

SEPTEMBER 2024

A Strategic Framework for America in the Twenty-First Century

The Brzezinski-Zinke Project

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A Report of the CSIS Langone Chair in American Leadership

CSIS | CENTER FOR STRATEGIC &
INTERNATIONAL STUDIES

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The Brzezinski-Zinke Project



This monograph is dedicated to two remarkable strategic thinkers—Dr. Zbigniew Brzezinski and Mr. William “Bill” Zinke. Both leaders in very different professional fields, they shared different but equally intense loyalty to America and a desire to make it stronger and better.

Bill Zinke initiated this project in the 94th year of his long and productive life. Bill had been associated with CSIS for decades. In 2022 he contacted CSIS from retirement and said he was concerned about the trajectory of America. He felt we were sliding off track and needed a new approach to guide our political leadership back to a strategy that widely benefited everyone in America and was good for the world.



Bill was a pioneer in the now-accepted field of “human resources,” championing it as a legitimate intellectual discipline vital for business success. He created the Human Resources Roundtable Group, the first professional association of HR professionals, and created the first chief legal officers group. His vision now is widely accepted in the business community.

Bill also had an enduring interest in public policy. He was active in civic affairs during his professional life. After retirement, he founded the Center for Productive Longevity, intended to engage retired business professionals to remain active in supporting nonprofit activities with their business expertise.

Dr. Zbigniew Brzezinski also had a long and very active engagement with CSIS. Zbig moved his personal office to CSIS after serving as national security advisor to President Carter. He retained this association until he passed away in 2017. Zbig was active in many dimensions of ongoing CSIS projects, always encouraging scholars to see the deeper, more strategic dimensions in their work. He was a mentor to hundreds of leading policy experts today.

Had Zbig been alive, we would have asked him to partner with Bill on this important project. This monograph undertakes something not usually done at CSIS. It takes a sweeping look at America's trajectory in the world and suggests a direction needed to make the twenty-first century the American century again. We dedicate this monograph to these two remarkable leaders.

John J. Hamre

President and Langone Chair in American Leadership

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Executive Summary

Events of the past four years have triggered a fundamental shift in the global international order.

The Ukraine war and China's political alignment with Russia have brought an end to the era of global economic integration. Geopolitical forces are intricately reshaping political and economic landscapes worldwide.

China has adopted a new philosophy, replacing the "hide and bide" strategy of the past. President Xi has developed a more assertive posture, politically, diplomatically, and militarily. Tensions have risen in the South China Sea over artificial islands and claims over exclusive sovereignty. Japan has transitioned from a modest defense posture to doubling its defense spending. India is seeking greater cooperation and coordination with the United States on defense matters.

The Covid-19 pandemic prompted corporations to undergo a fundamental reassessment of global supply chains. During the 30 years prior, businesses primarily drove global sourcing of materials and components by pursuing the lowest input costs. In the post-Covid era, the reliability of supply has become an equally important factor in these decisions, causing a shift or a duplication of supply chains as hedges for the future.

China's ascent in the global manufacturing value chain has heightened tensions with other manufacturing power centers, particularly concerning goods related to the energy transition. Europe and the United States are now considering trade restrictions on electric vehicles and batteries. This builds on U.S. restrictions regarding semiconductors, causing a geopolitically driven rift in global economic patterns.

The domestic consensus on active international leadership is now a debated issue in Congress and between the presidential candidates. The role of the United States as the global indispensable leader was set over 70 years ago. America's allies are now rich. American politicians and citizens are now actively questioning: Do we need to spend so much of our national treasure on defending wealthy distant allies while we have security challenges at our border? What is the true value of American international political leadership?

Global South countries (defined here as countries with low-income economies, generally in the Southern Hemisphere) question the value to them of blindly following the so-called Washington Consensus. Joining the Western-dominated international political and economic order hasn't accelerated their development. China offers a compelling alternative model and resources to boot.

Modest Burdens, Enormous Benefits

The centerpiece of America's long-term strategy was to build an operating international order that was based on three pillars:

1. Consensus with key partner countries on the fundamental values, notably rule of law, government accountability, and constructive international cooperation
2. Alliances with key partners most fundamental to our security interests
3. Active participation in international organizations that directly benefited American well-being

The federal government's international affairs budget currently is less than 20 percent of the total federal budget and amounts to approximately 3.5 percent of GNP including defense-related expenditures. While the defense budget is enormous, in relative terms it is a small burden for the U.S. economy. The development budget and the cost of diplomacy is a tiny percentage of GNP and a very small percentage of federal spending.

The benefit from these investments is enormous. U.S. alliances and partnerships have created a global security environment that greatly favored U.S. interests and benefited the U.S. economy. America's per capita and national income have soared above all other countries in the world over the past 50 years, outpacing all major allies; collectively with our allies, we dwarf the income capacities of opponents, despite the burdens of international leadership. The United States and Europe primarily set the norms for most global industrial standards, ensuring market access for American products; U.S.-established global business norms have given American products pricing power compared to competitors. Americans travel the world freely and at unprecedentedly low costs.

While America's prosperity has outpaced all others over the last half century, our prosperity is not uniformly distributed. There are wide and widening disparities of opportunity and benefit in American society. If the United States is to secure a stronger future, it must address these disparities. But neither political party has a coherent growth agenda for the future. One of the most

pressing requirements for a secure future is to build a national strategy to grow the economy, and to do so in ways that do not exacerbate inequality or environmental quality.

This will only be achieved with a much stronger commitment to innovation as the cornerstone of a national economic strategy. The economy must grow and become more productive. That will come only with a stronger commitment to making innovation the centerpiece of a domestic economic strategy. This requires greater spending on research and development, strengthening the patent system, and changing immigration policies to recruit more highly skilled talent to help innovate in the field of cutting-edge technologies.

Competing More Effectively on the Global Stage

A growing economy and a more dynamic and open society will be attractive to people around the world. Still, it will not address the fundamental challenge of competing effectively in the Global South. At present, China brings tangible benefits to lower-income countries, while the United States often brings strong lectures about its virtue and paltry support for tangible activities. China has supplanted the United States and Europe as the primary trading partner with African countries. China offers attractive financing for development projects, and increasingly, Chinese companies are making major investments in the Global South.

This comes at a time when populations—particularly in Africa—are exploding. The challenges this presents to the world could be enormous—continued pressure on the climate, heightened levels of migration, challenges of new pandemics. America and our allies have a direct and tangible opportunity to help foster accelerated economic growth in the Global South to effectively address these challenges and capitalize on the opportunities of such rapid growth. But this takes a more thoughtful development strategy than we currently have.

America needs to return to an earlier vision of boosting economic growth in poorer countries. This can only be practically accomplished by the private sector. The U.S. government development agenda now needs to emphasize enhancing economic growth through promoting private sector investments in the Global South. The U.S. government also needs to address the risk headwinds that currently drive up borrowing costs in the Global South. It has the authorities and institutions to do this.

There is deep questioning of whether America can or should remain the leader of the international order it created 70 years ago. There are overwhelming benefits to American citizens by retaining global leadership—benefits that directly contribute to the security and prosperity of individual American citizens. But this will require creating a national strategy that builds on the structural advantages we created and updates them for our day. What follows is only a framework, not a comprehensive delineation of actions. It does contain sufficient specific recommendations for initial implementation. At its core, it requires a consensus that it is fundamentally in America's self-interest to again welcome the burden of global leadership.

A Strategic Framework for the Twenty-First Century

America needs a new strategy for the international order that is emerging. China has become a formidable strategic competitor. Often this new era is framed as a new “cold war,” but it would be a huge mistake to label it as such. To understand why the analogy is wrong, we need to first review the factors that informed the Cold War era.

The World in 1946-1950

Prior to World War II, America never sought global leadership or responsibility. In the 1800s, America was consumed by managing its internal energies and tensions. Slavery, left unresolved by the formation of the United States, led to a tragic and consuming civil war. The government was absorbed by securing its borders and territories, keeping the British government and the Royal Navy at arm’s length, and establishing the foundations for astounding economic growth, fueled by technology-driven expansion in productivity and exploitation of the vast resources of the country. At the end of the nineteenth century, American leaders sought a larger international role, but exclusively on their own terms. The United States avoided the geopolitics of Europe and cherry-picked its larger involvement in the world.

World War II changed everything. Where America could retreat from the larger international order after previous wars, it could not do so at the end of World War II. The country initially faced two overwhelming problems.

First, Europe was shattered by two wars separated by a massive recession. World War I proved enervating to the leadership sentiments of European government leaders. World War II broke their economies and displaced tens of millions of people. Allied armies met in Germany after crushing the Wehrmacht. Initially, the United States hoped to rapidly demobilize and convert its war economy toward renewed domestic rebuilding. But the Soviet Union sought to retain a massive military establishment and expropriate resources from what was left of Europe to help rebuild the Russian economy.¹ Europe was prostrate, and the Soviet Union was prepared to use military power to install compliant governments as far as it could. The starkly different political systems—the authoritarian model of the Soviet Union and the liberal, open economic model of the United States—were now directly in conflict.

American leaders realized that it was in the country’s core national interest to help rebuild Europe consistent with American political and economic values. This required neutralizing the threat of the Red Army that continued to occupy Eastern European territories captured from Nazi Germany while helping to rebuild Western European economies with liberal political ideals and free market economic principles.² America needed to retain a large standing military in peacetime, breaking with a tradition that went back to its founding. The country also needed to take the lead in rebuilding the economic foundations of a new international order, built on American values of an open market economy and rule of law.

The second problem that confronted America’s leaders was in part a derivative of the collapse of Europe. The old colonial European empires were losing vitality, accelerated by the enervating impact of World War I. World War II shattered what little remained of the old European-centric colonial system.³ Within only a few years, dozens and dozens of former colonies now emerged as new states. But which alternative economic system would prevail: the U.S.-led system built on liberal government, free market principles, and the rule of law, or the Soviet Union’s system of command mobilization and authoritarianism?

BOX 1

Bretton Woods

While World War II was ongoing, the United States started thinking about the world after the war. The country was dedicated to creating a new global system that would promote commercial ties around Western concepts such as due process and transparent markets. What emerged was the so-called Bretton Woods system.⁴ The United States initially envisioned a system of rules, institutions, and procedures to regulate international commerce and monetary systems. This led to promoting the establishment of three major institutions: the International Monetary Fund (IMF), the World Bank (then called the International Bank for Reconstruction and Development), and the International Trade Organization, which would set rules and adjudicate disputes, thereby promoting expanded global trade. The U.S. Senate supported creating the IMF and the World Bank but rejected establishing the International Trade Organization.⁵ That forced the Truman administration

to support a weaker alternative, the General Agreement on Tariffs and Trade (GATT). GATT remained in effect until the creation of the World Trade Organization (WTO) in 1994.⁶

To deal with both problems, but especially the second, the United States took the lead to create a system of international organizations that would manage problems that extended past the sovereign remit of any individual country. The priority was economic reconstruction, and what became the so-called Bretton Woods system (see Box 1). Working with wartime allies, the United States pushed to create the United Nations. Everyone had lived through the profound failure of the League of Nations experiment. The authors of the United Nations conceived of a more balanced system that recognized the realpolitik interests of the great powers but also provided a normative structure for the aspirations and interests of newly emerging countries.⁷

As the Cold War era advanced, there was further elaboration on the structure that U.S. government leaders created in the early days after World War II. The United States expanded the Bretton Woods institutions beyond the World Bank and the International Monetary Fund. The UN system became more sophisticated and diverse. The United States augmented its defense agenda with NATO and bilateral defense and security treaties and agreements. The foundation was set. The United States would be an active leader in the world, with its military ensuring security while its diplomacy and commercial activity would help build an international system of institutions designed to promote broad prosperity.

The grand strategy that emerged in the competition with the Soviet Union was a big success. The Soviet Union collapsed in 1989-1991, unable to sustain its economic model, afford such a massive security establishment (both domestic and military), and keep subordinate allies in line.⁸ It all collapsed, thankfully without widespread violence. As discussed below, the end of the Soviet Union was not the end of history, instead leading to the happy emergence of a benign international order built around Western liberal economic and political values.

This Is Not Your Grandfather's Cold War

Superficially, there are broad strokes of comparability between the Cold War and the current era. The current geopolitical competition with China (and secondarily with Russia) is fundamentally a standoff between two competing political philosophies about how best to structure and lead countries. The United States, Europe, and many important ally and partner countries, including in Asia, share a political philosophy in which the role of government is to ensure a fair and level playing field for the private sector. The government works to balance the interests and demands of individual liberty with the collective requirements of an orderly society. This “Western” model is based on concepts such as the rule of law; open (but regulated) markets; due process in judicial, political, and administrative procedures; transparent governmental decisionmaking; an open and free press; and open and free elections.

China embraced an authoritarian command mobilization model. The government's legitimacy derives not from a mandate from citizens but from the transcending authority of a sole dominant

political party. The Chinese Communist Party decides what is best for individual citizens and for society. China has adapted some structures from the Western model, but there is no question where power lies, or with whom the coercive powers of the state reside.

The great competition with the Soviet Union was primarily a military and a diplomatic competition. The Soviet Union was never an economic competitor. By contrast, China is an economic powerhouse, with four times as many potential consumers as the United States. It sets the political terms of access to Western companies that want to compete in the Chinese market. Neighboring Asian countries cannot resist the enormous economic pull of the vast Chinese market. The government provides enormous subsidies to start-up companies and to education and research establishments. China has created an impressive array of university laboratories and centers that are engaged in cutting-edge research. The government collects intelligence on other countries and companies, stealing intellectual property.⁹ China has also been effective in its diplomatic outreach to countries in Africa, the Middle East, and South America, championing the interests of poor countries against the interests of rich Northern Hemisphere countries, tapping into the lingering resentment over colonialism and the general disregard by American leaders for the issues of the Global South.

In short, China is a full-dimension competitor, unlike the Soviet Union. China offers a development model that is far more compelling than was that offered by the Soviet Union, and it has mass and momentum in its diplomacy. But there are other factors that make this era starkly different from the Cold War.

First, while the United States remains the largest economy in the world, it is not the towering, dominant actor on the global stage. Whereas America's economy was roughly 50 percent of world GDP in 1946, it is only slightly more than 15 percent today, after adjusting for purchasing power.¹⁰ In 1950, human talent was highly concentrated in American universities and research facilities. Today, human talent is global and connected in unprecedented ways through modern communication systems. The United States continues to dominate global financial markets, but many new tools are available to individuals, corporations, and countries to work around U.S. financial dominance. The United States is an innovation powerhouse, but so too are Europe, Japan, South Korea, China, Israel, and, increasingly, many other pockets around the world. America remains strong, but not omnipotent.

Second, despite its strengths, America's political system is now fractured, disputatious, and dispiriting. Both dominant political parties have adopted the same strategy to win elections—mobilize their angry base voters and exploit real or invented flaws in the opponent to sway unaffiliated voters. Fear and anger are seen as more powerful motivating sentiments to win elections than are specific proposals or broad sentiments of hope and encouragement. This rancorous politics projects grotesque images on the international stage, images exploited by opponents and occasionally by friends. It is hard to see how America can continue to be a welcome leader in the world when it is riven by bitter politics at home.

Third, technological advances are moving far faster than the ability of democratic governments to deal with the implications of these technologies. Social media has turbocharged anger and divisiveness in U.S. politics. But there is absolutely no consensus on how the U.S. government should manage the problem. The astounding advancement of artificial intelligence (AI) will only amplify this gap between social and commercial developments and government policy. The speed of technological advancements far exceeds the deliberative pace of government. The ultimate “product” of government is due process, which takes time. The widening gap between advancing technology and government review is now a challenging problem. These technology developments accelerate a broader political pattern seen over the past 60 years where priority is often given to the rights of personal liberty and private benefit over the collective needs of a community.¹¹ There has also been a sharp rise in alienation in American society, propelled mightily by social media that has no objective standards for truthfulness. Reading or seeing something that validates one’s prejudices now constitutes evidence in popular political discourse, making the task of explaining the complexities of problems and the sophistication of policy formulations all the more difficult.

Fourth, the Covid-19 pandemic highlighted a fundamental issue concerning modern commerce and society. Problems move speedily around the world, but the mechanisms of coordinating effective response are weak and fractured. All of the complex and hard problems in the world today are “horizontal,” but all sovereign governments are “vertical.” Really hard problems—pandemics, illegal drugs, refugees and migration, climate change and pollution, illegal money laundering, and terrorism—span far beyond the reach of any individual country, no matter how powerful. By contrast, the structures of international collaboration and coordination are weak. Poverty and weak governance in a distant land create fertile conditions for criminality and terrorism. For example, weak regulatory systems in China show up as a flood of precursor chemicals fueling dangerous illegal drug manufacturing in Mexico and the United States.¹² The problems confronting the world today are more complex and multidimensional than was the case in the late 1940s, while the structure of coordination (and even the competency of governments) has remained static, at best.

Fifth, countries in the so-called Global South no longer see Northern Hemisphere countries as benefactors or agents of positive change. There is a deep and widely held view that Europe and the United States have largely ignored the needs of the Global South. By contrast, China has effectively presented itself as a “developing” country, sharing the sentiments of aspiring Global South governments and citizens.¹³ Developing countries see commercial protectionism enacted by rich countries. Countries in the Global North will gladly take university-educated citizens but block poor migrants. Climate change advocates champion renewable energy sources to low-income countries without recognizing that many of these countries place a higher priority on affordable energy for economic development. International institutions seem structurally biased in favor of the wealthy countries in the Northern Hemisphere. The International Criminal Court seems only to concentrate on wayward African leaders, but never confronting leaders of developed countries. The war in Ukraine has highlighted the ambivalence that countries in the Global South feel about a conflict that they see as unrelated to their needs or aspirations.

The world of 2023 is not at all like the world of 1947 and 1948. The strategy that successfully guided the United States through the Cold War will not be adequate for the current day. The United States needs a new national strategy to navigate these complicated waters. What follows is not a strategy. Instead, this report proposes a framework for thinking strategically about the United States' choices and directions. There was no blueprint masterplan to survive and succeed during the Cold War. Many of the most important elements of the Cold War strategy emerged only when America confronted an intractable new problem. The strategy for this new era will be similar, but there are outlines of a framework that could guide the United States.

To Survive as a Nation

It is common for corporations and other organizations to adopt a mission statement. The most apt mission statement for the U.S. government is simple: to survive as a nation and to prosper as a people. The U.S. Constitution used different terms but clearly articulated these goals in the opening sentence by stating that the purpose of the new American government is to “provide for the common defense” and to “promote the general Welfare” of American citizens.¹⁴

In the early days following World War II, the immediate problem facing U.S. government leaders concerned the security of a shattered Europe. Tensions with the Soviet Union built up during the war but soon became an urgent priority. This led the United States to break with history and to maintain a large standing military establishment, augmented by alliances and partnerships, and to shape the international environment by creating a network of organizations and procedures that would influence the emerging world along lines more favorable to U.S. national interests.

Starting with What We Inherited

To build a strategy, you need to know your goals. What are national goals? Every modern American president usually adopts a formal National Security Strategy. But these documents outline the administration’s security strategy, not a grand strategy for America’s future. Presidents usually articulate elements of a national strategy as part of a political agenda to promote their party’s philosophy of governing. The United States does not have a tradition of developing an integrated national strategy that incorporates all of its potential resources, channeled to accomplish specific

goals. And a national strategy requires identifying what the country will not do as a nation, which is hard in a polyglot society with a geographically defined representative legislature.

More fundamentally, the United States lacks the government structure to develop such a strategy. Congress is divided into dozens of committees and hundreds of subcommittees. There is no way for Congress to develop an integrated national strategy. In theory, a president could create a national strategy, but the cabinet system divides operational jurisdictions into over a dozen stovepipes, hardened by congressional oversight that impedes cross-cutting integration.¹⁵ Within the White House, the president has a National Security Council and a National Economic Council, each competing for the president's time and focus. Important elements of the U.S. economy—such as U.S. universities and research institutions—have only a weak channel into the most senior levels of decisionmaking in the White House. In short, the country lacks a structural focus for creating a new national strategy.

To develop a new national strategy, we return to the fundamental mission statement for the U.S. government from the Constitution: to survive as a nation and to prosper as a people—to “establish Justice, ensure domestic Tranquility, *provide for the common defense, promote the general Welfare*, and secure the Blessings of Liberty to ourselves and our Posterity” (emphasis added).¹⁶

The first two great pillars of a national strategy must deal with these primary goals: (1) to survive as a nation, and (2) to prosper as a people. This report will explore them separately, but they are inextricably connected. Security is a prerequisite for prosperity, and prosperity is required to support the structures of government that guarantee security. As stated by a wise observer, “We must be safe before we can get rich, and we must get rich to remain safe.”

Sustain Hard Defense Resources

As discussed above, the United States pursued two primary channels for national security in the early years of the Cold War. The first was to maintain in peacetime a large and sophisticated military establishment and to base elements of that force in countries close to the enemy. These actions were seen as necessary to deter hostile forces acting against U.S. interests. The United States continues to maintain a large and sophisticated military establishment and continues to deploy military units around the world.¹⁷

This long-standing bipartisan consensus is now being challenged. Conservatives are divided. A growing faction argues that the United States should pull back from foreign deployments and focus on domestic security needs, such as securing the southern border of the country. This group of conservatives questions the need for massive defense spending.¹⁸ The other group of conservatives—still a majority, but a declining one—believes that the country has weakened the military through inadequate investment in new kit. These conservatives challenge the Biden administration and have increased the administration's defense budget request every year. Meanwhile, some progressives argue that the United States spends as much on national defense as the next eight countries combined. Democrats support current operations because they do not want to undercut a

Democratic president, but progressives are primed to shift funds from defense budgets to domestic needs when the politics permits.¹⁹

Despite these obviously significant differences in priorities, annual adjustments to defense spending and to the defense establishment are relatively minor, reflecting a general consensus among voters. Generally, the American public wants a significant military establishment and accepts the argument that basing forces forward to support allies is beneficial to the United States.

While the United States must sustain a strong military, the country must take a serious look at how efficiently it spends money on national defense. The defense budget is enormous, by any measure. In fiscal year (FY) 2023, Congress appropriated \$853.0 billion for defense spending.²⁰ We need to put this in context, however. It is critical to exclude the war costs of the past 20 years. However, even including those costs, the \$853 billion is not hugely out of scale with spending in the past. FY 1985 saw the peak spending of the so-called Reagan buildup years. When President Reagan came to office, he campaigned on the poor conditions of the U.S. military and weak defense spending in the Carter budget years. President Reagan sought to reverse the decline of spending following the Vietnam War. The height of the Reagan buildup—expressed in FY 2024 dollars—was \$718.6 billion. Adjusting this year’s \$853 billion to FY 2024 inflation brings it to \$877.8 billion.²¹ So the spending appropriated by Congress in FY 2023 was 22 percent greater in real terms than the height of the Reagan buildup in 1984. But it is instructive to compare what the United States bought with these two budgets.

In 1984, the United States had nearly 300,000 military personnel stationed in Europe. Today, that number is just 66,326.²² The United States stationed 41,718 Army and Air Force personnel in South Korea in 1985.²³ Today, that number has shrunk to approximately 25,372.²⁴ In the intervening 40 years, the United States has had five rounds of base closures and has closed over 300 military facilities. In short, with a budget that is 22 percent larger today, the country has a significantly smaller military force than at the height of the Cold War. It is therefore critical to understand how the country is spending more and getting less every year.

First, there have been new mission requirements. There was no Cyber Command back in 1984, space-based resources were more limited, and the U.S. intelligence community has grown significantly, particularly since September 11, 2001, with much of the budget embedded in Department of Defense (DoD) accounts.

But the primary reason why this United States is spending more and getting less is there has been far too little fundamental modernization of the DoD organization.

For example, Congress passed the hugely important Goldwater-Nichols reform legislation in 1986, which fundamentally transformed and improved the warfighting capabilities of the DoD.²⁵ At that time, Congress presumed that wars would be fought through the regional combatant commands—European Command, Central Command, Pacific Command, and Southern Command. But the United States does not fight wars through the unified commands. Today the country establishes

Table 1: Defense Spending Comparison

| | Reagan Buildup | FY 2023 Appropriation |
|--|-----------------------|------------------------------|
| Appropriated dollars (constant FY 2024, billions) | \$718.6 | \$877.8 |
| Active-duty personnel (thousands) | 2,207,000 | 1,421,000 |
| Total Navy battle force ships | 541 | 297 |
| Annual Procurement | | |
| AH-64 attack helicopter | 144 | 35 |
| UH-60 utility helicopter | 84 | 55 |
| Hellfire missile | 6,026 | 862 |
| TOW missile | 15,000 | 893 |
| M1 tank | 840 | 69 |
| M2 fighting vehicle (Bradley) | 680 | 0 |
| Combat ships | 19 | 5 |
| Attack submarines | 4 | 2 |
| Mk-48 (mod 4) torpedo | 108 | 83 |
| Captor mine | 300 | 0 |
| Patriot missile | 400 | 180 |
| F/A-18 aircraft | 84 | 39 |
| Phoenix missile | 380 | 462 |
| F-15 fighter | 42 | 38 |
| C-5 transport | 8 | 0 |
| IIR Maverick missile | 2,600 | 1,006 |
| AMRAAM missile | 25 | 608 |

Source: Congressional Record, 98th Cong. 2nd Sess., September 27, 1984, p. 27426; and Office of the Under Secretary of Defense (Comptroller), *National Defense Budget Estimates for FY 2024* (Washington, DC: Department of Defense, May 2023), https://comptroller.defense.gov/portals/45/documents/defbudget/fy2024/fy24_green_book.pdf.

joint task forces to conduct actual combat operations, yet the formal structure of regional combatant commands and sub-unified commands has remained unchanged.

There are two headquarters staffs in the Pentagon—the Office of the Secretary of Defense and the Staff of the Joint Chiefs. Neither staff fights wars, except against each other in conference rooms.

These two staffs largely parallel each other, with little value added for the redundancy. And both have grown hugely over 40 years.

Fifty years ago, American business removed the institutional barriers between warehouse and transportation functions. Now the private sector seamlessly manages goods, whether they are located on a truck in transit, in a warehouse in stockpiles, in vendor inventories, or on supermarket shelves. The DoD has made only tiny progress in adopting streamlined operations for matériel support. The last real reform occurred over 30 years ago when some administrative functions (such as finance and accounting) were removed from the military departments and placed in expanded defense agencies.²⁶ Still, ancient business practices persist with astounding inefficiencies.

Congress has periodically legislated reforms on the DoD, but the result has been a larger, more cumbersome bureaucracy. The number of Senate-confirmed positions has grown from 47 (excluding the trustees of the Uniformed Services University of the Health Sciences) to 66 over the past 38 years.

Procurement costs have also soared, while the quantities of kit being delivered have shrunk. Enormous sums are required for overhead functions.²⁷ The result is that the country has accommodated soaring costs by shrinking the size of its military forces and buying less-modern equipment for operating units.

There is no question that the United States needs to retain a strong and capable military force. But the current trend is not a viable path. It needs serious reform and faces hard choices.

Congress also needs to scale back the astounding micromanagement it imposes on the DoD. The National Defense Authorization Act in 1985 was 169 pages.²⁸ In FY 2023, the annual authorization act was over 1,770 pages.²⁹ There has been an explosion in the size of the Senate and House Armed Services Committees. In 1985, there were 18 senators on the Senate Armed Services Committee. Today there are 25.³⁰ The House Armed Services Committee grew from 44 to 59 over the same period.³¹ More members inherently mean more congressional staff, resulting in ever-greater micromanagement of the DoD.

And of greater impact, Congress blocks needed efficiencies proposed by the DoD. Congress refuses to close surplus and unneeded facilities, to rationalize its extended laboratory system, or to shut down or streamline depots and arsenals. Congress will often stipulate that a military department must continue to operate an obsolete weapon system in order to preserve activity at bases in members' congressional districts.

The DoD is certainly responsible for inefficient use of resources, but Congress equally shares blame for massive waste of resources through micromanagement.

Recommendation: The United States should continue to support a significant military establishment and sustain forward basing and operations of U.S. forces as an essential element of U.S. security strategy. But extending current activities and practices will erode U.S. capabilities over time. The United States now needs a fundamental management

streamlining of the DoD. Congress should lead the way by cutting the size of the House and Senate Armed Services Committees by 50 percent and cutting the staff on the defense committees by a similar amount. Fewer people will lead to less micromanagement. Congress should commission a nonpartisan commission of experts and former members of Congress to identify fundamental streamlining opportunities for the DoD.

Shaping the International Environment to Favor National Goals

The second element of the Cold War strategy is still relevant, but there is less consensus on its content. In the early days of the Cold War era, the United States sought to create a network of institutions that would establish global norms of behavior and expectations. These global norms were fundamentally favorable to American interests and included principles such as the rule of law, stable and convertible currencies, the relaxation of barriers to commerce and investment, due process in judicial and administrative proceedings, the prioritization of peaceful dispute resolution and diplomacy, and a normative bias toward representative government and the rights of citizens.

It is important to pause at this point and reflect more directly on the purpose of creating international institutions and norms. The French philosopher Henri Bergson is credited for once saying (my wording) man invents ideas, but institutions sustain them. The purpose of creating institutions is to establish the sustaining framework that embodies the policy goals and norms desired to be implemented by a government, and to teach those norms to rising generations through the work of those institutions.

The United States took the lead to create institutions such as the World Bank, International Monetary Fund, and United Nations as well as the UN agencies, regional development banks, security alliances, and bilateral treaties. This was all done for the same purpose: to shape the future in ways that would make it easier to achieve American interests. America's leaders believed that the interests of other countries would be served by these institutions as well. But the United States did not create them or support them because of some detached nobility of sentiment. It created them because they would help the United States achieve its national goals. Fortunately, what was excellent for the United States also proved good for the world.

This is especially important for a global superpower. Most countries—including other great powers—have numerous interests, some in tension with other interests. But no country has the same span of interests as the United States. It is very hard for a global superpower to provide the focus and intellectual capacity required to manage dozens of challenging developments. Having a network of international institutions shaped generally around U.S. political values is enormously beneficial to the country's national goals. Many of these problems can be managed primarily within an institutional framework that is favorable to American values, but without requiring intense American involvement.

By definition, any international treaty and treaty-based institution does constrain sovereign flexibility to varying degrees. Historically, the United States has managed this in several different ways. The first, obviously, is to not agree to join the organization or sign the agreement. The United

States has refused to join the International Criminal Court because of concern that third parties would turn the court against the United States for a political agenda.³² The United States has also refused to sign treaties that would be beneficial to U.S. interests—such as the UN Convention on the Law of the Sea.³³ Ideological opposition tracing back 40 years continues to stymie ratification of a treaty that becomes more important every year. But abstinence is the default choice in the face of controversy.³⁴ The second option involves some form of a “sovereign immunity” clause that allows the signatory parties to uphold core fundamental interests of their nations.³⁵ But the third and most common way that sovereign states have protected their interests is to design the relevant international institution in such a way that its powers are inherently weak and cannot threaten core national interests. We see this vividly in the UN Security Council. The United States and other World War II powers ensured their flexibility by giving themselves permanent veto rights over any action proposed in the council.

Recent years have brought a new phenomenon. The United States has participated in drafting treaties, only to then decide not to enter into the treaty for domestic political reasons. Presidential administrations state that they will observe the conditions of the treaty, but the Senate opts not to ratify it.³⁶

While nations craft ways to preserve their sovereign flexibility when they join treaty-based international institutions or enter into treaties, the point remains that we ratify treaties and join international organizations because there is more benefit than risk in the work of the institution. Countries join treaties and treaty-based organizations that constrain independent national flexibility because those rules also constrain the flexibility of other countries, which is perceived to have greater value in the long run than any perceived loss of flexibility.

Alliances, Partnerships, and International Organizations

As discussed earlier, America set out on a course after World War II that it had previously avoided. The United States entered treaty-based alliances, bilateral security agreements, and treaty-based international organizations. The impulse was not based on romantic idealism or philanthropy. America created these structures to shape the international environment, bending issues into predetermined channels where we had support from others to deal with the problem. Below, we will examine each of these dimensions of structured international engagement.

THE RISE OF STANDING INTERNATIONAL ORGANIZATIONS

The modern agenda of creating more effective international institutions accelerated in the years after World War II. America and allied countries anticipated the collapse of the previous European-based international order.³⁷ The United States invited allied countries before D-Day to participate in a series of conferences to create a new international finance structure. The purpose was to facilitate the reconstruction of war-damaged economies, to establish a durable framework for stable exchange rates for international commerce, and to create a framework for helping the economic development of former colonies that gained independence following the collapse of the old European imperial system. Remembering the trauma of the global recession following World War I and the dreadful political consequences that emerged during that time, the Bretton

Woods system envisioned a world of open markets, reduced barriers to trade, and international mechanisms to assist in the resolution of national financial crises.

BOX 2

Multinational Governance

Multinational governing institutions are a relatively new innovation. The first functional international institutions were the International Telegraph Convention in 1865 and the Universal Postal Convention in 1874. The first International Sanitary Conference in 1851 was Europe's effort to prevent the spread of cholera and other infectious diseases following the opening of the Suez Canal. Still, it took four decades to produce a more permanent framework for public health.

The United States and U.S. allies launched a parallel effort to replace the ineffective League of Nations. On April 25, 1945—before the formal end of the war, but with victory in sight—50 nations met in San Francisco to start the process of drafting a charter for the United Nations.³⁸ A core dilemma challenged the drafters of the UN Charter: Should the structure of the United Nations be built around the practical power reality of the day, or should it be designed to promote the world we wanted to create? The League of Nations failed because it could not balance the practical power dynamics of the interwar period with the idealism codified in the league's charter.

The drafters sought to accomplish both goals. The UN Security Council was organized around the practical power dynamics of the day. The major wartime allies were given permanent veto authority over any matter brought before the Security Council. Idealism informed the creation of the General Assembly, where all countries had equal standing. Individual countries and groups of countries could stimulate a focus on a topic of interest. The structure of the United Nations sought to balance the world as it existed with the world that leaders wanted to create.

There have been consistent arguments for reforming the UN Security Council. Most countries naturally resent the permanent veto rights given to the victors of a war concluded nearly 80 years ago. While the United States and China represent leading powers today, the other three permanent members have declined in global power. Still, their positions as permanent members of the Security Council ensure that they will not tolerate a dilution of their status.³⁹ Any meaningful reform is unlikely in the near term (see Box 3). Presently, the Security Council is significantly frozen because of the war in Ukraine and growing tensions between authoritarian powers such as Russia and China and their Western counterparts such as the United States, United Kingdom, and France.

BOX 3

Challenges to Reforming the UN Security Council

Efforts to reform the UN Security Council started in 1993. The G4 countries—Brazil, Germany, India, and Japan—have pushed to become permanent members because of their considerable economies and regional influence. A group of countries informally called the Coffee Club opposed the G4 and proposed instead to restructure the Security Council on the basis of regional representation. The African Union has proposed that two African states be made permanent members, though individual African states cannot agree on which two should be given those privileges.⁴⁰ In short, regional and international rivalries continue to confound any serious effort to reform the body.

Growing Ambivalence about the United Nations and the UN System

While there is considerable ambivalence within American political circles about the United Nations, there are important functions undertaken by the UN system which Americans need and value:

- **Managing political problems in the absence of a functioning government:** While the United States has not used the United Nations in this capacity in recent years, one of the body's valuable functions is to step in to serve as the provisional administrative authority when countries or regions lack a coherent government entity. The deterioration of governance in Haiti is a good example of where this function has been used.⁴¹
- **Undertaking peacekeeping operations when core U.S. interests are not at stake:** Presently, there are 12 UN peacekeeping operations around the world.⁴² The United States contributes funding and some administrative support to these operations, but largely they are executed by forces contributed from other countries operating under a UN Security Council mandate (see Table 2).
- **Helping to establish standards for international commercial activity:** The United Nations has several agencies that provide a global forum for important activities that require explicit international standards. For example, the World Intellectual Property Organization works to facilitate protection of intellectual property throughout the world and to harmonize national legislation when there is disagreement.⁴³ The International Civil Aviation Organization coordinates global standards for safety, environmental preservation, security, and operational efficiency for worldwide commercial aviation.⁴⁴
- **Coordinating international response to natural disasters and humanitarian need:** The United Nations Children's Fund (UNICEF) operates the world's largest healthcare delivery organization, administering over 2 billion vaccinations annually to low-income countries and communities.⁴⁵ The World Health Organization took the lead in helping African countries deal with the recent Ebola virus outbreaks.⁴⁶ The Food and Agriculture Organization and the World Food Programme deliver critical food to countries enduring famine or war-related food insecurity.⁴⁷ While criticized in the United States for its ambivalence during the Covid-19 pandemic, the World Health Organization remained the only authoritative source of advice

and support for the vast majority of lower-income countries in the world. The United Nations Office for the Coordination of Humanitarian Affairs (OCHA) mobilizes aid for and supports crisis-affected communities.⁴⁸

- **Securing nuclear activity:** The International Atomic Energy Agency sets standards for safety and security for civilian facilities around the world and is a fundamental monitoring agency to detect the diversion of commercial nuclear resources for covert development of nuclear weapons (see discussion in Chapter 5).

These are examples of activities undertaken by international institutions that are valuable to the United States. Not all UN agencies are uniformly helpful, but they serve an important function that benefits America's security, economy, and society. As a nation, the United States would struggle to sustain the pace and rhythm of modern life and manage a wide range of second-tier problems without the United Nations and its agencies.

Stronger U.S. Support—and Stronger Oversight—for the United Nations

Almost from the outset, the United Nations was beset with great power competition and controversy. But in recent years, America's enthusiasm for the United Nations has waned dramatically. Giving Cuba the chairmanship of the UN Human Rights Council struck most Americans as absurd and offensive. For many years, the United Nations considered resolutions condemning Israel over its treatment of Palestinians.⁴⁹ The United States often had to veto these resolutions, which contributed to growing disenchantment with the United Nations in U.S. political circles. This has only become far more intense now with the ongoing war in Gaza. The UN system has become a platform for amplifying the agenda of nongovernmental organizations, many with a goal of forcing change on U.S. stances on foreign relations. This has fueled the critique that the United Nations threatens U.S. sovereignty. And there are frequent reports of abusive behavior by UN peacekeeping forces toward civilian populations.⁵⁰ All of these problems have contributed to a significant deterioration in support for the United Nations among American political figures. These criticisms are valid, but they do not negate the value of having a functioning organization that can coordinate needed international collaboration when it is directly or indirectly affecting American interests.

It is also important to note that the United Nations and the wider UN agency system have considerable legitimacy and moral authority around the world, both to governments and individuals. While the United Nations may not enjoy high standing in the United States, it is highly regarded around the world. The United States' strained relationship with the United Nations wins the country no admiration in these nations and capitals.

China has made a major push to become a leader within the UN system. It has sought leadership roles in major UN agencies and contributes thousands of peacekeeping soldiers to UN operations while the United States contributes almost none. Table 3 below shows the top 10 state contributors of personnel to UN peacekeeping operations as of 2022. China is 10th in the world. The United States, with 30 staff officers and 3 experts on mission, ranks 78th. The United Nations has been a major channel through which China has projected its claims to better represent the interests of

developing countries. China is on the march within the UN system, while the United States is often observing from the sidelines, occasionally booing the play of the game.

Table 2: Top Personnel-Contributing States to the UN System, 2022

| | Sending Country | Experts on Mission | Formed Police Units | Individual Police | Staff Officers | Troops | Grand Total |
|-----|------------------------|---------------------------|----------------------------|--------------------------|-----------------------|---------------|--------------------|
| 1 | Bangladesh | 42 | 460 | 38 | 155 | 5,998 | 6,693 |
| 2 | Nepal | 40 | 180 | 51 | 127 | 5,392 | 5,790 |
| 3 | India | 45 | 140 | 18 | 102 | 5,463 | 5,768 |
| 4 | Rwanda | 27 | 860 | 82 | 73 | 4,235 | 5,277 |
| 5 | Pakistan | 42 | 0 | 0 | 106 | 3,980 | 4,128 |
| 6 | Egypt | 41 | 615 | 58 | 63 | 2,038 | 2,815 |
| 7 | Ghana | 47 | 266 | 32 | 85 | 2,321 | 2,751 |
| 8 | Indonesia | 20 | 140 | 14 | 48 | 2,452 | 2,674 |
| 9 | Senegal | 6 | 1,217 | 70 | 31 | 1,133 | 2,457 |
| 10 | China | 28 | 0 | 10 | 46 | 2,157 | 2,241 |
| ... | | | | | | | |
| 78 | United States | 3 | 0 | 0 | 30 | 0 | 33 |

Source: "Contribution of Uniformed Personnel to UN by Country and Personnel Type," UN Peacekeeping, May 31, 2022, https://peacekeeping.un.org/sites/default/files/01_contributions_to_un_peacekeeping_operations_by_country_and_post_50_may_22.pdf.

The United Nations does offer significant benefits to the United States. But there are legitimate questions about its efficiency and the accountability of UN leaders and agencies. The United States should continue to support the United Nations, but it should also take a larger role in leading UN deliberations. In exchange, the United States needs greater accountability of UN leaders and operations to restore credibility that the United Nations is worthy of U.S. support. The United States should join other like-minded countries to demand a stronger process of performance reviews and assessments of UN activities. The United Nations needs an independent inspector general function that reports to the Security Council, not just the secretary general.

Recommendation: The United States should strengthen its work through the United Nations but demand new structures to evaluate the effectiveness of UN agencies and personnel. This should include the creation of an independent inspector general, reporting directly to the Security Council. The G7 countries should jointly establish performance standards for the new inspector general structure and issue biennial reports on the efficacy of the office.

ADAPT AND STRENGTHEN ALLIANCES

Countries join security alliances for varying reasons. It might be to draw more strength to manage a core problem facing the country. It may be to strengthen another country whose security is judged essential to its own national interests. It might be to present a more complex security challenge to an opponent. The reasons vary, but they all share a common attribute: treaty-based security alliances are designed to provide strategic depth for a country. The United States joined or created military alliances after World War II because the agreements added strategic depth to our sovereign power.

There is a second common reason for security alliances. These structures are normative, creating a framework for a shared agenda of security-related political objectives. The framework developed by one generation of leaders carries over to succeeding generations so long as the conditions attendant to the treaty remain in place.

This was evident in the way NATO responded to Russia's invasion of Ukraine. Even though Ukraine was not a signatory member of NATO, Europe collectively saw the risk posed to the continent if Russian aggression was not countered.⁵¹ The NATO treaty gave structure and coherence to the deliberations before and following the invasion and led to an aligned response across the spectrum of European politics and priorities. The compelling attributes of NATO led both Finland and Sweden to seek membership.⁵² Nearly 75 years after the founding of NATO, national leaders today understand the structure of defense and the values of the alliance because of the normative qualities of standing treaties. And again, for emphasis, the NATO treaty provides strategic depth for all signatories, and especially for the United States. America's primary security priority today focuses on Asia and managing the rise of China as a superpower. NATO makes it possible for America to make decisive contributions in Europe while sustaining its strategic focus in Asia.

The war in Ukraine also highlights yet again the relatively weak defense capabilities of European countries. European countries have generously donated combat equipment to Ukraine, but few of the weapons have been accompanied by spare parts or maintenance equipment. Munition stocks are thin.⁵³ European defense establishments still devote excessive percentages of resources to parochial infrastructure, such as national training establishments, parallel command headquarters, and redundant acquisition establishments. The United States still must provide the integrating structure and impetus for collective action by NATO.

Retool NATO

While it is gratifying to see the focus and energy in Europe on defense matters, now is the time to undertake serious retooling of NATO. At the end of the Cold War, NATO shifted its focus to preparing and integrating new member states. The political dimension of NATO grew, and warfighting preparedness declined. When Russia invaded Crimea, there were no operational war planners in NATO headquarters. The regional war-fighting headquarters had been disestablished. There were no operational command structures between the NATO operational headquarters and a battalion in the field. Since 2014, America and European partners have undertaken strong efforts to put muscle tone back into NATO. These organizational and operational investments have been crucial in the current effort to support Ukraine.

The war in Ukraine now highlights the underlying strategic premise of NATO: it is a collective security alliance designed for unified action against a direct threat to members of the alliance. The only direct threat to NATO comes from a revanchist Russia. Clearly now there are four primary theaters of combat facing NATO:

- Reinforcing Finland primarily and the Nordic states secondarily⁵⁴
- Securing the Baltic Sea for unfettered NATO operations and commercial navigation⁵⁵
- Reinforcing the central frontline states (primarily Poland, the Baltic states, and possibly Ukraine in the future) against a ground invasion⁵⁶
- Providing effective air and missile defenses for all of Europe⁵⁷

NATO now needs to realign its operational command structure around these four theaters of operation. In addition, NATO needs a serious restructuring of the support mechanisms required for combat operations. This would include a NATO-wide logistics and transportation command, a NATO-wide training organization for advanced combat and combat support training, and a NATO-wide command to manage test-and-training ranges and facilities.

Currently individual countries largely make solo decisions about procurement priorities and organizational competencies. There is no blueprint for what the European side of NATO needs for capabilities and where it stands in providing those capabilities through the efforts of individual member nations. The European component of NATO needs organizational rationalization as well as a blueprint to guide forward plans and investments by individual countries.

Recommendation: NATO should establish four new operational command headquarters for the four primary security theaters of operation, and it should create new NATO-wide commands for vital combat support functions.

While NATO is inherently valuable as an operational collective security structure, it is especially important because America's strategic security focus has shifted to Asia. Back in 2011, President Obama directed a strategic security review in light of the budget agreement with congressional Republicans to cut back on defense spending as part of a broader agreement to constrain federal budgets. At the conclusion of that review, President Obama proposed a "pivot to Asia."⁵⁸ He was then criticized because while the pivot was welcome, there was no subsequent buildup of forces in Asia. This policy shift was made in the context of plans for major defense budget reductions. President Obama basically committed to preserve U.S. military strength and operational pace in the Pacific while cutting back on military activities in Europe and the Middle East.

The salient importance of this pivot was not recognized at the time. It was the first time in American history when the U.S. government said that Asia, not Europe, was the country's highest security priority. This remains true, despite active U.S. support of Ukraine through NATO. The war in Ukraine would have been far more challenging for the United States had the framework of NATO not been in place to share the burden of reinforcing Ukraine.

Still, there are things that can and should be done to strengthen NATO further. European defense ministries are still woefully underpowered because so much of their budgetary resources are devoted to purposes such as redundant headquarters, training establishments, and acquisition bureaucracies. Collectively, European NATO partners have spoken for years about rationalization, pooling, and sharing of resources. But very little has been done.

The United States' demand for modernizing NATO must go beyond hectoring European countries to spend more money. There needs to be a concrete blueprint for what the European element of NATO can and should become in the future. Rather than just tuck into various areas of American-led forces, Europe needs a coherent integrated defense capability. And that can come only through serious rationalization of defense contributions, consistent with a blueprint that would produce a coherent integrated European defense establishment. This should be the current focus, using the recent experience of Russian aggression as a yardstick for measuring how well European defense forces could manage an invasion like that experienced by Ukraine.

Recommendation: The United States should demand that European NATO countries develop a comprehensive plan for an integrated defense capability that can accomplish the four tasks noted above. The United States should provide technical support as needed, but Europe needs to develop its side of the alliance and build a self-standing defense capability, with the United States playing a reinforcing role.

U.S. PARTNERSHIPS IN ASIA

Defense in Asia

The Korean War globalized the great security standoff with the Soviet Union. The victory of the Chinese Communist Party in 1949, followed by the Korean War, convinced American government leaders at the time that communism was on the march and that Asia needed a collective security structure like NATO. In September 1954, the United States and seven other countries created the Southeast Asia Treaty Organization (SEATO).⁵⁹ Tellingly, five of the eight countries—Australia, France, New Zealand, the United Kingdom, and the United States—were primarily culturally European. Both the Philippines and Thailand were treaty partners to the United States, and Pakistan joined primarily to seek support in its standoff against India. Cambodia, Laos, and Vietnam were given presumed military protection through a protocol instrument but were never formally part of SEATO.

SEATO had no organic roots in Southeast Asia, despite its name. It lacked geographical propinquity. The central organizing concept was alignment against the Soviet Union and China, which led as many countries to eschew membership as to join. Pakistan pulled out in 1973, South Vietnam was defeated in 1975, and SEATO formally ended in 1977.

At the same time, the United States was developing deeper security structures with Japan and South Korea on a bilateral basis, which met with greater success. The threat posed by China was more immediate, and the United States had opportunities to create a much wider range of contact points with both countries than it did with Southeast Asian countries. The Korean War caused the United

States to retain significant conventional combat forces in Japan and South Korea and pushed it to focus on developing the domestic political structures of both countries.

The security ties with Japan and South Korea were important, but even more important was the way both countries would develop powerful, vibrant economies that generally embraced U.S.-European geoeconomic norms. America kept significant military forces in both countries as part of the larger security structure designed to manage the rise of China in Asia. Initially, the United States had a containment strategy for China, but that shifted dramatically with President Nixon's outreach to China, which was accelerated by China's decision in 1978 to drop a policy of autarky and instead open its economy to global markets and global investments.⁶⁰ The security dimension of the U.S.-Japan and U.S.-South Korea relationship remained relevant, but the transition within China following the economic reforms shifted the focus to economic engagement.

America needed both Japan and South Korea as major components of its security architecture. This was complicated by the tensions that remained between them, significantly because of Japan's brutal occupation of the Korean Peninsula prior to and through World War II. Most recently, the Biden administration has demonstrated considerable skill in creating a working trilateral relationship.⁶¹ The rise of a more pugnacious China, the continued bellicosity of North Korea, and the election of pragmatic politicians as prime minister and president respectively in Japan and South Korea with prominent security agendas have led to landmark structures of closer collaboration.

Quadrilateral Security Dialogue

Nonetheless, Asia remains a theater where security arrangements represent networks of relationships, but with no overarching security structure like NATO. The most important recent development is the establishment of the Quadrilateral Security Dialogue, most commonly called the Quad. The Quad is comprised of four countries—Australia, India, Japan, and the United States. It was initially proposed by Japanese prime minister Abe Shinzo back in 2007 in conversation with Australian prime minister John Howard, Indian prime minister Manmohan Singh, and U.S. vice president Dick Cheney. The idea languished for a decade as political sentiments shifted in Australia, India, and Japan. In 2017, three new leaders plus Abe again committed to support the Quad dialogue, stimulated by concerns over Chinese island building in the South China Sea. Started during the Trump presidency, the Quad picked up momentum under President Biden.

The Quad is not and will never be a security treaty, despite China's loud complaint that it is a mini-NATO. There is no geographical propinquity to the Quad, and each country has wide-ranging political and economic priorities that are at times in tension with each other. The unifying feature of the Quad, however, is a concern about a rising, more pugnacious China and the need for coordination to counter Chinese political and military intimidation in the region. The Quad will also likely never grow into a larger group. The unstated but obvious purpose of the Quad is to counter China. No other country in the region wants to join the Quad, knowing it will unleash intense pressure from China. There is no need for more members. Each of the four members of the Quad brings its own networks of diplomacy, commercial ties and mutual support agreements with other

countries in the region. The Quad is primarily a network of networks providing reassurance and stability in the region.

The Great Void: The Lack of an American Trade Policy

While much of the security framework architecture for Asia is in place, there is a gaping void with the absence of a real American trade policy for the region.⁶² For most countries in Asia, foreign policy is trade policy. The value of a comprehensive trade policy for Asia is that it becomes the backbone of a rules-based international system of mutual interest and support (see Box 4). In 2006, four small economies in the Pacific region developed an economic framework that expanded to become the most ambitious trade agreement in recent times.⁶³ In 2009, the United States joined this process and sought to use its leverage to create higher standards and a broader structure for the agreement. What emerged was the Trans-Pacific Partnership, which President Obama formally endorsed in the spring of 2016.⁶⁴ Opposition in Congress (Republicans did not want to give President Obama a victory, and Democrats were cowed by opposition from labor unions and environmentalists) prevented ratification during the Obama administration. President Trump subsequently withdrew from the treaty on January 23, 2021.⁶⁵

BOX 4

From TPP to CPTPP

In 2006, four countries across the Indo-Pacific developed a trade agreement to bring their economies closer together.⁶⁶ The four countries—Brunei, Chile, New Zealand, and Singapore—established an agreement lowering trade barriers and increasing interconnection. The agreement showed benefits, and soon other countries expressed interest in joining. By 2009, eight additional countries sought to join, creating new pressures and challenges to reaching agreement. To work through those issues, negotiations began on what became known as the Trans-Pacific Partnership (TPP). The TPP, negotiated between 2009 and 2016, brought together 12 countries from North and South America, Asia, and Oceania, in what was intended as one of the world’s largest free trade agreements. The other 11 countries (beyond the United States) collectively represented the largest bloc of exports from the United States to the rest of the world. Proponents of the agreement argued that it would result in more than 1 percent annual growth for participating countries. Within the United States, this could have amounted to approximately \$131 billion in increased annual income, additional jobs, and increased U.S. exports up to \$357 billion annually by 2030.⁶⁷

The TPP was more than a trade agreement. It also represented a geopolitical effort to establish a new standard for international trade that raised the bar in a range of areas such as environmental and labor standards, requiring countries to reach those standards before entry. This was important because it was increasingly clear to countries around the world by 2016 that China was backsliding on its World Trade Organization (WTO) accession commitments to make progress toward a range of WTO standards. Even though it was

backsliding, China represented too large a share of companies' profits for countries to threaten meaningful consequences to China for noncompliance with its commitments.

Within the United States, however, the TPP faced significant opposition. The academic community was not uniform in its support. Several studies showed that the TPP may actually have resulted in a loss of jobs and a reduction in GDP due to trade dislocation. With negotiations only establishing the final text in 2016, the crucial push to sign and ratify the agreement would have had to come in the middle of a presidential election campaign. President Obama's public position on the TPP was tepid. Republicans in Congress were disinterested in providing a political "win" to Obama and the Democratic Party amid an election season. Presidential candidates Hillary Clinton and Bernie Sanders expressed opposition to the TPP on the campaign trail. Then candidate Donald Trump pledged to withdraw from the TPP on "day one" of his administration. Only two days into his administration, he made good on that commitment and withdrew the United States from the TPP, effectively killing the effort for all parties because the rules of the agreement would come into force.

The remaining 11 countries that had negotiated the TPP, however, were unwilling to let their own benefits fall by the wayside because of a U.S. decision. Under leadership from Japanese prime minister Abe Shinzo, the TPP-11, as they came to be known, reconvened and negotiated a similar agreement, this time called the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP). This agreement came into force for the first signatories on December 30, 2018, and an additional six countries have applied for membership. Among those countries, the United Kingdom has been granted membership, and China, Taiwan, and Ukraine have all applied for membership.⁶⁸

After the United States withdrew from the TPP, the agreement was not ratifiable under its existing terms. The late prime minister Abe saw an opportunity for Japan to play a larger leadership role in Asia. Japan took the lead, using the bulk of the TPP agreement as the basis for a streamlined version relabeled as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). For Abe, even without U.S. participation, the CPTPP was important for setting rules for trade that were not based on a Sino-centric view.⁶⁹ Presidents Trump and Biden have since ignored it, and the United States remains outside of it.

Responding to criticism that it lacked a trade policy, the Biden administration has proposed something called the Indo-Pacific Economic Framework for Prosperity (IPEF). The title reveals its true nature. IPEF is just a framework, outlining the conditions that the United States will insist upon in discussing trade matters with other Asian countries. Asian partners and allies have met IPEF with a polite yawn. Asian countries believe IPEF offers few tangible benefits. They are willing to engage the United States through IPEF, believing that this is as much as the United States can muster these days. And while there are small steps forward within the IPEF framework, for all practical purposes the United States has no real trade policy for Asia. This is a theater where trade policy is

the foundation for foreign policy. The sad irony is that the Biden administration often champions an international rules-based order as its strategic objective. That was what the TPP was and now the CPTPP is. But it is not something the Biden administration will now champion or support.

Recommendation: The United States needs to either join the CPTPP agreement or implement elements of it to become a partner in regional trade dynamics in Asia.

To Prosper as a People

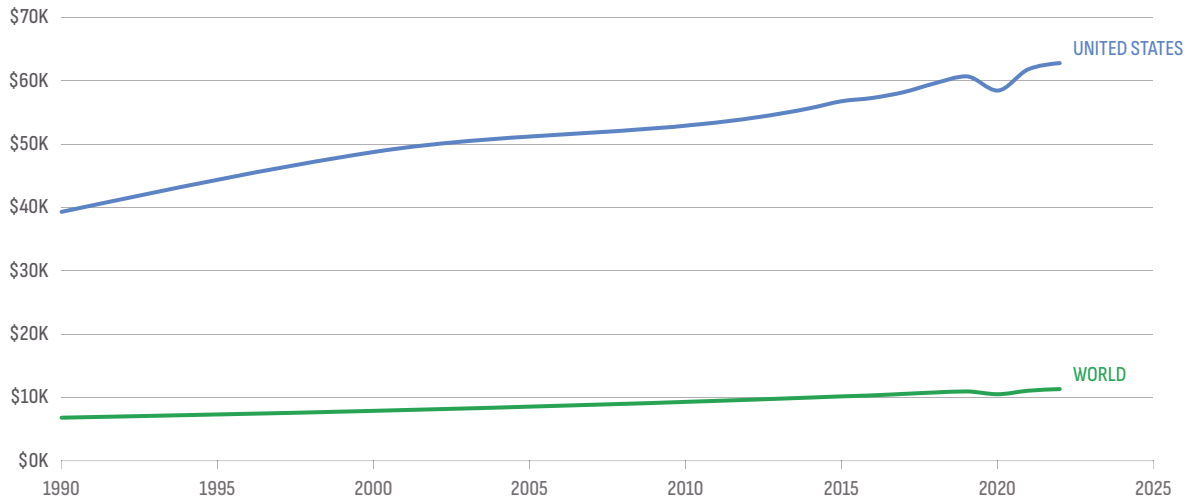
The second paragraph of the Declaration of Independence states clearly the purpose of the U.S. government, specifically enshrining the goals of “Life, Liberty and the pursuit of Happiness.” The pursuit of happiness sounds a bit superficial, but fundamentally it means the government should enhance the well-being and prosperity of its citizens. This forms the second great element of our national strategy framework.

The United States has not done badly over the past 50 years. In 1970, the income per capita was a little less than \$26,000 (expressed in constant 2015 dollars).⁷⁰ By 2021, this figure exceeded \$60,000, far higher than the world average of around \$11,000 as shown in the figure below.

Compared to other countries, the United States started with a remarkable set of advantages—a large landmass with very productive agricultural resources, abundant mineral and energy resources, long coastlines on two oceans with good harbors, relatively temperate climatic conditions, and a tradition of welcoming immigrants from around the world. Many of America’s strengths are also grounded in decisions made—and sustained—by governments and institutions over time. The United States remains a world leader in university-level education, with top-notch businesses, strong government and nongovernmental institutions, and a dynamic civil society. And the United States retains the most capable military in the world. Each of these attributes of power has contributed to—and derived benefits from—growing prosperity in the United States.

- **A growing and diverse population:** By 2053, the United States is projected to reach a population of more than 370 million, up from 336 million in 2023. About 75 percent of that growth, or about 25.5 million people, is projected to come from net immigration.⁷¹ The U.S.

Figure 1: U.S. and Global GDP, 1990–2025 (constant 2015 U.S. dollars)



Source: “GDP per capita (constant 2015 US\$),” World Bank Open Data, <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD>.

Census Bureau projects that the fastest-growing racial or ethnic group of the next 40 years will be people who are “Two or More Races,” suggesting that tomorrow’s Americans will more accurately represent the long-held concept of America as a melting pot.⁷² Perhaps as important, tomorrow’s Americans may be better positioned to move within and among global cultures, leveraging America’s diversity as a strength in both diplomacy and business.

- **A world-leading innovation ecosystem:** The United States remains a world leader with its innovation ecosystem. Arguably, much of that strength starts with the United States’ university system. Global rankings indicate that 39 of the world’s top 100 universities are in the United States, including 17 public universities.⁷³ The strength of America’s educational institutions translates into a high level of education among Americans. About half of Americans aged 25 to 64 have post-secondary degrees, up from 42 percent in 2010.⁷⁴ The education Americans receive enables them to tackle more complicated and sophisticated challenges. Within the United States, approximately \$656 billion goes toward research and development every year. Of that, the government share is 22 percent.⁷⁵ Finally, the strength of the U.S. innovation ecosystem is globally recognized. The United States is the top destination for foreign patent filers; more non-residents file for patents in the United States than residents.
- **A top-notch business environment:** The United States remains the strongest consumer and capital market in the world. It provides a high-standards, relatively low-cost business environment for firms. Fifty-nine of the world’s 100 largest firms are in America, with the United States holding 65 percent of total market value, equal to more than \$20 trillion.⁷⁶ This is more than four times the number of leading companies based in China and four times their market capitalization. There are over 33 million small businesses in the United States, which employ more than 61 million people.⁷⁷ Approximately 3.2 million businesses are immigrant owned, employing more than 8 million people.⁷⁸

- **A vibrant and thriving civil society:** The United States retains a vibrant and dynamic civil society spanning nonprofits, social support organizations, and religious institutions. There are more than 1.6 million registered charities in the United States.⁷⁹ Donations to those charities consistently account for approximately 2 percent of GDP and support approximately 10 percent of the U.S. labor force.⁸⁰ Individual contributions provided 64 percent of the support to charities in 2022.⁸¹ This broad spectrum of organizations enables U.S. society to adapt and adjust relatively quickly to shocks, including natural disasters and sudden migration flows, or to better understand the impact of changing laws and policies. Few other countries have such a strong network of civil society organizations.

Overall, these advantages have helped America become an economic powerhouse. Today, it constitutes 25 percent of global GDP (not adjusted for purchasing power parity) despite accounting for only 4 percent of the world's population.⁸²

Economic Progress Is Very Uneven in America Today

Aggregate data suggests that America has done very well over the past seven decades. But aggregate data such as income per capita masks a far more complex reality, as shown below with data as of October 2023:

- The top 10 percent of households by wealth held 69 percent of total household wealth.⁸³
- The bottom 50 percent of households collectively held only 2.54 percent of total household wealth.⁸⁴
- Black and Hispanic families owned only a quarter of the wealth of white families on average.⁸⁵
- Families headed by someone with only a high school education had only 22 percent of the wealth of families headed by a graduate from a four-year college or university.⁸⁶
- Families headed by someone with less than a high school diploma had only 10 percent of the wealth of families headed by a college graduate.⁸⁷

A portion of Americans are born with advantages well beyond the reach of the majority of citizens. The gap between upper-class and lower-class cadres is widening. People who work with their hands find the wind in their faces. People who work with their minds find the wind at their backs.

Strengthening America's Economy Starts with Addressing the Income Gap

Over the past 30 years, the gap in annual income between high-income workers and medium- and low-income workers has widened significantly. And this has become a major dimension of the United States' domestic political debate. As was said pointedly in the days during and after the recession of 2009, "blue collar workers lost their jobs and bankers lost their bonuses." We see a widening gap in incomes between urban centers with high concentrations of "mind workers" and rural and rust-belt America where more workers work with their hands.

A widening income and wealth gap matters from a macroeconomic perspective. Flat incomes for the bulk of workers limits their capacity to consume. Soaring incomes of well-compensated workers

result in savings that need to find a channel for investment. The past 30 years of globalization and the opening of the vast Chinese labor market have created enormous disparities in the United States. Competing against 400 million hungry Chinese workers, blue-collar American workers have struggled.⁸⁸ Returns to labor have remained flat in real terms. Returns to capital—moving the unconsumed savings of highly compensated individuals—have soared, particularly due to new investment opportunities in Asia. Yes, blue-collar workers have benefited from cheap T-shirts and sneakers manufactured in China, but the widening income gap has also delivered stagnant wages and dying neighborhoods.

This has contributed to the great unresolved debate now underway in America about “fairness” in the economy. It was the foundation of the Biden administration’s Build Back Better agenda.⁸⁹ In this agenda, progressives defined what they thought it would take to remove the barriers facing blue-collar workers. Conservatives saw it as a massive expansion of government bureaucracies and programs, and a return to redistribution politics.

This report does not choose to enter this debate or take sides in it. It does, however, want to use it as a springboard for its first fundamental observation. America is a rich and prosperous nation, but the distribution of income now is limiting future growth. Roughly 70 to 75 percent of GDP goes to consumption.⁹⁰ If wages for the bulk of American workers remain stagnant, future economic growth will be limited. Highly compensated workers end up investing their income in other countries where markets are growing.

Of equal concern is the accumulation of massive deficits caused by our desire to spend more on government than we are prepared to pay through taxes. The federal government now has accumulated deficits exceeding \$34 trillion.⁹¹ In addition, we need to add to this figure the over \$34 trillion of unfunded commitments for entitlements, such as social security, government pensions, Medicare, and Medicaid.⁹² A modern and successful society should provide security for its population, but it also must pay these bills. At present, the United States is pushing these liabilities onto the shoulders of Americans’ children and grandchildren.

COMMITTING TO A GROWTH STRATEGY FOR THE AMERICAN ECONOMY

America needs a new political commitment to economic growth. Progressives are more interested these days in economic justice than they are in economic growth. Progressives also believe economic growth threatens the environment. Conservatives, meanwhile, have become preoccupied with “woke capitalism.” Because the two political parties are so evenly balanced in Congress, the battles are endless and incremental. Strategically important issues fall victim to tactical posturing for temporary advantage in the next election. The Biden administration will argue, with justification, that the so-called Inflation Reduction Act (IRA) was designed to stimulate new jobs in the context of boosting renewable energy. The jury is still out on whether these incentives are sufficient to create the irreversible momentum needed to transform the fundamental position currently held by hydrocarbon energy sources.⁹³

Congress did pass, on a bipartisan basis, the CHIPS and Science Act, which provides financial support to boost manufacturing of semiconductors in the United States. The CHIPS Act also

provides authorization for a wide range of much-needed support for U.S. universities, research institutes, and other elements of the ideas industry, but only the semiconductor provisions were funded. Still, the CHIPS Act does indicate that the United States can indeed undertake industrial policy on a bipartisan basis. It is doubtful that the CHIPS Act would have passed without the unifying fear of China as a geopolitical and geoeconomic competitor. But the CHIPS Act was authentically bipartisan.

These are welcome examples, but they are exceptions to the current political landscape. Neither political party has a coherent agenda to boost economic growth in America. Without a growing economy, the two political parties will be battling over a shrinking pie.

Recommendation: America now needs a coherent and well-developed strategy to expand the economy. Such a strategy must address income disparities to ensure growth is sustainable in the United States.

The Liberal Conception of the Role of Government

America is confronting a great competition with China. China has a profoundly different concept for the role of government in Chinese society. America's concept traces back centuries, drawing heavily on ideas that emerged in the writings of French and English political philosophers as well as movements such as the Scottish Reformation. The purpose of government is to create the appropriate balance between the rights and liberties of individuals and the needs and responsibilities of society. This is best accomplished through a government structure with checks and balances. The best articulation of this is still found in the Federalist Paper No. 51, authored by James Madison: "The great security against a gradual concentration of the several powers in the same department, consists in giving to those who administer each department the necessary constitutional means and personal motives to resist encroachments of the other."⁹⁴ One element of the government can effectively stop the unilateral action of another branch. All must work together for a durable new policy direction.

In economic matters, the role of government is to ensure a fair and level playing field for the private sector. This requires multiple actions. The government must create and maintain a stable currency. It requires a system for protecting intellectual property that properly balances individual benefit and societal need. The government must establish a fair and transparent legal system based on due process, as well as a system for standardizing specifications for goods and services so that commerce can occur beyond a small neighborhood. In today's world, this likely means that the government will have to take a greater role in cybersecurity, especially in developing solutions to ensure the authenticity of information.

Within this objective and transparent framework, the private sector is free and encouraged to operate based on perceived opportunity. Entrepreneurs will decide what new opportunities can be created. Customers will decide if they want these products or services, and at what price. Technologies advance and open new ideas and channels for entrepreneurs and potentially

new products and services for customers. The marketplace decides winners and losers, not the government.

Over the years, our political leaders have changed and expanded the definition of what is required to provide a fair and level playing field. Abraham Lincoln felt that America's future was limited without a significant boost in higher education sponsored by the government. To protect investors in financial markets, the government created the Securities and Exchange Commission. To protect consumers from exposure to adulterated food or dangerous products masquerading as drugs, the government created the Food and Drug Administration (FDA). To ensure safe air transportation, the government created the Federal Aviation Administration.

Government plays a significant and vital role in modern American society by ensuring that the marketplace is fair, stable, and safe for consumers who otherwise could not protect themselves through their own agency. This has not been a conflict-free process. The government has expanded as problems were identified and possible solutions were explored and adopted. And political conflict carries on after the establishment of a new policy. In a representative government, conflicting perspectives must be reconciled through a legislative process where all parties have access to the representatives and senators who will ultimately decide what is needed. But the controversy does not end there.

Executive branch regulation is required to implement broad new legal policies, but this "rulemaking" process is always filled with tension and controversy. The politics that lead to the creation of a new government regulatory mandate invariably requires extensive and contentious rulemaking procedures for implementation. Aggrieved parties may take a judicial route to try to change the approach used to implement the legal mandate. And these issues will change as new economic or technological developments advance and require some adjudication in the regulatory process, and sometimes through judicial action.

Despite the controversy that accompanies government regulation, there is an important byproduct that has greatly benefited America. Quality government oversight creates value. Stringent regulation of financial markets and a strong judicial system have fundamentally made America's financial markets attractive for investors worldwide. Stringent regulation of drugs and medical devices has effectively created a value premium for any U.S. product that is approved for sale by the FDA. Stringent air safety standards have made America the aviation leader of the world and ensured that U.S.-manufactured aircraft are valued around the world. High-quality regulations create high-value products and services.

But the modern administrative structure of the U.S. government has created enormous inefficiencies through elaborate processes and regulations. Regulatory burdens in the United States result in capital resources moving to other countries where it is easier to build factories and hire people. China has come to dominate the processing of critical and rare-earth metals because America raised environmental standards while China welcomed investment with little regard for the environment. But once these enormously capital-intensive investments have been made, long-term patterns of commerce are locked in. America's current regulatory environment and culture of

litigiousness has become a major factor that will inhibit returning mining and manufacturing to American soil. If America is going to compete more effectively in the future, it needs to streamline the regulatory burden presented to companies and individuals.

Recommendation: The government needs to undertake sustained streamlining of regulations, protecting essential goals while lowering the burdens of compliance. Special interest advocacy groups have created excessive ways to slow government deliberations. The Constitution stipulates that accused parties have a right to a speedy trial. This should apply to government regulatory reviews as well.

Industrial Policy

The term “industrial policy” was politicized when then president Jimmy Carter tried to boost his flagging popularity before reelection by formally launching a national industrial policy initiative. Candidate Ronald Reagan strongly condemned the idea, and from that moment, the term “industrial policy” has been burdened by politics. Over the past 40 years, “industrial policy” is routinely condemned, but the argument is superficial. In reality, America has always pursued sensible industrial policies:

- Abraham Lincoln, as a candidate, had two main pillars in his campaign platform. One called for government investment in infrastructure, and the second called for government spending on university education. He followed through, pushing legislation to create incentives to build the transcontinental railroad and encouraging the creation of the so-called land-grant universities that became the backbone of higher education in America.⁹⁵
- General Dwight D. Eisenhower saw the power of the limited-access, high-speed autobahn road networks in Germany. He recalled his time in the Army in the 1930s, taking three months to move across the United States on poorly designed and constructed roads. When he became president, he pushed to create the Interstate Highway System.⁹⁶
- Senator Pete Domenici, wanting to help support the Department of Energy’s nuclear labs in his state, pushed for funding in nuclear weapons labs for the first mapping of the human genome, a step that has completely revolutionized modern medicine and biological research.⁹⁷
- The Department of Defense began developing the satellite-based Global Positioning System (GPS) in the 1970s.⁹⁸ While designed for the precision targeting of weapons systems, the GPS signal was offered to the public for commercial exploitation. GPS is now ubiquitous in American commerce. It not only makes ride-hailing services possible but is also used as a fundamental resource for synchronizing distributed computer systems, enabling activities such as using credit cards to pay for gasoline at self-serve stations.
- The Trump administration initiated a series of public-private partnerships to boost quantum research and development. The Department of Energy funded the costs of these new quantum research centers.⁹⁹

These are just examples of historic steps that America has taken with the explicit goal of creating incentives and structures to promote new economic opportunities and to ultimately enhance prosperity. The CHIPS Act is fully consistent with this rich history of shaping incentives for important new opportunities. These examples share a critical common dimension: American industrial policy generally funds the infrastructure of knowledge that cannot be built through market forces alone. No single company could afford to build a transcontinental railroad back in 1862. But once built, the railroads opened the vast heartland for countless opportunities, such as helping farmers get raw or semi-processed food to distant markets. Research on the genome in a nuclear weapons laboratory created part of the infrastructure that permitted the development of mRNA vaccines to manage the Covid-19 pandemic.

Despite the obvious need to develop a thoughtful national industrial policy strategy, the U.S. government is poorly suited to create it. Modern commerce and new technologies cut horizontally across the stovepipes of the cabinet departments and across the jurisdictions of congressional committees, which basically map (sometimes a bit incoherently) against the structure of the executive branch departments and agencies. Which cabinet department is responsible for AI? Which cabinet department should take the lead in shaping the realignment of global supply chains?

These cutting-edge developments and opportunities do not fit neatly in the existing structures of the federal government. They come together only in the White House, but the White House is also the platform for one political party at any one time. Initiatives springing from the White House inherently carry political baggage. America needs a novel way to develop a national industrial and national security strategy. We need a national strategy for making strategic investments, both in the government and in the private sector. Development of that strategy should be sponsored by the U.S. government, but no members of the U.S. government (other than support staff) should prepare it. A national commission should be appointed for a three-year period to develop a national strategy. Members of the commission would be nominated, half by the president and half by the Congress. All members would have to be confirmed by the Senate. (For administrative support, the commission should be supported by the National Institute of Standards and Technology.) The commission would be responsible for highlighting important new technological and societal developments that will have significant impact on future prosperity and security, as well as highlighting the gaps in American public and private resources regarding expertise on these issues.

Recommendation: Create a standing process for national-level commissions outside of government that would chart industrial policy ideas for consideration by the president and Congress.

Strengthen the Foundations of Innovation in the United States

The United States remains the world's leading innovation power. To remain competitive in the future, the United States cannot simply assume today's advantages will persist without continued investment. There are three areas where the United States can act in the near term to drive its competitive position forward: strengthening the U.S. role in standards setting, updating the patent system for the present day, and increasing the United States' ability to attract and retain talent.

STRENGTHENING AMERICA'S ROLE IN STANDARD SETTING

Setting standards to shape American commerce started at the very beginning of our country. To bring together 13 separate colonies into a coherent new government, our first leaders knew that a pound of flour in Virginia needed to weigh the same as a pound of flour in New York. Standard setting seems a simple and uninteresting topic. However, operating on common standards is what allows companies to sell products widely, and to innovate quickly. Explicit standards ensure that consumers reap the benefits of new ideas without being locked into one company's products. With explicit standards, products can improve in an open competitive market. An example of critical standards that have helped transform the world comes from those that govern wireless communication protocols—no matter where you are or what device you own, connecting to Wi-Fi works the same. This standard did not happen randomly. It was developed through engagements between competing firms, policymakers, and academics working to develop a standard that maximized consumer benefit, streamlined production requirements, and met necessary safety standards for communications devices.

An example of a cutting-edge issue that would benefit from concerns for global standards is the energy transition. Currently there are inadequate standards for measuring, reporting, and verifying greenhouse gases embedded in manufactured goods. The Department of Energy is already working on this front, and a canonical counting of carbon could become strategic high ground in a border-adjusted world.¹⁰⁰

Today's global standards are the product of decades of American leadership and the astounding technological advancement of the past 50 years. China has seen the power of global standards and now seeks to gain leadership positions in global standards-setting organizations. Sujai Shivakumar, director of Renewing American Innovation at CSIS, notes:

China's determination to dominate standards extends to controlling communications and discourse. Linking internet governance and standards, Chinese president Xi Jinping has stated that in cybersecurity and telecommunications, the "game of great powers is not only a game of technology but also a game of ideas and discourse power." Developing standards for the digital economy therefore also requires reference to standards for political expression.¹⁰¹

When new technology opens up new concepts for products or services, there is generally no accepted standard to guide commercial exploitation. For example, there is currently no set of standards for AI. Many governments, including China, India, the European Union, and the United States, are all embarking on efforts to begin regulating this new area of technology, though doing so before any standards are set can also create a balkanized world where standards become different in different markets, reducing efficiency and slowing innovation.

America has a unique approach to standards setting. In the United States, the private sector sets the standards. The role of government is to recognize and enforce them and ensure that the standards are developed broadly within an industry. In China, setting standards is an explicit act of government control. In Europe, the European Union plays a very large role in shaping standards.

Because America's approach leaves it to the private sector, we face a challenging future if China comes to dominate standards-setting venues.

To succeed in the emerging standards-setting competition, the United States will need bipartisan and consistent focus on resourcing standards-setting organizations and ensuring that the United States nominates strong and experienced leaders to these institutions, specifically including individuals capable of setting clear, achievable agendas and developing the necessary coalitions to succeed in setting standards that embody U.S. values.

Recommendation: Congress should appropriate funds to the National Institute of Standards and Technology to provide financial support to academic experts, experts in innovative small companies, and consumer representatives to participate in international standards-setting conferences and processes. NIST will play no role in determining standards (other than for government-specific technologies) but will help identify and support private sector representatives to participate in international standards-setting venues.

UPDATING THE PATENT SYSTEM FOR THE PRESENT DAY

The United States has always been a nation of inventors. An important aspect of U.S. competitiveness over the past 100 years has been the strength of the U.S. patent system. The patent system has sought to balance the interests of the inventor and the interests of consumers by allowing inventors to derive the sole benefit of their innovations for a set period of time. This system has propelled forward an ever-accelerating wave of creativity. The United States' innovative spirit rests on a complex network of economic rules favoring market-based competition, predictable legal arrangements for patenting and securing intellectual property, and incentives for investors. For decades, the United States set the global pace on patents. Over the past 20 years, global innovators, especially in China, have closed the gap and, in some cases, exceeded U.S. patent output.

Despite the successful track record of the U.S. patent system, there are growing calls within the United States to fundamentally reform the patent system. In many cases, the proposals include decreasing or eliminating the duration of patent benefits, arguing that the duration of the exclusive use period of the current patent system stifles innovation by limiting access to new technology. If these so-called reforms reduce or eliminate the exclusive use window of a patent, the financial incentive to make the necessary investments to develop new technologies is effectively eliminated. The benefits of innovating will be eclipsed by the ability to rapidly copy emerging technology. Only China would benefit from such an approach.

At the intersection of standards and patents are standard essential patents (SEPs), patents that form the basis of industry standards and allow both consumers and a broader array of firms to participate in innovation. Common in a range of technologies, including telecommunications, wireless systems, the internet of things, and AI, SEPs are offered at terms determined to be fair, reasonable, and non-discriminatory (F/RAND). SEPs allow a company to develop and profit from a technology that becomes an industry standard without leveraging that position to eliminate its competition.

Recommendation: Ensuring that U.S. innovators can derive the benefits of their inventions has propelled the U.S. economy for more than 200 years. Ensuring the patent system remains robust will be critical to incentivizing entrepreneurs to stay focused on the U.S. market.

INCREASING THE ABILITY TO ATTRACT AND RETAIN GLOBAL TALENT

As stated in the final report of the CSIS Trade Commission on Affirming American Leadership, “The United States thrives when it invites the best and brightest from around the world to set up shop and contribute to the U.S. economy.”¹⁰² Yet immigration policy now is one of the most contentious issues facing the U.S. government, with very little consensus on how to proceed.

The analysis below draws heavily on work undertaken by Remco Zwetsloot while he was a trustee fellow at CSIS; William Reinsch, Scholl Chair in International Business at CSIS; and his colleague Jack Caporal.

The role of immigrants in the U.S. economy is often overlooked as a driver of both innovation and growth. As of 2021, there were 3.4 million immigrant entrepreneurs in the United States.¹⁰³ As of 2017, immigrant-owned businesses employed 8 million people. Those businesses had cumulative sales of more than \$1.3 trillion.¹⁰⁴

In innovation, immigrants to the United States also contribute at levels above their share of the population. According to a 2022 paper from the National Bureau of Economic Research, from 1990 to 2016, immigrants accounted for approximately 10 percent of the U.S. population but created approximately 16 percent of inventions, 23 percent of patents, and 24 percent of top patents. Altogether, they contributed more than 25 percent of market value of the firms benefiting from the patents.¹⁰⁵

Every year, the United States sets aside 416,000 green cards for permanent immigrants. This allows non-citizens to live and work in the United States on an unlimited basis. Total green cards are subdivided into three groups: 226,000 for family-preference green cards; 140,000 for employment-based green cards, reserved for skilled workers as well as investors; and 50,000 “diversity” green cards for individuals from countries with low rates of immigration to the United States. Not only are there numerical caps imposed on green cards every year, but there are country limits that preclude more than 7 percent of green cards every year going to one country. This has a major impact on green card applicants from countries such as India, China, the Philippines, and Mexico.

The United States is no longer recruiting foreign talent at the same pace as in earlier eras. From 2000 to 2016, foreign enrollment in U.S. universities doubled from 500,000 to over 1 million students.¹⁰⁶ Growth slowed, beginning in 2016-17, and turned negative by 2019-20. The Covid-19 pandemic saw foreign enrollment drop by 15 percent, with only a modest rebound in 2021-22. In 2022, 54 percent of international students majored in science, technology, engineering, and medicine (STEM) programs.¹⁰⁷ A large portion of foreign STEM students historically came from

China, but the current tensions with China have had a dampening impact on Chinese students applying for admission to American universities.

In addition to declining numbers of international students enrolling at U.S. universities, it is difficult for firms to hire foreign nationals, even if these individuals are highly qualified. The CSIS Trade Commission notes that “the H-1B visa is capped at 85,000 visas annually, despite consistently hitting the limit months before the deadline for companies to apply.” Further, visas are distributed by lottery, “discourag[ing] companies from hiring international students and foreign workers.”¹⁰⁸

The number of H-1B visas available has been steady since 2004. From 1999 to 2003, however, H-1B visa quotas were set at between 115,000 and 195,000 per year based on two laws passed in 1998 and 2000, respectively, the American Competitiveness and Workforce Improvement Act and the American Competitiveness in the 21st Century Act.

If the United States has an enduring asymmetric advantage over nearly every country, it is immigration.¹⁰⁹ For centuries, the United States has drawn talented and ambitious people from all over the world. We see this today in U.S. universities and across the cutting-edge American economy. Innovation relies on access to the most talented people. For much of the twentieth century, the United States leveraged deep investment in domestic education and a pipeline of foreign talent to drive American innovation to new heights. As one CSIS expert put it: “The U.S. government risks squandering that advantage through poor immigration policy. Without significant reforms to STEM immigration, the United States will struggle to maintain long-term competitiveness and achieve near-term technology priorities such as semiconductor supply chain security, leadership in AI, and clean energy innovation.”¹¹⁰

We are entering a period of accelerating need for human talent. America’s immigration policy is heavily weighted toward reuniting families. Other countries, such as Canada, have an immigration policy focused on attracting highly educated and skilled migrants for entry into the workforce. Many countries adopt this practice and are making immigration rules more flexible to attract needed talent.

We see large numbers of foreign students in American universities and graduate schools, but all of them are in the United States on student visas or limited work visas. There is no fast track to a green card for highly capable and desirable student visa holders. America’s high-tech industry has complained for many years about the constraints it faces due to the limited availability of H-1B visas. Recently, the congressionally chartered National Security Commission on Artificial Intelligence called for a massive increase in educational training domestically in AI, as well as for a major program to recruit more AI talent from other countries.¹¹¹ The United States is in a global competition for talent, and current U.S. immigration policies are a significant roadblock to competing internationally for this talent.

The United States maintains a bewildering number of visa categories for everything from an athlete coming to a competition in the United States, to temporary agricultural workers following seasonal

harvest requirements, to physicians. This discussion focuses specifically on permanent immigrant workers (green card holders) and temporary non-immigrant visas.

Recommendation: Congress should authorize the reuse of unused green cards, with priority given to employment-based applicants.

Recommendation: Given the importance of innovation to economic growth and the outsized role immigrants play in driving innovation—particularly in high-tech fields—the United States should immediately expand H-1B visas back to 195,000 per year. The United States also should double the number of green card allotments, putting first priority on highly qualified technical talent.

Recommendation: The United States should explore ways to incentivize academic performance by foreign students, extending the length of time they are allowed to work on a J visa based on academic performance and contributions in fields judged to be crucial for future American productivity.

Develop a Dynamic Trade Policy

In February 2021, the CSIS Trade Commission on Affirming American Leadership issued a series of reports on why trade is vital for America's future growth and strengthening America's broader values in the world of international commerce.

Over the latter half of the twentieth century, the United States championed the expansion of global trade as a means of advancing U.S. interests in growing its domestic economy and in expanding international markets for its goods. China's rise, including both the expansion of China's industrial labor force and its adroit navigation "between" World Trade Organization (WTO) rules pose significant challenges to the existing WTO-centered system.¹¹²

The current system is far from perfect. It was developed at a time when issues such as the digital economy, climate change, and rent seeking by the world's second-largest economy were hard to imagine. Dispute evaluation and resolution mechanisms now take longer than the market cycles they intend to correct. Reforms and updates are nearly impossible in a consensus-based organization comprising 164 members.

Rather than retreating from the WTO—and ceding standards setting there to China's autocratic economic model—the United States should reinvigorate efforts to drive forward a WTO based on U.S. interests and advantages. These include transparency, fair and market-based competition, and common global rules for trade.

A road map exists for what the United States should do to reinvigorate trade in a manner consistent with U.S. values and domestic interests. It starts by working with a subset of like-minded countries to commit to a compact reflecting a more ambitious approach to trade rules, with the aim of bolstering rather than replacing the WTO.¹¹³ In addition to deepening trade ties, compact members should identify and implement means to counter non-market economic practices. Compact

members should also engage in discussions on leveraging trade to reduce the impact of climate change and on “best practices to mitigate trade’s disruptive impact on workers and on trade’s potential to improve working conditions.”¹¹⁴

Recommendation: The United States should work to secure greater commitment from the WTO as an institution to impose penalties for non-compliance with existing WTO rules, and to reform and accelerate the dispute resolution mechanisms.

Recommendation: At home, the United States needs to bolster its domestic policy framework for resisting non-market economic actions from foreign actors—including China—while sustaining U.S. adherence to transparency, clearly applied standards, and consistent application of rules.

Competing More Effectively with China on the Global Stage

Overview of U.S. Foreign Assistance

At the outset of the Cold War, the United States well understood that it was in direct competition with the Soviet Union in presenting a development model to former European colonies around the world that had recently become independent states. America took comprehensive steps to strengthen its agenda in this global competition, including creating the United Nations and the Bretton Woods organizations like the World Bank. The United States also has created a range of institutions and programs at the federal level to help guide and support new leaders of young nations with weak economies and limited depth of talent for administering a country. The following list includes key U.S. institutions that have worked to develop stronger economies and more effective governments in developing countries:

ECONOMIC AND FINANCIAL AID

- **U.S. Agency for International Development (USAID):** USAID is an independent agency of the U.S. government with primary responsibility for administering civilian foreign aid and development assistance. USAID's budget for operating expenses and capital investment in FY 2023 was 2.08 billion.¹¹⁵
- **U.S. International Development Finance Corporation (DFC):** The DFC provides financing and insurance for private companies developing economic projects in developing markets. The DFC underwrote \$7.4 billion of projects in FY 2022 and currently administers over \$9.3 billion of ongoing investments.¹¹⁶ The DFC returns a profit to the United States.

- **Millennium Challenge Corporation (MCC):** Established in 2004, the MCC focuses on economic growth, poverty alleviation, and institution strengthening in low-income countries. Based on a rigorous, competitive application process, the MCC prioritizes creating sustainable impact in partner countries while delivering a return on investment for U.S. taxpayers.
- **U.S. Trade and Development Agency (USTDA):** The USTDA works to promote U.S. job creation through assisting U.S. firms to export goods and services for infrastructure projects in low-income countries. It funds feasibility studies, technical assistance, and pilot projects at early stages in foreign countries, better positioning partner countries to understand the advantages of working with U.S. firms.¹¹⁷

TALENT

- **Fulbright Program:** In FY 2020, the Fulbright Program sent more than 2,500 Americans overseas for research and teaching and brought more than 4,000 of the world’s brightest to the United States to study and engage.¹¹⁸ Over 75 years, the program has connected many thousands of people around the world to the United States and given Americans deeper understanding—and enduring relationship advantages—around the world.

OTHER PROGRAMS

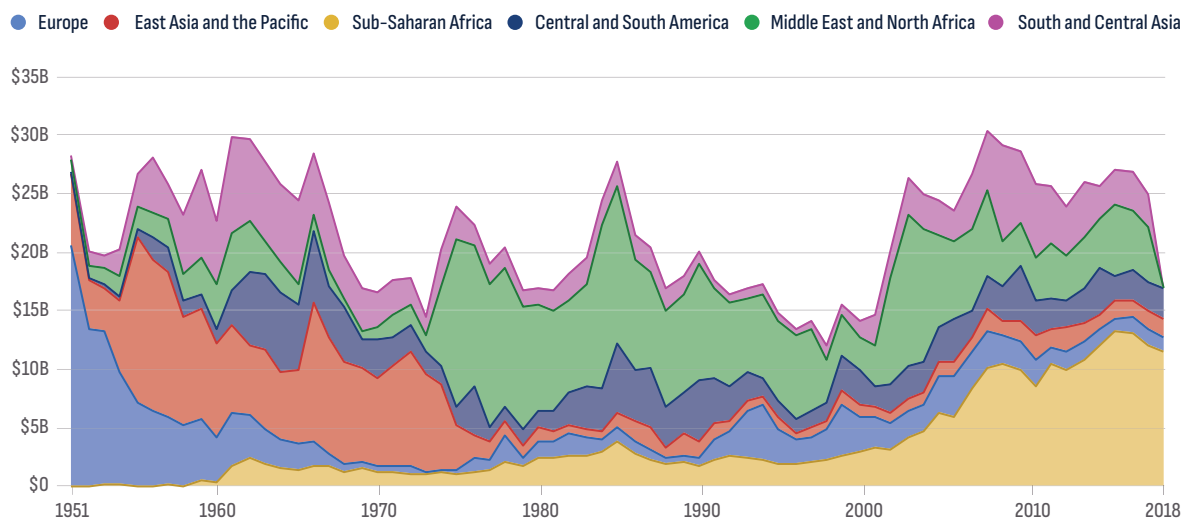
- **Peace Corps:** The Peace Corps was created in 1961 as a permanent federal agency within the State Department, and in 1981 it became an independent agency. It was established as a way to more actively involve Americans in the cause of global democracy, peace, development, and freedom. Since its inception, the Peace Corps has sent over 200,000 Americans to serve in 139 countries.¹¹⁹
- **U.S. Information Agency:** The U.S. Information Agency was established in 1953 to promote U.S. messages abroad, especially into the Soviet Union and aligned countries. Many of its functions were consolidated into the U.S. Department of State, especially the undersecretary for public diplomacy, before the agency was closed in 1999.
- **U.S. Agency for Global Media:** The U.S. Agency for Global Media oversees U.S.-funded programming abroad, including six media organizations, such as the Voice of America and Radio Free Europe/Radio Liberty. In 2022, it reached a global audience of 410 million people weekly with programming in 63 languages, supported by an \$885 million appropriation.¹²⁰

Both the Department of Commerce and the Department of State have created major undersecretariats designed to promote American businesses working internationally.¹²¹

All of these various efforts have been successful. Generally, the world America wanted to create following World War II—a world dominated by Western commercial and political values—has come to pass. The country has championed independence, representative government structures, and open markets as normative goals for the rising world. The government has encouraged major American foundations and universities to establish programs to accelerate leadership development in these countries.

But with the passage of time, America became distracted by security issues that came to dominate U.S. international engagement policies. This is evident when we look at American development funding for various regions.

Figure 2: U.S. Foreign Aid (2016 U.S. dollars, millions)



Source: Data from “World 101,” Council on Foreign Relations, n.d., <https://world101.cfr.org/>; and “U.S. Foreign Assistance by Agency,” ForeignAssistance.gov, <https://www.foreignassistance.gov/agencies>.

American foreign assistance has largely reflected the primary political agenda confronting the United States at any particular time. The United States provided considerable aid assistance to Europe between 1946 and 1955 (seen in light blue in Figure 2). This was the start of the Cold War, when America launched the Marshall Plan to jump-start the rebuilding of European economies.¹²² When the Soviet Union started to implode and ultimately collapse, there was a modest increase in spending for Europe. Foreign assistance to South and Central Asia (purple) became considerable as the confrontation with China increased and during U.S. involvement in the war in Vietnam. That funding ended sharply in 1975.

Development assistance to Central and South America (dark blue) paralleled the threat perceived there by Cuba in the mid-1960s and the U.S. effort to contain radicalism in the Americas. That tapered off, only to be boosted in the 1980s in the so-called war on drugs. The last spike in spending in the 2000s involved Plan Colombia, a coordinated effort to keep Colombia from disintegrating into a narco-state.

Sub-Saharan Africa (yellow) saw a significant boost in spending during the second half of the Bush administration in the early 2000s, when the United States devoted considerable resources to the President’s Emergency Plan for AIDS Relief. That funding has remained high through commitments of resources for Feed the Future.

In the Middle East and North Africa (green), two developments largely account for U.S. assistance. The first was the result of the end of the 1973 Arab-Israeli War, when the United States committed

to providing significant defense resources on an ongoing basis to Israel and Egypt. The most recent spike reflects spending on economic development in Afghanistan and Iraq following the invasion of both countries.

In short, this abbreviated survey shows that U.S. foreign assistance has largely been shaped by urgent geopolitical objectives that have evolved over time. Development funding was an extension of our overall political agenda. The United States has significantly increased assistance when a crisis (or perceived crisis) has developed and then cut it back to shift focus to other priorities. Our original goal to use American foreign assistance to build a structural world favorable to our strategic interests evolved into a tactical complement to a broader foreign policy. Our focus on new states struggling to develop took a back seat over time.

The New Competition with China in the Global South

In recent years, U.S. policymakers have increasingly complained about China's rising influence in Africa and South America. It is important to put this in context.

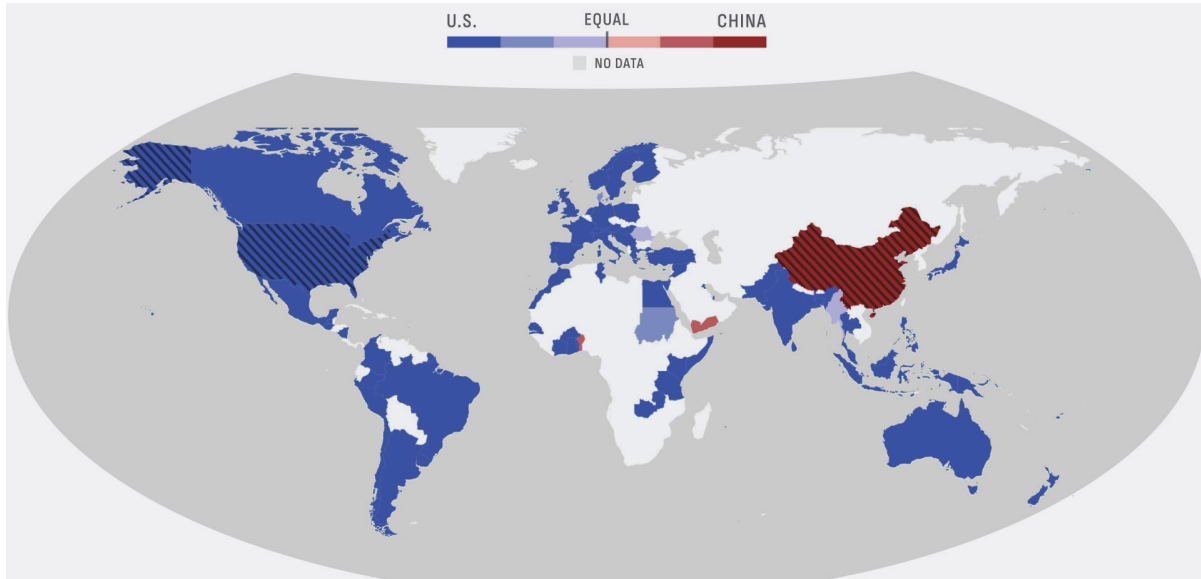
China has made a priority of courting countries in the Global South. China has been actively building projects throughout the Southern Hemisphere. It is often noted that these projects represent opportunities for Chinese workers, not local workers. Still, China has made significant investments throughout Africa and increasingly in South America. These investments are paralleled by active diplomacy. President Xi Jinping launched the Belt and Road Initiative (BRI), through which China has loaned over \$1 trillion to countries to pay for major infrastructure projects.¹²³ Many of those projects were launched without adequate economic analysis, and China now finds itself as a major creditor country with loans that cannot be paid without significant restructuring. China generally does not forgive debt. This has had a dampening effect on China's willingness to finance massive projects and on the willingness of receiving countries to take on large loads of debt. Much of the debt sustainability crisis facing the Global South is directly attributable to BRI projects. Still, the BRI has created pathways of influence for China in the Global South.¹²⁴

For 34 years, China has convened the Forum on China-Africa Cooperation, which has become the premier conference bringing African heads of state to Beijing.¹²⁵ President Xi invariably spends days personally with these African leaders, collectively and individually, throughout the conference. By contrast, America's history of engagement in Africa is very uneven and rarely at presidential levels. To his credit, President Biden hosted a conference for African heads of state, but it stands out as a rare exception for an American president.¹²⁶

More importantly, China has made major commercial inroads in the Global South (Figures 3 and 4). In 1980, the primary trading partners for South American countries were the United States and Europe. Where there was active trade in Africa, it was generally with Europe.

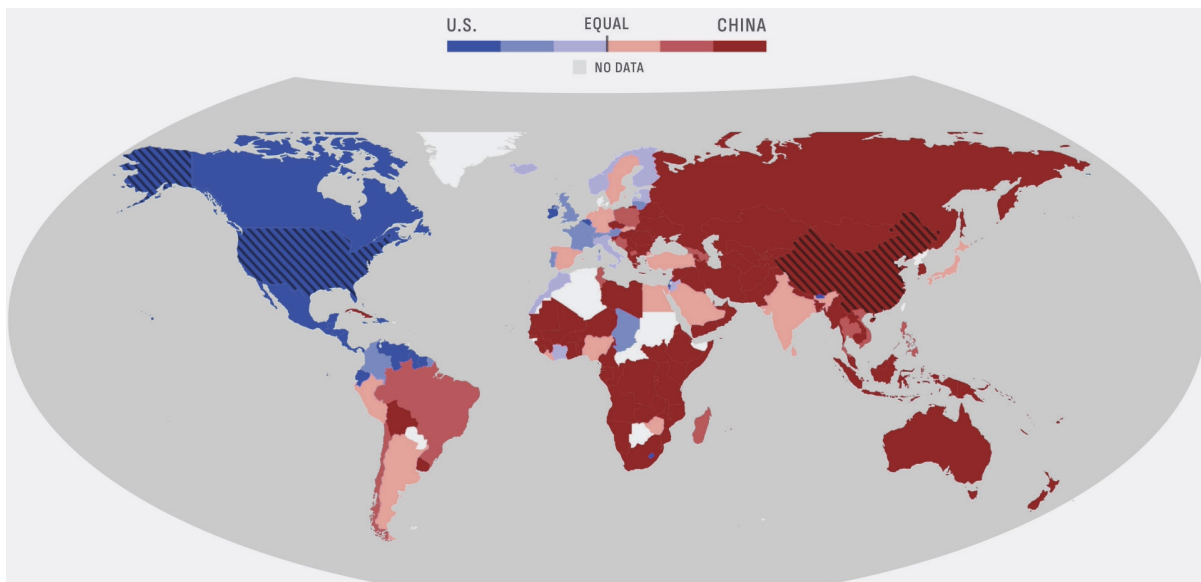
By 2018, China had become a dominant trade partner for much of Africa and a good portion of South America, not to mention all of Southeast Asia. China has had an integrated strategy to build infrastructure that supports its own commercial activities in these countries. This commercial and

Figure 3: World Trade Relations in 1980



Source: Roland Rajah and Alyssa Leng, "The U.S.-China Trade War: Who Dominates Global Trade?," Lowy Institute, <https://interactives.lowyinstitute.org/charts/china-us-trade-dominance/us-china-competition/>; and "Direction of Trade Statistics," International Monetary Fund, <https://data.imf.org/?sk=9d6028d4-f14a-464c-a2f2-59b2cd424b85>.

Figure 4: World Trade Relations in 2018



Source: Rajah and Leng, "The U.S.-China Trade War"; and "Direction of Trade Statistics," International Monetary Fund.

development activity has had a significant impact. American and European government leaders were surprised at how many African countries abstained in the UN votes to condemn Russia for the invasion of Ukraine. This is not to say that these African countries supported Russia's invasion. Rather, it points to a perception that this is a geopolitical matter between the developed West and Russia, and that the Global South does not need to involve itself in Northern Hemisphere

geopolitics. In short, China has had an integrated strategy to advance its influence in the Global South, while the United States has no strategy.

Critically, while the United States has struggled to sustain a consistent focus in its development policies, China has been stealing the march. The United States' development agenda now tends to reflect domestic political priorities and controversies, not a grounded interest in building the economies of countries in the Global South. The United States' inconsistency has been countered by an integrated Chinese strategy that has entailed significant commercial and development investments in all three major regions of the Global South.

This points to another fundamental observation: economic development has shifted from aid to trade, and from pilot projects to direct investments. China is doing far better in this new dimension of development than the United States. The United States has used development funding to pursue important social goals, while China has used its financial resources to build access to stronger markets. As a president of an African country noted to one of the authors of this report: "China gives us money, and you give us lectures."

The United States and Europe do not need to duplicate China's mercantile policies to be effective, but they do need to change their thinking about the problem. America has not had an effective trade policy for a number of years. Protectionism has been more dominant in U.S. trade policy than global economic growth. In the early years of the Cold War, the United States saw the clear need to help newly emerging countries grow and prosper and shape their economic preferences for the U.S.-inspired Bretton Woods system. The infrastructure of the United States' soft power agenda remains in place, but the world has changed. The United States does not have a trade policy designed to draw African and South American countries increasingly into Western commercial orbits. Indeed, for several disastrous years, Congress blocked the work of the Overseas Private Investment Corporation (now replaced by the DFC).

America needs to return to the vision we championed in the early days of the Cold War. At that time, policymakers understood that the United States was competing against an alternative vision of economic development. The country is in this competition again, but with a far more capable opponent. America believes in free markets and competition. China believes in "managed democracy," government-controlled markets, and preferential treatment of favored Chinese firms. African and South American governments are trying to improve the material lives of their citizens. The United States firmly believes that its model is superior, but it is failing to prioritize economic growth in African and South American countries as a key policy objective. If the United States is to succeed in the great competition with China in the Global South, it needs to shift its focus to promoting economic growth, commercial development, and trade.

This can be most vividly illustrated by looking at Africa. African states have a combined population of approximately 1.4 billion people today, and given the exponential birthrates on the continent, this number will surge to nearly 4 billion by the end of the century.¹²⁷ The majority of its economies are still considered low income.¹²⁸ Studies have shown that birth rates around the world almost invariably drop to replacement level or lower once GDP per capita reaches about \$10,000.¹²⁹ High

birth rates in low-income economies is but one example of further intensified environmental and climatic demand pressures that the world will be facing in future.

It is a known fact that developed countries plus China have contributed the most to carbon loading in the atmosphere to the present day. These countries are increasingly making major commitments to transition from carbon-based to renewable energy sources, though their actions to date fall short of what is required to meet the goals set in the COP process.¹³⁰ In addition, such commitments are counteracted by the increasing energy demands associated with rapid and unmanaged population growth. It is crucial to recognize that Africa is not to blame. The African continent has every right to become prosperous, and economic growth directly depends on affordable energy resources. However, the developed world has no effective program to offer lower-income countries that seek economic development. Under current trends, said development will inevitably cause continued high consumption of fossil fuels.

Continued high consumption of hydrocarbon-based energy will only heighten the water crisis that is now spanning the world. As African economies grow, we will see significant increases in urban populations and even greater stress on water and energy resources. In short, the global environment and America's future well-being will be directly affected by boosting prosperity in Africa, responsibly managing population growth, and mitigating the negative consequences of increasing energy and water use.

Recommendation: The United States should develop a strategy that integrates development financing with trade liberalization to boost per capita incomes in Africa to \$10,000 by 2040.

Recommendation: The Department of Commerce and the Development Finance Corporation should develop more programs and strengthen existing ones that encourage direct U.S. commercial investment in Africa, initially providing risk premium support to make commercial projects viable.

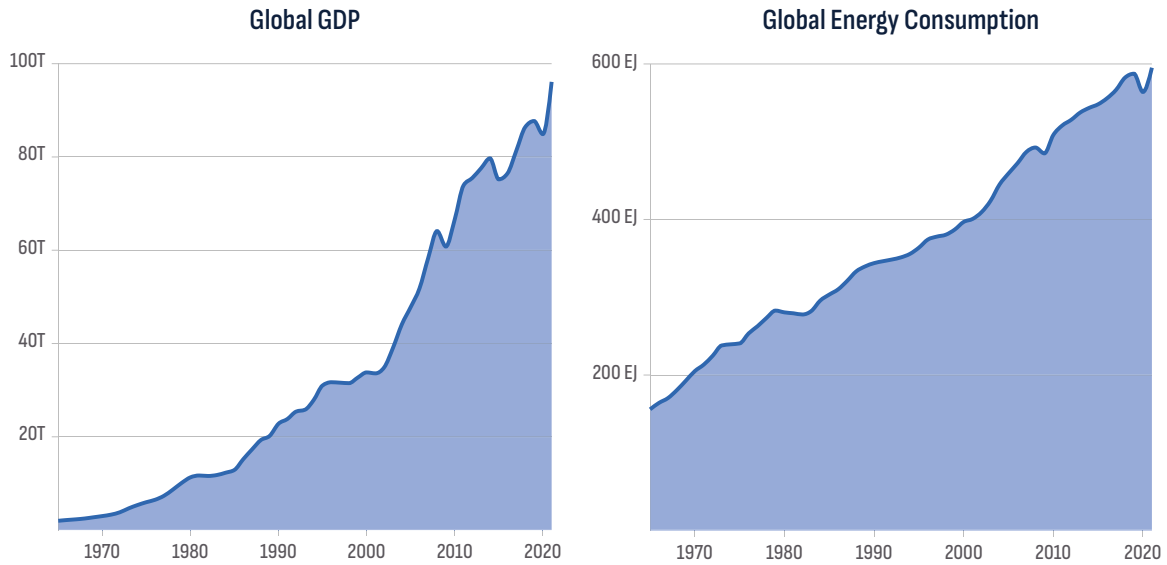
Climate Change and Energy Security

Fossil Fuels and Energy Consumption Today

Global energy consumption is highly correlated with economic growth. Indeed, the availability of lower-cost energy largely drove the Industrial Revolution and has led to an astounding increase in per capita incomes across the world. Energy consumption has grown dramatically worldwide over the past 60 years, but it is now causing great challenges because of the impacts on climate change. Scientists have estimated that global temperatures will continue to inexorably rise because of increased carbon dioxide in the atmosphere caused by the burning of hydrocarbon-based fuels.¹³¹ Governments around the world have pledged to reduce consumption of the primary hydrocarbon fuels—coal, oil, and natural gas.

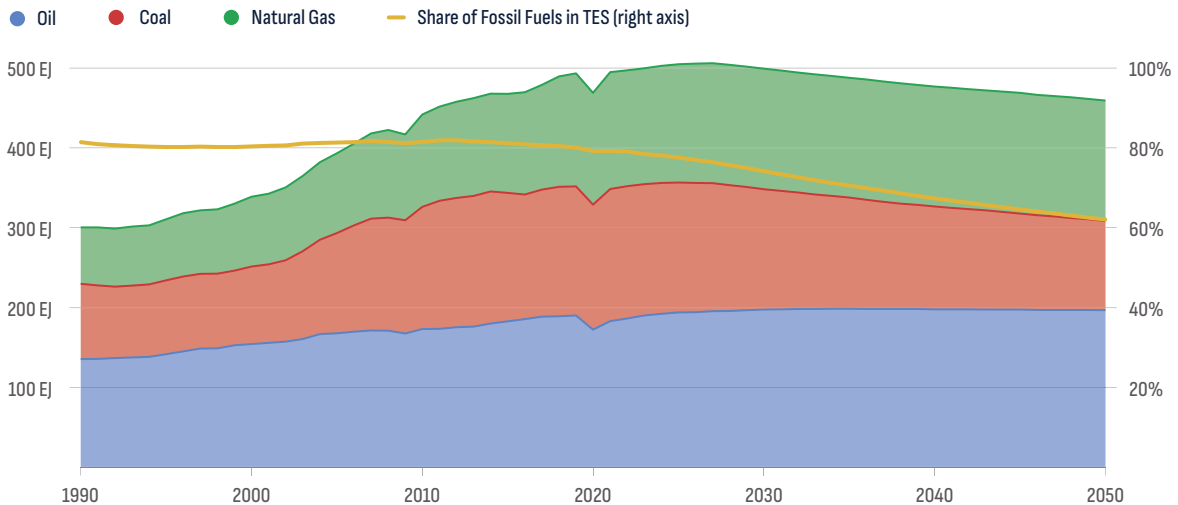
The war in Ukraine has presented both good and bad news in this regard. Threatened by Russia's aggressive posture, Europe has launched major investments in advancing renewable energy sources.¹³² For the first time, European energy policies are more closely matched with European energy promises in the Conference of the Parties (COP) process of the United Nations Framework Convention on Climate Change. But the war's immediate threat to energy supplies caused an enormous spike in prices of natural gas and has driven world consumption of coal to an all-time high. Developing countries do not have the same capacity as Europe and the United States to massively subsidize conversions to renewable energy. Consequently, fossil fuel demand will remain very high for at least the next 30 years. Fossil fuel consumption will go down somewhat after 2030 but will remain at 90 percent of the peak established in 2030 (see Figure 6).

Figure 5: Global GDP and Energy Consumption



Source: Data from BP, *Statistical Review of World Energy 2022* (London: BP, 2022) <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2022-full-report.pdf>; and “GDP (current US\$),” World Bank Open Data, <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>.

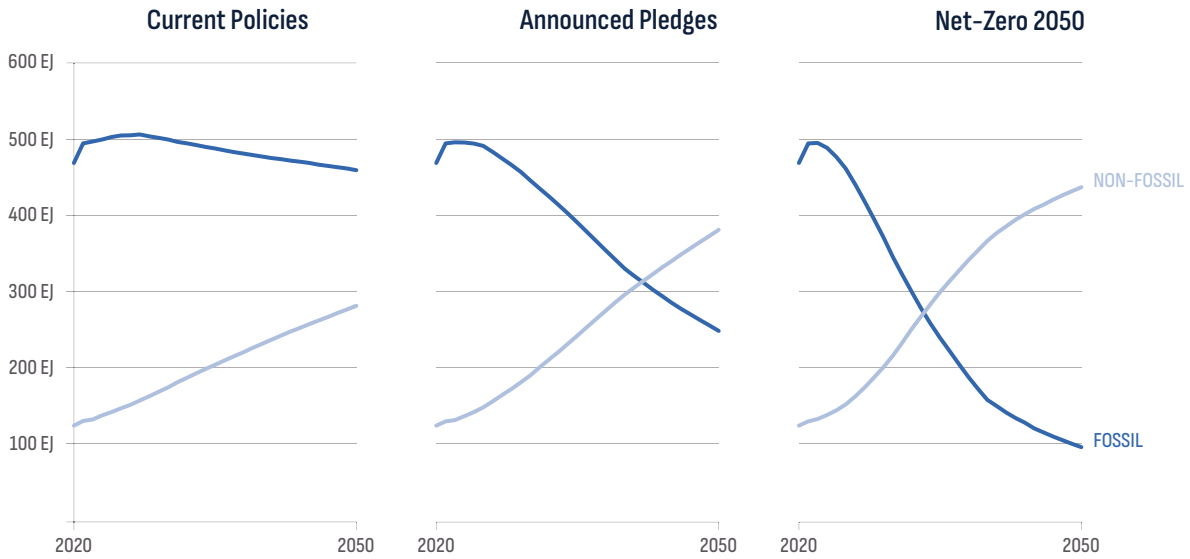
Figure 6: Fossil Fuel Demand, 1990-2050



Source: International Energy Agency, *World Energy Outlook 2022* (Paris: October 2022), <https://www.iea.org/reports/world-energy-outlook-2022>.

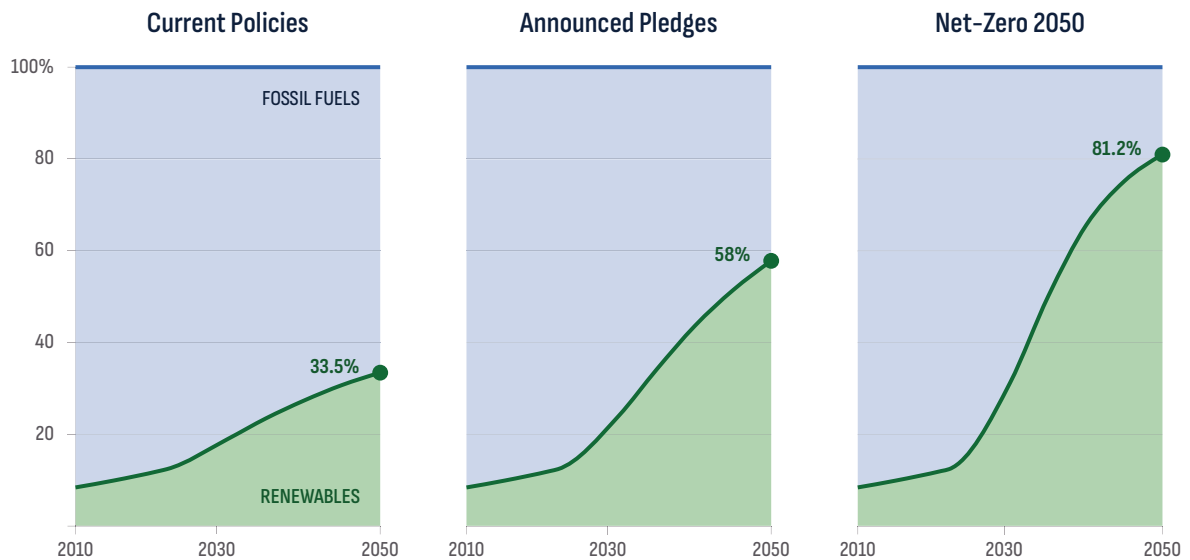
Figure 8 shows fossil fuel and non-fossil energy consumption projected until 2050. The leftmost scenario represents the current policies of all governments. The middle scenario represents the commitments governments have made at COP conferences, which are not yet fully reflected in national policies. The rightmost scenario represents what steps would be required to meet net zero by 2050. Renewable energy resources are rising impressively, but fossil fuel consumption remains high due to current government policies.

Figure 7: Fossil and Non-Fossil Energy Supply by Scenario, 2020–2050



Source: International Energy Agency, *World Energy Outlook 2022*.

Figure 8: Comparison Fossil Fuel Consumption in Current Policies, Announced Pledges, and Net Zero



Source: International Energy Agency, *World Energy Outlook 2023*, *World Energy Outlook 2023* (windows.net).

A primary reason fossil fuel consumption rates remain high is because populations in emerging and developing countries in the Global South are growing dramatically and remain relatively poor while hydrocarbon energy resources are currently relatively affordable. As countries grow richer, citizens seek a higher quality of life, and this often means air cooling for homes and offices (a trend that climate change will accelerate) and personal transportation. Currently, about 80 percent of

the global population without access to electricity—roughly 600 million people—lives in Africa, where electricity is overwhelmingly required for cooling.¹³³ Currently, 5 billion people globally live in regions that require cooling, but only one-third of these individuals have air conditioners.¹³⁴ As climate change intensifies, the number of people who need cooling is anticipated to grow to 7 billion.¹³⁵ Today, there are 1.5 billion air conditioners, and that number is expected to grow to 4.4 billion by 2050, driving much higher consumption of electricity, particularly because the air conditioners that most people can afford to buy are not very energy efficient.¹³⁶

There has been astounding progress in the efficiency and cost of photovoltaic solar power generation, but photovoltaic power generation and wind power are still intermittent sources.¹³⁷ They work well in smaller-scale settings, but are difficult to scale to larger grid networks. Urbanization will heighten demand for reliable electricity, and at present, this is most likely to be met through carbon-based electricity generating facilities.

We need accelerated economic growth in developing countries to allow for better resource management. However, increased personal wealth will lead to greater demand for energy, and achieving economic prosperity depends on affordable energy resources. Under current trends, these countries will repeat the unfortunate pattern set by high-income economies that developed at the expense of the environment.

RESURGENT INTEREST IN NUCLEAR POWER GENERATION

The persistent high demand for fossil fuel power generation has again prompted interest in nuclear power. Nuclear power generation does not emit carbon dioxide or other gases that cause greenhouse gas effects in the atmosphere.¹³⁸ Climate and energy security considerations have led several countries to adopt new strategies for energy security that involve nuclear energy. South Korea and Belgium have altered plans to retire existing nuclear production facilities.¹³⁹ Japan has again restarted shuttered generation plants and plans to replace older nuclear generating facilities. Poland, Saudi Arabia, Slovakia, and the United Kingdom have plans on the books to build new generating facilities.¹⁴⁰

Nuclear power has been plagued by high construction costs, serious cost overruns, and construction delays. This has led to a significant interest in small modular reactors. Currently there are a dozen companies developing designs for small generators that would range from 30 to 350 megawatts of power generation.¹⁴¹ Theoretically, these facilities would not require the extensive and expensive construction costs of larger reactors and can still incorporate designs that ensure safety, but to date, the promise of small modular reactors is more aspirational than a likely reality.

Since 2017, construction has begun on 31 new large-scale reactors. However, all but four of them are being designed and built by either Russia or China.¹⁴² Herein lies a great concern.

COMMERCIAL NUCLEAR ENERGY AND NUCLEAR WEAPONS

Commercial nuclear power generation is invariably the foundation for a nuclear weapons program. Countries have developed nuclear weapons without commercial generation facilities, but invariably countries develop the expertise to manage nuclear weapons and generate fissile materials when undertaking commercial nuclear power programs. This was understood when the Eisenhower

administration launched the now famous Atoms for Peace program, announced at the UN General Assembly back in 1953.¹⁴³ President Eisenhower and his advisers understood the enormous potential positive benefit of nuclear power as a generating source for electricity, but also knew the danger posed by nuclear weapons.

This led the United States to take the lead to develop a comprehensive architecture of controls to prevent the proliferation of nuclear weapons. The United States encouraged the development of commercial nuclear power under the strict surveillance of an independent UN agency, the International Atomic Energy Agency (IAEA), which was established in 1957.¹⁴⁴ IAEA inspectors travel around the world monitoring the nuclear power programs in 30 of the 32 countries that currently operate commercial nuclear power plants. (North Korea was included until 2002, when it kicked out IAEA inspectors as it set out on its current path of building nuclear weapons.¹⁴⁵)

This then led to the establishment of the Treaty on the Non-Proliferation of Nuclear Weapons, commonly called the NPT. The NPT had three pillars.¹⁴⁶ The first pillar committed all signatory states to not starting nuclear weapon programs and to accepting IAEA safeguard inspections to ensure that their nuclear programs conform to peaceful commercial power goals. The second pillar committed the countries that possessed nuclear weapons to getting rid of them. There is considerable criticism of nuclear weapon states for not following through on this commitment. At the time the NPT entered into force, there were only five acknowledged nuclear weapon states—China, France, the Soviet Union, the United Kingdom, and the United States.¹⁴⁷ Israel has long been a nuclear weapon state and has refused IAEA safeguards.¹⁴⁸ India and Pakistan subsequently developed nuclear weapons but eventually agreed to IAEA safeguard inspections.¹⁴⁹ North Korea had been an IAEA signatory but withdrew from the NPT treaty in 2003 and expelled all IAEA surveillance systems in order to develop nuclear weapons capabilities.¹⁵⁰ While other countries have toyed with covert weapons programs (notably Syria, Iran, and Libya), generally the NPT has effectively limited the spread of nuclear weapons.

The third pillar of the NPT treaty authorizes the peaceful use of nuclear energy for commercial and research purposes. Of the 32 countries that have commercial nuclear power plants, only 9 countries currently have nuclear weapons. It is strongly in America's interests to limit the spread of nuclear weapons. The NPT has been reasonably successful in establishing norms of transparency and accountability that have limited the proliferation of nuclear weapons.

But now we must return to the key fact that since 2017, 31 new nuclear reactor programs have been started, and 27 of them involve Russia and China.¹⁵¹ Russia and China were signatories to the NPT, but they have never been active champions of the IAEA or of non-proliferation. China actively aided Pakistan in developing its nuclear weapons, and Russia is now actively collaborating with North Korea, but it is unclear if this involves North Korea's nuclear program. The burden of sustaining the NPT was largely carried by the United States, the United Kingdom, and France, joined by Germany and Japan.

The International Energy Agency says it politely: advanced economies “have lost market leadership” in commercial nuclear technology.¹⁵² It goes on to explain that despite having nearly 70 percent of

global nuclear capacity, investment has stalled, and the latest projects have run far over budget and behind schedule.¹⁵³ America's commercial nuclear power industry has substantially deteriorated. For 15 years, the United States has had to import enriched material from other countries, though recent legislation has provided funds to restart enrichment in the United States. The United States retains design teams but largely contracts for pressure vessel construction from Japan. Advocacy for commercial nuclear power has been weak over the past two decades, largely because of the cost, and cost overruns for new plants have damaged the commercial viability of nuclear power generation. We are now seeing encouraging signs of stronger interest in commercial nuclear energy, though price signals in the marketplace remain a major impediment to fielding a new generation of reactors.

Reasons to Again Promote Commercial Nuclear Energy

The United States now has three compelling reasons to promote a resurgence of commercial nuclear energy. The first is the need for non-carbon power generation. Once in operation, nuclear power plants emit no greenhouse gas emissions into the atmosphere. Second, due to its past significant commercial nuclear power industry, America has developed gold standards for safety and security for operating commercial plants. And third, America needs to stay active in commercial nuclear power to sustain its leadership of the non-proliferation architecture. These goals are existential and require active American leadership on commercial nuclear power.

Recommendation: The United States should develop a strategy to introduce small modular reactors into the Global South, assuring an expansion of nuclear power by countries that comply with and champion the compliance standards of the NPT.

Conclusion

America's success has been astounding, by any measure. The vast majority of Americans today live better than did Queen Victoria, only 150 years ago; Americans today have far superior medical care, warmer clothes and houses, ubiquitous and inexpensive entertainment, and far more comfortable transportation. This is not meant to minimize the inequity in America, nor the country's scandalously high levels of hunger and poverty despite being the richest country in the world. But the human condition in the world—and especially in the United States—has improved dramatically.

The astounding improvement in the human condition over the last 70 years is a direct byproduct of the way the United States championed an open, liberal economic order and promoted liberalized trade during this period. This growth accelerated amid globalization, when geopolitical tensions were diminished, and new global supply chains and markets flourished.

But as they say in the world of public investing, past performance is not a guarantee of future returns. We are facing a challenging time. America has fractured domestic politics, a divided electorate, disappointing public education performance, and frightening new technologies for which the government has no reliable framework for protecting the public. And the United States faces a formidable competitor on the global stage that offers a compelling narrative to a significant portion of the global population. This narrative suggests that Americans either take them for granted or, even worse, exploit them.

The United States does need a new strategy for this era, but it has a remarkable foundation for success well within its grasp. The United States' driving goal is to survive as a nation and to prosper as a people. America certainly has all that it takes to do that.

The purpose of this monograph is not to delineate the intricate dimensions of a new national strategy. That requires the full commitment and efforts of hundreds or thousands of leaders in the United States. It rather offers a simple reflection of what challenges the American people face and what principles should guide the country going forward. This monograph attempts to outline a broad framework to guide the hard work of developing detailed policies and plans. Recounted here in summary form are the basic elements of this framework:

1. The United States must retain a strong military establishment capable of anticipating and addressing potential future challenges. The country has a strong establishment now, but it needs to become more efficient in its deliberations and strategic planning. Retaining a strong military will require serious streamlining and reform.
2. The United States still needs to play a leading role in shaping the global policy landscape to facilitate its accomplishment of national objectives. This means actively investing in stronger international institutions capable of managing complex modern problems. In addition, it must increase investment in alliances and partnerships with countries that share the same fundamental values. These alliances, partnerships, and institutions add strategic depth to U.S. national capacities, making it easier to manage an increasingly complex set of challenges.
3. America needs a growth strategy for its economy. Without significant expansion, Americans will contend to fight over a shrinking pie. It is crucial that we foster growth and ensure that the benefits are more evenly spread to establish a self-reinforcing economy. By prioritizing an agenda focused on growth, other problems in the country will be easier to address. Without ample economic growth, all problems will be harder to solve.
4. To grow the economy, the U.S. government must bolster its commitment toward the expansion and success of the private sector. The United States needs to take a more active role in helping the private sector lead in setting global standards. The country needs to reform and fortify the intellectual property protection system. It also needs to ameliorate the immigration system to recruit more highly qualified people to expand the talent pool in the country and assist it in competing more effectively on the global stage. We also need serious reform of regulatory processes to remove the impediment of investing in the United States compared to investing in other countries.
5. The United States needs one comprehensive trade policy, for two reasons. First, such a strategy is the best way to widen the appeal and efficacy of a rules-based international order, which is fundamentally in America's national interests. Second, the government needs to boost economic growth, both here in the United States and around the world. The vast growth in American prosperity and in prosperity around the world in recent decades was the product of increasing international trade. Today, the Global South perceives that America champions the international rules-based order to protect its privilege and amplify its growth

at the expense of developing countries. The best way to reverse that perception is to create a vibrant trade agenda that prioritizes growth here and abroad.

6. It is particularly important to support the economic development of low-income countries in the Global South. These nations will become customers of U.S. goods and services. More importantly, this presents an effective approach to curbing unmanaged population growth while addressing the challenges of economic migration that is presently confounding Europe and the United States. At the start of the Cold War, U.S. leaders understood that helping other countries become more prosperous was going to be good for America—for both economic and security reasons.
7. If we are to address climate change effectively, the United States must deal with the reality of explosive population growth in the developing world and the comparably rising demands for energy. That means that the United States needs to shift its thinking on development from aid to trade. We also need to support these countries in their efforts to find development paths that are less exploitative and damaging to the environment. Seventy years ago, bringing economic growth and development to African, Asian, and Middle East countries was central to the U.S. strategy to win the Cold War. Now it likely is essential to win the battle against climate change.
8. America again needs to champion nuclear power. American leadership produced the credibility to shape a global system of rules and norms to limit the spread of nuclear weapons. America's ambivalence now about nuclear energy could cede the international market to Russia and China, neither of which is a champion of non-proliferation. Expanding commercial nuclear power would also make a major contribution to reducing reliance on carbon-based sources of electricity.

This is not a strategy but a framework that can guide the development of detailed plans to secure the future of the United States as a nation and ensure the prosperity of American citizens. The country finds itself once again in an era of strategic competition. Our primary competitor—China—possesses capabilities far exceeding those of the Soviet Union. While this is not Cold War 2.0, it is a competition between alternative philosophies of governance. There is a large segment of American society that is looking for sensible direction for a stronger future. There is no reason that the twenty-first century should not be the American century. However, that will only happen with pragmatic and constructive approaches to our shared future.

About the Author

John Hamre was elected president and CEO of CSIS in January 2000. Before joining CSIS, he served as the 26th U.S. deputy secretary of defense. Prior to holding that post, he was the under secretary of defense (comptroller) from 1993 to 1997. As comptroller, Dr. Hamre was the principal assistant to the secretary of defense for the preparation, presentation, and execution of the defense budget and management improvement programs. In 2007, Secretary of Defense Robert Gates appointed Dr. Hamre to serve as chairman of the Defense Policy Board, and he served in that capacity for four secretaries of defense.

Before serving in the Department of Defense, Dr. Hamre worked for 10 years as a professional staff member of the Senate Armed Services Committee. During that time, he was primarily responsible for the oversight and evaluation of procurement, research, and development programs, defense budget issues, and relations with the Senate Appropriations Committee. From 1978 to 1984, Dr. Hamre served in the Congressional Budget Office, where he became its deputy assistant director for national security and international affairs. In that position, he oversaw analysis and other support for committees in both the House of Representatives and the Senate. Dr. Hamre received his PhD, with distinction, in 1978 from the School of Advanced International Studies at Johns Hopkins University in Washington, D.C., where his studies focused on international politics and economics and U.S. foreign policy. In 1972, he received his BA, with high distinction, from Augustana College in Sioux Falls, South Dakota, emphasizing political science and economics. The following year he studied as a Rockefeller fellow at the Harvard Divinity School in Cambridge, Massachusetts.

Endnotes

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