Iran as main gendarme until 1979	Direct US military presence, from 1991

IX.

A Few Comments on Globalization, Energy and Innovation

A Few Comments on Globalization, Energy and Innovation

Richard K. Lester*

I want to make some brief comments about two subjects that are currently featuring prominently in U.S. policy debates, and that appear likely to play a significant role in next year's U.S. presidential election. The topics to which I refer are globalization, and energy and the environment. These two subjects are interconnected in a number of ways, but I will not comment on those interactions here. My motivation in discussing them is that U.S. policy in both cases has important consequences for our allies and trading partners. Other participants in this seminar are better qualified than me to explore these consequences in the particular context of U.S.-Brazilian relations, and I will not attempt that here. Rather, my purpose is to try to shed a little light on the domestic circumstances in the U.S. that will have a strong bearing on policy outcomes. What these two subjects have in common is that the direction and impact of America's international policies are strongly influenced by domestic circumstances and policy debates, and it is the latter that will be the focus of my remarks.

The two issues, globalization and energy, share another important feature: in both cases the current situation reflects a gap that has opened up between the aspirations and expectations for technological innovation, on the one hand, and the actual outcomes of innovation efforts, on the other. And so I will also comment briefly on the origins and implications of this shortfall.

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GLOBALIZATION

From one perspective, the continuing advance of globalization is very much a story of technological innovation, and it may therefore seem perverse to refer to innovation 'shortfalls' in this context. By globalization, I refer to the acceleration of those processes and forces in the international economy that operate toward the emergence of a single world market for labor, capital, goods and services.[1] The world is, of course, a very long way from unified markets in this sense: wages for the same work are not the same everywhere; the cost of capital when adjusted for risk is not the same everywhere; and prices for the same product are not the same everywhere. So globalization should be understood as a process rather than an endpoint — an endpoint, moreover, that in all likelihood will never be reached.

Most people would agree that technological advances – notably those that have led to dramatic reductions in the cost of transportation and communications – have been central to the globalization story, along with the opening-up of vast new spaces for low-cost production around the world. Another important part of the technological picture – though somewhat less widely recognized – is the ability to digitize and standardize the interfaces between components and between business functions. This capability has enabled production systems that once had to be housed within vertically-integrated companies, and often too in a single physical location, to be broken up or 'modularized', and the resulting pieces separated both organizationally and physically, often by great distances.

These productivity-enhancing technological changes, coupled with the great freeing-up of trade and capital flows of recent decades,

[1] Suzanne Berger et al, *How We Compete: What Companies Around the World Are Doing to Make it in Today's Global Economy*, Doubleday, New York, 2005.

have brought enormous benefits to the world economy, including the United States. But, inevitably, the process of globalization has created losers as well as winners, and even among the vast numbers of people who have benefited there are profound uncertainties and anxieties about what the continuation of these trends may imply for economic security and prosperity.

In the United States new questions about the economic benefits of globalization are coming to the fore. These concerns have multiple origins, but they are being fueled by the highly skewed performance of the American economy. Although, in an aggregate sense, that performance has been relatively strong in recent years – especially in the important dimension of productivity growth – there is a growing perception that the benefits of globalization have been limited to a relatively small segment of the population at the top end of the income distribution. For most of the past quarter century, in fact, the increases in real income for most of the population have failed to keep pace with labor productivity gains. Thus, between 1980 and 2005, years during which non-farm business labor productivity grew by a total of 67.4%, median U.S. compensation grew by less than 20%.[2] During this period, the share of national income claimed by the top 1% of the income distribution more than doubled. My colleagues Frank Levy and Peter Temin have estimated that 80% of all gains in pre-tax personal income (excluding capital gains) reported on federal tax returns between 1980 and 2005 were claimed by the richest 1% of tax filers.[3]

This trend has become more pronounced since 2000. Since then, despite strong growth in productivity, more than 96% of American workers – notably including most college graduates — experienced a decline in average real money earnings.[4] Only those at

[2] Frank Levy and Peter Temin, "Inequality and Institutions in 20th Century America", Industrial Performance Center Working Paper

[3] Levy and Temin, op cit, using data provided by Thomas Piketty and Emanual Saez.

[4] Kenneth Scheve and Matthew Slaughter, "A New Deal for Globalization", Foreign Affairs, July/August 2007, p. 34

the very top end of the income distribution saw an increase. In 2005, the share of national income accounted for by the top 1% of income earners rose to 21.8% — a figure not seen in the U.S. since 1928.[5]

The causes of the increasingly skewed U.S. income distribution are much debated. Certainly the trend towards increased engagement in the global economy accounts for only a part of this trend, and perhaps only a small part. But for many years the political leadership of both major parties has cultivated the support of the American public for trade liberalization and other globalization initiatives by pointing to the economic benefits that these will bring. Given that these benefits are increasingly difficult to identify for most Americans, an erosion of political support for such initiatives seems likely. Indeed, polling data suggest that significant erosion has already occurred during this decade. And it is surely no coincidence that, in a number of dimensions, U.S. policy has become more protectionist in recent years. It is easy to point to the special pleadings of affected domestic industries and their employees as the cause of this policy shift. But it would be a mistake to ignore the impact of a broad-based decline in public support for engagement in the international economy. As Ken Scheve and Matt Slaughter wrote recently in *Foreign Affairs*, "U.S. policy is becoming more protectionist because the American public is becoming more protectionist, and this shift in attitudes is the result of stagnant or falling incomes."[6]

The innovation part of this story is ambiguous. On the one hand, innovation, especially the implementation and diffusion of information technologies on a large scale, has played a large role in the impressive acceleration of U.S. productivity growth since the mid-1990s – an achievement that has been second to none within the group

[5] Ibid.

[6] Ibid. Scheve and Slaughter report that a 2000 Gallup poll found that 56% of respondents saw international trade as an opportunity, while 36% saw it is a threat, but by 2005 the percentages had reversed, to 44% and 49% respectively.

of advanced economies. On the other hand, the confident predictions of many innovators and pundits that these technologies will 'change everything' – predictions that were temporarily silenced following the bursting of the dot.com bubble but that are once again frequently to be heard – seem in at least one important respect to have fallen short: for the great majority of the American public, one thing that has not significantly changed in recent years, at least not for the better, is their standard of living.

ENERGY/ENVIRONMENT

The innovation story in the U.S. energy sector is different. In this case, the need for innovation is unquestionably very great, but progress has been limited, and the scale of innovation efforts has not yet come close to what is required.

Ensuring the supply of clean, affordable, reliable energy will be one of the great global challenges of this century. Three problems, each of extraordinary scale and difficulty, will need to be dealt with simultaneously. First, barring a prolonged global economic downturn, world energy demand will roughly double by 2050, placing great pressure on global energy supplies, prices, and the environment. Second, the world's dependence on the politically unstable Middle East for oil and gas supplies will persist for decades, thanks to the geological twist of fate which led much of the world's low-cost oil and gas resources to be located there.[7] Third, if the world is to have any chance of avoiding economically and ecologically damaging global climate change, deep cuts in greenhouse gas emissions from fossil fuels will be needed by mid-century.

[7] The Middle East currently accounts for almost 60% of the world's proven oil reserves and 42% of natural gas reserves (Energy Information Administration, *International Energy Outlook – 2006*.)

There is broad agreement that navigating safely through this triplet of interconnected problems will require the timely and efficient adoption of energy innovations – organizational, as well as technological — on a vast scale and at every stage of the energy value chain. New technologies for storing, converting and transporting energy efficiently; new value-added services to help businesses and homeowners manage their energy use intelligently; new strategies for minimizing environmental impacts of energy supply, transport, and use; new regulatory approaches to encourage adoption of carbon-free energy sources; new competitive business models to encourage new technology entry into traditional energy monopolies; new technologies to lower the cost of renewable and nuclear electricity; new technologies and systems for capturing and storing carbon dioxide; stronger, more inclusive mechanisms to protect against energy supply interruptions and damage to energy infrastructures: all of this, and much more, will be needed. Deploying these innovations on the necessary scale over the coming decades will entail a massive turnover of capital stock and possibly also far-reaching behavioral change.[8]

The combination of war and instability in the Middle East and growing public concern over climate change has thrust energy innovation into the center of policy debate in the U.S. Much of this debate focuses on the merits and disadvantages of particular technologies, fuels and strategies, and has been characterized by a high degree of single-issue advocacy. Now the recognition is growing that no single strategy or technology will suffice, and that a more comprehensive 'portfolio' approach will be needed. The feasibility of such an approach will not only depend on technical progress in specific areas, but more generally on the overall performance of the energy innovation system — the complex of incentives, regulations, markets,

[8] Intergovernmental Panel on Climate Change, Fourth Assessment Report, Working Group III, Mitigation of Climate Change, May 2007.

and public and private institutions within which the development, commercialization and diffusion of energy innovations takes place.

The evidence of recent decades strongly suggests that the U.S. energy innovation system in its current configuration is not up to the job. Energy innovation takes place primarily through the deployment of private capital by private business firms, although the government's role in regulation, standard-setting, and funding for early-stage development is often crucial. The record of accomplishment of this system since the first energy crises of the 1970s has been disappointing. Many reasons have been given, including oil and gas price volatility; inefficient electricity pricing schemes; poorly coordinated and inefficient safety and environmental regulation; a failure to internalize environmental and other adverse impacts of energy supply and use in market prices; shortsighted, risk-averse corporate strategies; poorly-informed consumers; and insufficient research funding. Critics of the federal government's role argue that it has been underfunded, wasteful, inefficient, inconsistent, and overly politicized, and that the coupling to private sector innovation efforts has been weak. But there is no consensus on what must be done to strengthen the energy innovation system generally, or on what the government's role in it should be.

Some have called for a far more proactive, hands-on role for the federal government – a Manhattan Project or an Apollo Project for new energy technologies. But such analogies are misleading. Each of those famous projects was designed to achieve a single, well-defined, high-risk goal for a single "customer" (the government) in a relatively short-time frame. But here we are dealing with a broad range of innovations (organizational, as well as technological), a broad range of uses and customers (households, industrial and commercial users, the building sector, transportation systems, and so on), multiple lead-times for deployment (from multi-year to multi-decade), and multiple objectives (increased security, climate change mitigation, cost reduction,

etc.). Some of the candidate technical options are already well defined, others less so, and still others may not even be discernible at all today. Success will consist not of a single implementation (Manhattan Project, Apollo), but rather large-scale adoption in the marketplace. And in many if not most cases the innovations will be competing against an 'incumbent' technology, a situation which generally imposes high and non-negotiable standards of quality, reliability, and cost on the innovation from the outset.

A second and very different view holds that the greatest need is to ensure, through regulatory actions, that the full costs of energy supply are incorporated in the market price paid by consumers, including the cost of preventing or mitigating greenhouse gas emissions and the full cost of ensuring uninterrupted flows of energy from the Middle East. Internalizing these costs in energy prices would, in this view, call forth the desired response regarding the development and adoption of new technologies. But while such pricing, achieved through either a tax policy or a cap-and-trade system, might indeed make new technologies significantly more attractive in the marketplace, it would not on its own create the conditions for the successful development and introduction of longer-term, higher-risk technologies. In other words, a tax or cap-and-trade policy delivering more accurate price signals will not be a substitute for a strong research, development and commercialization system capable of discovering, nurturing and deploying the new technologies that are needed.

More funding, both for fundamental energy research and for technology development, will surely be necessary. Investments in energy R&D by U.S. firms declined by 50% between 1991 and 2003, and federal energy R&D has also fallen off.[9] There have been many calls for major increases in both private and public funding. But research

[9] Daniel Kammen and Gregory Nemet, "Reversing the Incredible Shrinking Energy R&D Budget", *Issues in Science and Technology*, Fall 2005, p. 84-89.

and development is only a part of the energy innovation system, albeit a crucial one. Without attention to the rest of the system, including barriers to commercialization and diffusion, many of the potential benefits of more R&D funding will not be realized.

The level of attention to these issues in Washington has increased significantly over the past year, and Congress and the Bush administration are now considering many new measures, including:

- limits on greenhouse gas (GHG) emissions from motor vehicles;
- tighter automobile fuel economy standards;
- mandatory increases in the use of renewable biofuels in motor vehicles, home heating systems, and industrial boilers;
- mandatory increases in the use of renewable electricity generation technologies by utilities ('renewable portfolio standards');
- increased rd&d funding for 'clean coal', nuclear power, carbon sequestration, and renewable technologies;
- broad, economy-wide restrictions on carbon emissions, either through cap-and-trade mechanisms or carbon taxes.

Most of these initiatives are controversial, with strong opposition from one constituency or another. Although the political momentum has shifted in favor of action of some kind, tangible progress has been slow, and it remains to be seen how far and fast the federal policy machinery will move. On the particularly thorny question of carbon emission controls, the conventional wisdom holds that significant action will not occur until after the next presidential administration takes office, but even then a major political battle seems certain, with energy and industrial sectors struggling for protection against directly imposed or induced price increases. The political

consensus to pass sound legislation in this area is not yet in place, and will almost certainly take years to emerge. There is, moreover, a significant risk that the end result will be legislation that lets major sectors escape with minimal compliance.

In the meantime, there has been a shift in the center of gravity of energy and environmental policy-making towards the states. State governments have of course long played an important role in these areas, as provided for in law and statute, but more recently the lack of action at the federal level, especially in the field of climate change, has created something of a policy vacuum which states have moved to fill. Important initiatives in the areas of renewable energy development and greenhouse gas emission controls have been taken in California and in the Northeast, for example. The unappealing prospect of having to comply with a multiplicity of different state-level regulatory requirements has led some business groups to step up their calls for the federal government to enact national policies in this area. More generally, a notable feature of the current national policy debate is the emergence of significant numbers of major U.S. industrial corporations, including prominent energy corporations, as advocates for clear Federal regulatory action, especially in the area of greenhouse gas emissions.

Even as the accumulation of scientific evidence combines with shifting public opinion to thrust global warming onto the center stage of American politics, the 'China factor' is looming in the wings. Ahead of almost everyone's expectations, China will in all likelihood this year, and at the latest next year, surpass the United States as the world's largest emitter of carbon dioxide. The numbers are sobering: the Chinese economy is growing by almost 10% annually, and electricity demand by nearly 15%; roughly two big new coal-fired power plants are completed each week; new generating capacity equivalent to nearly the entire UK power grid was added last year alone; and motor vehicle usage rates (including private car ownership) are rapidly growing.

Although other large emerging economies are already significant contributors to global carbon emissions and will become even more important with time, China, by virtue of its size and dramatic pace of development, stands in a category by itself.

Two simplistic positions currently frame the domestic debate. On one side are those who argue that it is pointless for the U.S. to curtail its own carbon emissions unless the Chinese begin to reduce theirs, which they show little sign of doing. Others contend that this is merely a convenient excuse to avoid painful choices at home, and that attempts to pressure the Chinese (and other developing countries) to reduce their carbon emissions will simply be ignored if the U.S. fails to get its own house in order. Neither of these positions is sustainable, and there is an emerging recognition that the U.S. has a vital interest in the success of other countries' energy innovation efforts, given the impact for on global environmental, security, and economic conditions. This in turn has prompted new proposals for enhanced international cooperation on energy technology development and innovation. The U.S. energy innovation policy debate is still inwardly-focused, but it is gradually coming to be recognized that (1) investment in new energy technologies overseas will dwarf that in the U.S. (according one fairly recent estimate, the U.S. will account for less than 20% of global investment in energy supply technologies through mid-century, and more than half of the total investment will occur in developing economies[10]); (2) non-U.S. firms are global leaders in a number of key energy technologies (e.g., wind, nuclear, photovoltaics); and (3) U.S. firms, both large and small, are increasingly locating some of their innovation activities overseas.

[10] President's Council of Advisors on Science and Technology, "Powerful Partnerships: The Federal Role in International Cooperation on Energy Innovation", 1999.

CHANGES IN THE WORK OF INNOVATION

As government and business leaders explore new possibilities for collaboration in energy innovation, they will need to recognize that the process of innovation itself has been undergoing very significant changes:

- New products and production processes today are typically more complex than their predecessors. They are more likely to embody multiple technologies, and these technologies are more likely to be closer to the frontiers of science.
- The tools of the innovation trade have also become much more complex. Innovators today can draw, for example, on new, much more capable sensor systems, on massive databases, on digital libraries, on complex simulation models, and of course the networked cyberinfrastructure. And all of this has increased by orders of magnitude the level of complexity that is open to exploration and experimentation.[11]
- The production systems in which new products and services are designed and produced have also become more complex, with value chains frequently spanning several companies and typically involving multiple companies. Innovation can happen anywhere along these value chains.
- Companies increasingly need to draw on external sources of knowledge in order to innovate. They have to be able to combine their in-house knowledge with external resources. Innovation is occurring within more 'open' architectures, and integration across corporate,

[11] National Science Foundation Strategic Plan 2006-2011 (draft)

geographic and disciplinary boundaries is emerging as a strategic skill.
- There is a growing role for small, entrepreneurial businesses in these innovation processes.

These points remind us that the obstacles to energy innovation are not limited to the idiosyncrasies, shortcomings and failures of the policy-making process, and that there are certain intrinsic characteristics of the problem that add significantly to the difficulty of the innovation challenge in the energy sector, including:

- the large scale of investment required for RD&D, and the far larger investment required for deployment of new energy technologies;
- the long lead-times for turnover of energy capital stock;
- the fact that technological change in the energy sector will be driven primarily not by the conventional (and powerful) driving force of customer demand for new products and services, but rather by the regulation of negative externalities (i.e., environmental impacts, security of supply, etc.)
- the embeddedness of energy technology – that is, that most users, whether individuals or businesses, are interested not in energy in the form of BTUs or kilowatt hours, but rather in the services that energy can provide (i.e., mobility, lighting, space conditioning, food preparation, material conversion, and so on.)
- the fact that in many if not most cases, innovative energy technologies will be introduced into existing markets, in which 'incumbent' technologies and institutions are typically strongly entrenched and difficult to dislodge.