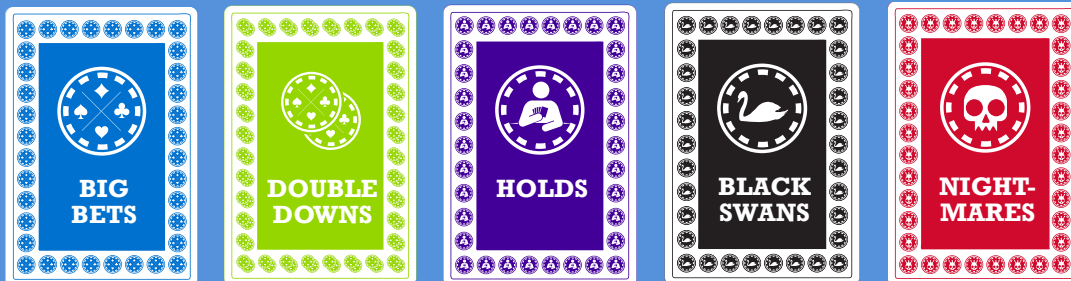


BIG BETS & BLACK SWANS

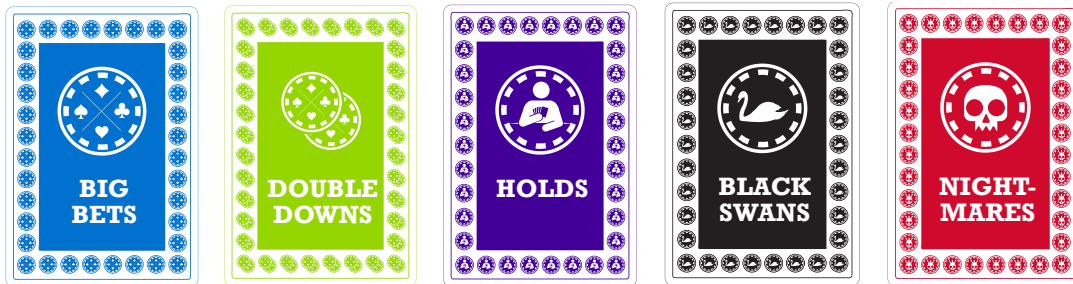


A PRESIDENTIAL BRIEFING BOOK
Policy Recommendations for President Obama in 2014

JANUARY 2014

FOREIGN POLICY
at BROOKINGS

BIG BETS & BLACK SWANS

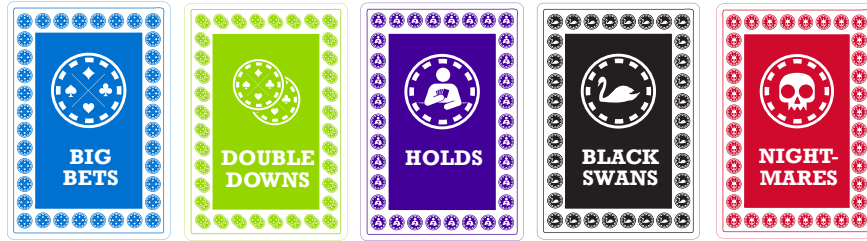


A PRESIDENTIAL BRIEFING BOOK Policy Recommendations for President Obama in 2014

Edited by Ted Piccone, Steven Pifer and Thomas Wright
Project Design by Gail Chalef

JANUARY 2014

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INTRODUCTION

As President Obama prepares his 2014 State of the Union address, the United States faces a number of critical challenges—the ongoing war in Syria, the Iran nuclear negotiations, an enigmatic North Korea and other significant crises in world affairs. His advisors are busy devising policy recommendations aimed at grappling with these thorny issues. President Obama then must decide which priorities to pursue and how best to exercise U.S. power and influence to manage and shape the global order.

Again this year, the Foreign Policy scholars at Brookings are offering President Obama and his Cabinet a set of policy analyses and recommendations from an outside perspective. Taking advantage of the diversity and depth of our scholars' expertise, the Brookings Foreign Policy Program seeks to provide the White House with innovative and actionable policy initiatives.

“Big Bets & Black Swans: A Presidential Briefing Book” is a series of memos designed to present President Obama with a suggested “to do” list, addressing the most significant foreign policy challenges in the year to come. It builds on our widely read Brookings Foreign Policy briefing book released in January 2013. This year, the memos are divided into five categories: Big Bets, Double Downs, Black Swans, Nightmares and Holds. The Big Bets are issues where Foreign Policy scholars believe the president should consider investing his power, time and prestige in major efforts that can have a transformational impact on America and the world. Double Downs are derived from the Big Bets of 2013, recommendations that the president redouble his efforts on last year's suggested policy initiatives. The Black Swans are those low-probability but high-impact events that can divert the president and his administration from higher purposes, events so dramatically negative that he will want to take steps in advance to avoid them or to mitigate their consequences. Nightmares are events that look more likely than a Black Swan and could prove particularly troublesome for U.S. interests and the global order, and for which the administration should prepare. Finally, Holds are updated recommendations to stay the course on policy approaches put forward in 2013.

President Obama has just three years left in office to define his legacy in world affairs. Now is the time for him to focus on some Big Bets and avoid or mitigate Black Swans to shape the future of U.S. and global security and prosperity.

ACKNOWLEDGMENTS

The Foreign Policy Program is very grateful to David Rubenstein and Ben Jacobs for their continued generous support of this project. Brookings scholars maintain the highest standards of quality and independence in their research, analysis and prescriptions. This publication is solely a reflection of their individual views.

The Presidential Briefing Book

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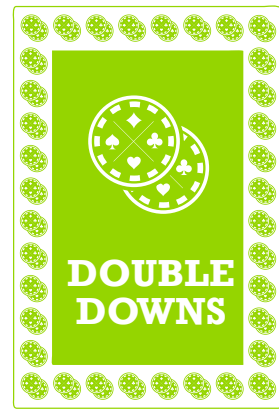
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BIG BETS & DOUBLE DOWNS



MEMORANDUM



TO: President Obama
FROM: Robert Kagan and Ted Piccone
DATE: January 23, 2014
SUBJECT: Reassert U.S. Leadership of a Liberal Global Order

Summary and Recommendations

In the year since Brookings published its first Big Bets and Black Swans report, the global situation has become more unstable and America's role more uncertain. The concerns we expressed then about the fraying of the liberal order, and the need for strong and effective American leadership to reverse that trend, remain. At home, Americans grow more uninterested and disillusioned by foreign policy, as indicated by the November 2013 Pew poll. Cuts in defense, foreign aid and other spending related to foreign policy continue to mount, even as the American economy shows increased signs of vitality and even though foreign challenges are increasing. Although cautious optimism may be warranted in some areas—the possibility of a deal on Iran's nuclear weapons program, for instance—by most indicators, the world has become a more difficult and dangerous place since you began your second term.

Your overarching foreign policy goal for the remainder of your term should be to reassert American leadership in a rules-based international system in which norms are not only articulated but also, wherever possible, enforced. This will require doubling down on some big bets—rebalancing in Asia, rolling back nuclear weapons development in Iran and North Korea, winning trade and investment agreements in the Pacific and Atlantic zones, and investing in our national human and physical capital and global reach. You will also need to limit damage from the turmoil in the Arab world, shore up our key alliances with Germany, Japan and Korea, and manage any provocations from Russia and China.

Background

The plastic moment of a year ago to mold the global order is slipping away as crises become more complicated. In the Middle East, the situation in Syria has grown more dire, despite some progress toward controlling and eliminating the government's chemical weapons program. Among the Syrian opposition, al Qaeda and other extremist factions have grown in strength and influence as more moderate groups continue to founder, partly as a result of inadequate outside support and direction. The steady flow of refugees across Syria's borders increasingly threatens the well-being and stability of neighboring countries. The vast number of displaced persons within Syria may this winter turn into an even greater humanitarian disaster. The continuation of the proxy war, which some of your advisors favor, seems likely to create a nightmare scenario for the United States and our allies in the region: a significant al Qaeda presence, and a major cross-border humanitarian crisis, with the possibility of further destabilization in the region.

In Iraq, meanwhile, sectarian and terrorist violence is on the upswing and state security forces are losing ground to al Qaeda. In Egypt, hopes for progress toward democracy have been dashed by the military

coup and the subsequent disenfranchisement and persecution of supporters of the Muslim Brotherhood and also, increasingly, liberal and secular voices. The growth of violent radicalism in both Iraq and Egypt, together with the crisis in Syria, poses significant challenges to American interests in a more secure region.

In Asia, doubts about American staying power persist, despite the announced “rebalancing.” Regional allies question whether continuing political gridlock in Washington, limits on defense spending and America’s evident continuing preoccupation with the Middle East have made the so-called pivot to East Asia more rhetoric than substance. China’s provocative new policy of seeking to control extended airspace, and ongoing tensions between our allies Japan and Korea, could pose an escalating threat to American credibility.

Among the greatest challenges facing American foreign policy may be public attitudes at home. According to the most recent Pew poll, 52 percent of Americans believe that the United States should “mind its own business internationally and let other countries get along the best they can on their own.” That is the first time in the 50 years Pew has been asking this question that a majority of Americans have expressed this view. While some movement in this direction was probably predictable given the difficulties in Iraq and Afghanistan, the trend ought to be worrying to those who believe the United States must continue to play an active role in the world in order to protect its interests and values. In the 1920s and 1930s, the downward spiral of public support for international involvement proved very difficult to reverse when real and dangerous threats emerged.

In short, global ambivalence about the United States and its role in the world is matched at home by similar ambivalence if not disinclination to play a significant role. This may be producing a self-reinforcing tendency toward less and less effective American participation in a world that remains full of dangerous challenges.

How to turn things around? The good news is that the present trend is not irreversible. Contrary to what the public has now fully absorbed as the conventional wisdom, the United States is not in decline but may be in the early stages of a significant economic upturn. While the economies of the BRICS slow or stagnate, the American economy is enjoying stronger growth than expected. The shale gas revolution promises to boost the economy further, and our companies lead the global revolution in technology.

You can both strengthen and capitalize on these developments by doubling down on efforts to negotiate the Trans-Pacific Partnership (TPP) and the Trans-Atlantic Trade and Investment Partnership (TTIP). These will require a much bigger domestic political effort than your administration has made so far, both to persuade the public of the advantages of global free trade and to gain congressional trade promotion authority. The payoffs of these trade agreements, however, will be enormous, not only in the boost they would give to the American economy but in shoring up the liberal economic order which has served to protect American interests and more broadly has produced a more peaceful and prosperous world. It is also time to play offense in the global debate on regulation of the Internet by protecting it from those who seek to restrict access and leading by example through serious reforms of our own policies.

Complementing the restoration of American leadership in the global economy, we also need a reassertion of American leadership in the strategic realm. This will require active American engagement in both East Asia and in the Middle East and North Africa. In East Asia you need to double down on

showing America's commitment to regional security and stability. This means ensuring that sequestration or any alternative budget agreement does not damage U.S. military readiness and capabilities in the western Pacific and does not undermine the planned deployments as set forth in your rebalancing strategy. Successful negotiation and passage of the TPP will help strengthen the image of an America that is deepening its engagement in a rules-based system.

In the Middle East the challenges are greater. Many of our allies in the region are already beginning to operate on the assumption that the United States is withdrawing its power and influence. This is leading them to take matters in their own hands in ways which are unhelpful and detrimental to our interests and the interests of regional peace. One big step in reversing this trend would be a deal that successfully limits and then ends Iran's nuclear program. Such a breakthrough would lessen regional tensions considerably and open up opportunities for progress on other fronts, including a broader dialogue with Iran concerning both domestic and foreign policies. You must also be prepared, however, for an unsuccessful negotiation, which would further diminish American influence and credibility unless you take steps to shore up the international sanctions regime and deter efforts by Iran to cross the nuclear threshold.

In Syria, your present course may be leading to one of the worst-case outcomes your administration has sought to avoid: an increasingly powerful jihadist force battling a determined and brutal dictator with no moderate alternatives and with the Syrian population the victim. A strategy that aims at the status quo will fail. Change is inevitable, and the only question is whether the United States wants to try to influence the direction change takes. Over two years ago, you declared that "Assad must go." That should continue to be your medium-term goal, and our strategy toward Syria ought to be aimed at achieving it. This does not require the insertion of ground forces into Syria. It does require arming, training and advising those elements of the opposition who are not jihadists and coordinating the efforts of our allies in the region. You should also continue to push hard on all parties, including Russia, to find a political settlement that will allow immediate delivery of humanitarian assistance and accelerate a transition to a post-Assad regime that excludes militants.

Conclusion

In short, there is still time for you to steer the United States toward a more active and engaged role in the world, one that would benefit both Americans and those who share our values. Some past presidents have accomplished a great deal in the last two years of their second term, President Ronald Reagan negotiated a landmark arms control treaty with the Soviet Union; Bill Clinton used force effectively to avert a humanitarian disaster in Kosovo and shore up the NATO alliance. Similar important breakthroughs remain possible. To take advantage of these opportunities, however, and to avert possible disasters that lurk over the horizon, will require the kind of leadership, energy and focus that only a president can provide.

MEMORANDUM



TO: President Obama
FROM: Peter W. Singer and Ian Wallace
DATE: January 23, 2014
SUBJECT: Secure the Future of the Internet

Summary and Recommendations

The next year will be a crucial one for the future of the Internet, a technology that has driven the most change and progress in our lifetimes. Between Edward Snowden's revelations and the resulting blowback, and upcoming international talks on global "Internet governance," this already complex domain is quickly rising as a major challenge to your administration. While many urge you and the United States to keep a low profile, our interests are better served by actively leading the global debate on the future of the Internet.

We recommend that Internet policy and strategy be elevated as a top priority for your administration under the clear direction of the White House. You should develop a strategic plan to identify and achieve key U.S. goals for the future of the Internet and its governance and to ensure that all parts of the U.S. government work to advance them. It also means doing a better job of involving and leveraging the U. S. private sector. This effort must include energizing international partners and even competitors—especially in key "swing" countries—to engage their own governments to prevent the balkanization of the Internet and handover of governance to bodies that would stifle the free flow of information and harm both global trade and political freedom.

To be utterly clear, the future of the Internet is about more than just responding to the NSA reform recommendations of the Review Group on Intelligence and Communications Technology—important though that will be for other reasons. It is a broader, strategic issue that you should take personal ownership of and put in place an empowered, inter-agency team led by a designated White House official to implement the strategic plan. This may even require a new position with dual status on the National Security Staff and National Economic Council. This also means asserting more proactive control of the covert activities that could undermine that strategy and deciding whether these operations are worth the risk, underscoring the commitment to balance intelligence benefit with greater national strategic goals.

You should establish a clear message that the events of last year have not changed our fundamental position on the future of the Internet and roll it out soon in a major speech overseas—ideally somewhere in the developing world, where much of the Internet's growth is now taking place. This speech needs to acknowledge global concerns raised by various espionage efforts to monitor certain types of information. But it should also raise broader issues to remind people of the political and economic advantages of an Internet where information still flows openly, facilitated by the appropriate mix of government, industry and civil society participation in a complex web of governance mechanisms. That message should also make a clear distinction between America's approach to the Internet and Internet freedom and that of many of our critics in authoritarian governments.

Background

There is a divide emerging in the international community between those countries who prefer an international legal framework that allows governments alone to regulate the international aspects of the Internet—for example, through the United Nations and specifically the International Telecommunications Union (ITU)—and those, such as the United States and our closest allies, who recognize that the extraordinary success of the Internet lies in its unique governance regime that blends private sector and civil society involvement alongside national governments, while minimizing the amount of formal control.

The way the Internet has developed to date benefits both U.S. and global citizens and consumers, but we must recognize that not every foreign government sees it that way. For many new democracies as well as authoritarian regimes it is seen as a foreign, destabilizing force. And, economically, while it has undoubtedly benefited U.S. companies, this has sometimes been at the expense of local state-backed telecoms companies. We are also seen by many to retain disproportionate formal control over many of the institutions that oversee the technical operation of the Internet (especially the Internet Corporation for Assigned Names and Numbers and the Internet Assigned Numbers Authority). In reality, the U.S. government exercises virtually no control through those mechanisms, but our critics argue that we want to retain the status quo in order to retain U.S. “hegemony” over the Internet. International perceptions about the activities of NSA fuel that theme, but the status quo was becoming increasingly less tenable anyway.

During the coming year, there will be a series of meetings that will affect the future of the Internet and its governance, culminating in the International Telecommunication Union’s plenipotentiary meeting in South Korea that starts in October. The disclosures of the past year have complicated what was already proving a hard-sell in some parts of the world. In establishing our new strategy, it is important to appreciate these views. While no one really expects us to stop spying completely, we will have to come to terms with the fact that allegations about listening to the personal telephones of individual foreign leaders, or collecting vast amounts of metadata from allied countries, feed a narrative of overbearing U.S. cyber power. The more that people around the world buy in to that narrative, the harder our task becomes.

Despite the challenges, we and our allies cannot be missing in action in the coming global Internet debate. Almost all countries benefit from the advantages of global connectivity. For more developed countries, including those of the OECD, that is certainly the case. Meanwhile, we can count on authoritarian states such as Russia and China to prioritize international government control as they (probably rightly) see that as the arrangement least likely to challenge the legitimacy of their domestic policies.

Our problem is that, in losing the confidence of key swing states like Brazil on data privacy and surveillance, we risk also losing their support for our separate, although related, approach to Internet governance. That would be a massively retrograde step for U.S. interests.

Official Brazilian proposals for protecting its citizens from NSA spying (and a similar discussion beginning in India) therefore do not bode well for the United States. President Rousseff’s push for such policies is as much for domestic consumption as any foreign policy goal, and Brazilian moves away from the so-called “U.S.-centric Internet” will come more from pre-existing private sector initiatives than anything her own government can do. However, they are important because they bleed into separate

debates about the role of states in Internet issues and wider governance issues, adding momentum to a more general global movement away from U.S. leadership at a time when we have begun to silence ourselves.

The globalization of Internet architecture is not a bad thing—it is just a natural reflection of the growth of the Internet around the world, as more and more non-Western users come online. But we should seek to guide how that transition happens and ensure it does not take the Internet and its users into a worse place. If a weakening of U.S. leadership also results in too much of a move away from the (largely liberal and free market) values that have dominated the development of the Internet to this point, that would be a bad thing—for the world, not just us. It could drive the “fragmentation” of the global Internet through the building of more and more barriers to the free flow of information. And, it could lead to a further weakening of the (already heavily contested) norm that states should limit their interference with the content that flows over the net.

That is why you need to act and act soon—for both shorter-term tactical and long-term strategic reasons. The short-term challenge is to give your officials the best possible negotiating position in the forthcoming round of Internet governance discussions. We believe that that would come from a clear signal that this is a personal priority for you.

More importantly, now is the time to better determine and shape our long-term goals. The sooner that we can articulate a clear, robust case for a U.S. vision for the future of the Internet, the better. And that needs to be one that, while acknowledging the natural shift away from U.S. control, makes both the pragmatic and principled arguments for preserving the values that have made the Internet such a successful driver of positive global economic, political and social change, and for governance structures that can be depended upon to maintain that success.

Conclusion

This is an important period for the future of global governance, the information economy and what the Internet means for how states relate to one another. This initiative should be an administration priority. If, however, we allow embarrassment from the Snowden revelations to prevent us from taking a proper leadership role, we will not only exacerbate the already considerable damage done to U.S. standing, but we will hand a gift to those who would diminish both U.S. and global democratic interests. You should act to better organize us to lead and set the tone quickly—both within the U.S. government and internationally—to ensure our arguments prevail in the forthcoming battle of online ideas.

MEMORANDUM



TO: President Obama

FROM: Michael E. O'Hanlon and John Allen (USMC, Ret.)

DATE: January 23, 2014

SUBJECT: Solidify the U.S.-Afghanistan Alliance

Summary and Recommendations

The United States should remain steady in its Afghanistan policy—despite all the challenges associated with doing so. In the crucial years ahead, a time of great transitions, we need to sustain an adequate American Enduring Force, as well as support for a robust Afghan army and police. President Hamid Karzai's continual introduction of hurdles to the signing of a U.S.-Afghan Bilateral Security Agreement (BSA) is surmountable. Maintaining a U.S. troop presence after 2014 is critical to Afghanistan's ability to build on the success that we have had in recent years. But the Afghanistan mission has become unpopular domestically; sustaining it will require resolve and an investment of your political capital.

The BSA is needed to provide the legal foundation for a sustained American, and thus NATO, military presence in Afghanistan after the current International Security Assistance Force (ISAF) mission ends this December. We need to stay patient and wait Karzai out—signing the BSA, if need be, with his successor in late spring or even early- to mid-summer. The last increment of some 10,000 U.S. troops, what is currently envisioned as an Enduring Force after 2014, could, if necessary, always be redeployed back home in the latter half of this year if Karzai's successor proves unwilling to sign. Such a change would not be trivial, but it would not be insuperable either.

The risks associated with this course are minimal. Moreover, nearly all the candidates for Afghanistan's presidential election scheduled for April support the BSA, as well as a sustained international military presence after 2014. We believe that we will get the BSA that we need to maintain a U.S. and NATO presence.

Background

Karzai can be maddening to understand. He has the United States, leading a coalition of some 50 nations, willing to stay on and help his country succeed. And that after a war that has lasted a dozen years and cost the United States more than \$600 billion and 2,000 fatalities. Yet the Afghan president keeps throwing up roadblocks.

His latest obstacle was his decision to hold off on signing the BSA on the grounds that his successor should have that prerogative later this year. Karzai has also thrown in new demands—just when we thought the security agreement was a done deal. For one, he wants to compel the United States to release all Afghan detainees in the prison camp at Guantánamo Bay.

Part of Karzai's attitude can be explained by the umbrage he has taken at various Americans, especially in recent years. Some U.S. officials made mistakes in their handling of the complex Afghan leader, such

as lecturing him in public about matters such as government corruption. There can be little doubt, though, that Karzai's own peevishness and ingratitude have played a large role.

In addition, Karzai believes—somewhat accurately perhaps—that the BSA provides him with his last remaining leverage with Washington. He is wrong in thinking that Afghanistan remains a center of geopolitics, the location of a modern-day “great game” like the 19th-century competition in his country between Britain and Russia, or the 1980s Cold War struggle pitting the Soviet Union against the United States and others.

But Karzai is right that we are concerned enough about Afghanistan's future to wish to maintain a presence even after NATO's combat mission expires at the end of the year. He also rightly perceives that the United States wants to maintain a presence in Afghanistan in order to keep a vigilant eye on extremist groups in tribal regions of northwest Pakistan.

Against this backdrop, we need to stay patient. It would be a mistake to let the foibles of one man like Karzai—increasingly detached from Afghan public and political opinion—determine the future American role in South Asia. Even with Osama bin Laden dead, the stakes remain high: Extremist groups from al Qaeda to Lashkar-e-Taiba (the Pakistani group responsible for the 2008 Mumbai terror attack) could easily put down roots again in Afghanistan if the country were to fall to the Taliban after NATO's departure.

Last November's assembly of Afghan tribal elders, a *loya jirga*, again demonstrated what we already knew—that the Afghan people want a continued U.S. military presence. After the defeat of the Soviets in 1989, civil war, state collapse and Taliban victory followed. The Afghan people have seen this movie already; they do not want the sequel. The *loya jirga* thus urged Karzai to sign the agreement; he demurred.

The main candidates in Afghanistan's presidential election also want us to stay. An October poll by the Moby Group in Kabul, Afghanistan's largest private media organization, suggests the two leading contenders are former foreign minister Abdullah Abdullah and former finance minister Ashraf Ghani. Both are pro-Western, smart and competent. The same is true of Foreign Minister Zalmay Rassoul, said by some to be Karzai's choice to succeed him after the elections scheduled for April. Other candidates also support a continuing American and international presence.

We thus can wait and tell Karzai that, if he wants to reinforce Afghan democracy by deferring the BSA signing to his successor, we can live with that. In the meantime, we should work with his ministers and others and plan on staying—precisely as if the accord were already in place—with several significant force concentrations in the country, complemented by other foreign troops.

Of course, the United States can make contingency plans. We would need a Plan B in any event. Even as we anticipate alternate scenarios, we can continue discussions with Karzai on the other “conditions” that he has introduced. But our aim should be to prepare for a late signature by Karzai's successor.

Meanwhile, to support the April voting, the United States should temporarily deploy an election support task force of several thousand tailored troops, additional to current forces.

Conclusion

The United States has achieved much in Afghanistan. Girls can go to school, an affront to the Taliban; women are increasingly emerging as an important factor; and ethnic minorities are finding a place and their voice in a more modern, forward-looking country. The economy has progressed dramatically. The security forces are holding their own.

The United States has achieved this progress through a decade and more of war. We should not permit Karzai's pique to flush this down the drain. We can ride this one out. In the end, this is about American security interests and the Afghan people, not about Hamid Karzai.

MEMORANDUM



TO: President Obama
FROM: Tim Boersma and Charles K. Ebinger
DATE: January 23, 2014
SUBJECT: Lift the Ban on U.S. Oil Exports

Summary and Recommendations

Under current U.S. law, crude oil produced in the United States cannot be exported without a license. Recent and expected developments in the U.S. oil market will lead to a continued increase in U.S. crude oil production: the U.S. Energy Information Administration expects U.S. domestic crude oil production and imports from Canada to be well above six million barrels per day through 2040. In addition, recent experience regarding the export of U.S. liquefied natural gas (LNG) suggests we should re-evaluate the existing legislative framework with a view to getting ahead of the curve of pending market realities.

We recommend that you ask Congress to lift the ban on crude oil exports. The basic idea behind the ban (also referred to as “short supply controls”) was to protect domestic industry from energy shortages at a time of falling domestic oil production. We face, however, a surge of domestic oil production from shale rock layers (“tight oil”) and the prospect of rising volumes of Canadian oil. Domestic consumers do not substantially benefit from an export ban, and U.S. oil producers may soon be affected negatively by it. The Energy Information Administration forecasts suggest that North America has hydrocarbon supplies for many decades to come and that concerns about energy security are unfounded. Lifting the ban on exports is thus the logical course.

Background

The ban on the export of U.S. crude oil stems from the 1920 Mineral Leasing Act (authorizing the federal government to manage exploration and exploitation of minerals on public lands), the 1975 Energy Policy Conservation Act and the 1979 Export Administration Act (the latter two further limiting crude oil exports as a direct response to the 1973 oil crisis). The Export Administration Regulations spell out the details of the “short-supply” controls.

One major issue is the vagueness of the export ban; it is not a total prohibition. Exports of crude oil to Canada are allowed as long as the oil is used there, as are exports of Alaskan oil using the Trans-Alaskan pipeline and small amounts of specific heavy Californian crude oil. Moreover, companies may request an exemption, which you may grant if the exports are deemed in “the national interest.” This concept, however, seems to be open to multiple interpretations.

This vague legislative framework has discouraged crude oil export requests. As the limits apply only to crude exports, the surge in domestic oil production has resulted in a major increase in the amount of exported refined products (no export restrictions apply to refined products), e.g., petrol and diesel, to a

staggering 1.7 million barrels per day in 2012. This benefits primarily a handful of refineries on the Gulf Coast that are equipped to process light and sweet crude oil.

Several reasons argue for lifting the ban on crude oil exports:

Surging domestic production. Domestic production of crude oil has dramatically increased in recent years owing to the rapid rise in the production of oil from shale rock layers. Virtually all projections foresee a peak in production around 2020, after which production is expected to plateau for several decades. Continuous investments in infrastructure are likely to further exacerbate the difference between supply and domestic demand and thus have a downward effect on prices. Without export markets for domestic crude, there is only so much absorptive capacity in the United States unless new crude production in the United States were to become substantially cheaper than Canadian crude. If crude oil exports are not allowed, domestic prices could fall, which would make new investment in tight oil and shale oil production less attractive, similar to what happened to shale gas. The only reason that shale gas production has continued to grow is that it is associated with natural gas liquids, which continue to be profitable.

Lessons from natural gas. The last decade's natural gas boom shows that an export ban has only a few beneficiaries. The enormous increase in production of so-called unconventional gas sources caused domestic well-head prices to plummet. Manufacturing industries have lobbied—so far successfully—against unrestricted exports of LNG (which the market favors) despite the lack of convincing evidence that exports will substantially raise domestic prices.

Type of U.S. oil vis-à-vis refineries. Most U.S. refineries are designed to process heavier crude oil from the Middle East, Venezuela or Mexico rather than domestic crude oil. That limits the absorptive capacity of refineries for U.S. crude. As a result, there is an increasing mismatch between supply and demand. U.S. crude supply increases will cause domestic prices to fall. Low oil prices can be a boon to the general economy in the short term but, as noted above, have a negative impact in the longer term: if oil prices fall low enough, unconventional oil production in the United States will become uneconomic. The bottom line is that a clear policy is desirable for all involved. We do not see distinguishing between crude and refined product as a desirable policy.

Supporting free trade. Lifting the ban on crude oil exports will increase the credibility of U.S. arguments for free trade in the global economy. This will have positive effects on the U.S. position in current and future trade negotiations and disputes.

Substantial economic gains. While estimates have to be taken with a grain of salt, some industry reports suggest that allowing U.S. crude oil exports could generate up to \$15 billion annually. These exports may not benefit everyone equally. For example, some refineries may see a decline in revenues, because some domestically-produced oil will be exported without first being processed. Also, comparable to natural gas, it is likely that domestic prices will rise in the case of unrestricted exports, although the extent of the price rise is unknown and often exaggerated by opponents of exports. On the other hand, unrestricted exports, in combination with increased investments in infrastructure, are expected to provide a boon for domestic oil production, generating income, jobs and taxes along the production chain.

No negative effects for energy security. The proposed change should not weaken U.S. energy security. Countries tend to benefit most from resources when they pursue responsible consumption and trade policies, not by holding stocks and forcing domestic producers to suffer from lower prices due to over-supply.

There is a widely-held view that U.S. domestic supplies are large enough to make the country self-sufficient in the coming decades, even after lifting the ban on exports. If the ban on crude oil exports were lifted, that would most likely incentivize further expansion of the pipeline network (Keystone or alternative pipelines) in order to facilitate a larger flow of oil from the upper Midwest and Canada to the Gulf Coast. The amount of crude oil that would be exported is difficult to predict, and would mostly be dictated by international prices. It is expected that the U.S. influence in the global oil market will not change dramatically, although U.S. oil suppliers such as Mexico and Venezuela may be adversely affected as they lose market share.

Lifting the ban on crude oil exports could also stimulate additional domestic crude oil and some associated natural gas production, bringing additional royalties to the Treasury. Some will oppose this new fossil fuel development, arguing that additional carbon emissions will occur and that there are higher risks of environmental damage. We believe, however, that accompanying a lifting of the ban on crude exports with renewed calls for a carbon tax—with some of the revenue allocated back towards research on advanced renewable energy technologies, carbon capture and sequestration of CO₂ for both coal and natural gas, small-scale modular reactors and advanced battery storage—could counteract some of these concerns.

There are possible downsides to lifting the ban on crude oil exports:

Rising domestic oil prices. As noted, domestic oil prices may well rise. The case of natural gas, however, suggests that a more sustainable and predictable price level overall is better for the industry.

Potential job losses. Some U.S. refining capacity for domestically produced sweet crude oil may no longer be required if the ban on crude oil exports is lifted. Those potential job losses in refining, however, would have to be set against the potential job losses in production if there is an unsustainably low price for domestically produced oil.

International repercussions. Lifting the ban on crude oil exports could have effects on oil-producing countries in the region, such as Venezuela and Mexico. The latter is going through important reforms of its domestic market at the moment and the United States might not want to disturb that process. We doubt, however, that U.S. crude oil exports would have a large effect on developments in either the Mexican or Venezuelan market given rising demand for oil around the world.

Conclusion

On balance, these considerations argue strongly for seeking congressional legislation to liberalize the existing ban on crude oil exports. The change would yield substantial economic and political benefits that well outweigh the downsides.

MEMORANDUM



TO: President Obama
FROM: Michael O'Hanlon
DATE: January 23, 2014
SUBJECT: Strengthen Stability in Africa

Summary and Recommendations

The United States should, with a focused effort and in partnership with other states, make a significant push to improve security in Africa. No massive deployments of U.S. troops would be needed, and in fact no role for American main combat units is required. But we should step up our game from the current very modest training efforts coordinated through Africa Command (AFRICOM).

The continent is too big for a comprehensive approach or one-size-fits-all initiative. However, the United States could make a major difference by deploying several thousand Americans to the Democratic Republic of Congo (DRC) and several hundred trainers to Libya. In the case of the DRC, by supplementing the UN mission that has achieved some recent battlefield successes against rebel forces, Americans could help train and mentor a DRC army so that it can gradually replace the UN while establishing control over much of the country's interior (especially in the east). The Congolese war has probably been Africa's most lethal over the last 15 years; success here could be game-changing.

Libya is a much different case. While NATO forces took the initiative to help overthrow Mohammar Qaddafi in 2011, the country is sinking into factionalism verging on anarchy. A modest U.S. effort could likely stabilize a state from which many terrorist recruits have emanated for conflicts in Iraq and elsewhere in recent years.

If other states continue to step up their efforts in places such as Mali, Somalia, Central African Republic and perhaps in the future Nigeria, the international community could collectively build on some recent hopeful trends on the continent as Africa moves gradually, if fitfully, on a path towards greater stability.

At a time of national war fatigue and fiscal austerity, it may be counterintuitive to propose increasing American involvement, particularly if it involves military commitment, abroad. But, for a modest investment, the United States and other countries may be able to make major strides towards improving the prospects for peace and stability on the continent. With the number of U.S. forces in Iraq and Afghanistan rapidly declining from a peak of 200,000 half a decade ago to 35,000 by early 2014, the American military could undertake a modest engagement in Africa, even as U.S. armed forces and their budgets downsize.

I recommend that you order deployment of either an advise-and-assist brigade or a security force assistance brigade (SFAB), a total of roughly 5,000 U.S. troops, to the DRC to beef up the existing UN peacekeeping force of just under 20,000 and give it the capacity to help the DRC get on its feet. The SFAB concept, developed in Iraq and Afghanistan, minimizes the combat role for U.S. forces while maximizing

their mentoring and training roles (they can also help with logistics support). You should also deploy up to several hundred Americans as part of a coalition team to train and mentor Libyan security forces so that Libya, which seemed a successful part of the Arab spring when Qaddafi was overthrown in 2011 but has since descended into chaos, can return to a more successful path.

Background

America's military role and experiences in Africa have been generally unhappy. The 1993 "Black Hawk Down" tragedy in Somalia was the most notorious case and contributed to President Clinton's decision to stay out of Rwanda's genocide in 1994, with much regret.

Over the last few years, however, several hopeful signs have emerged in Africa. Health care has progressed, with tangible progress against HIV/AIDS. Continent-wide, the annual economic growth rate has averaged four percent in real terms for a decade. Roughly a third of the continent's countries show significant progress in democratic and economic reforms. Civil wars have subsided; estimates of overall death rates from conflict on the continent are at their lowest since the 1970s. Even Sudan and Somalia have shown progress of late, albeit limited and fragile.

But serious problems remain. Islamic extremism threatens Nigeria, the continent's most populous nation. Terrorism recently struck at Kenya. Libya has fallen backwards. Mali's progress after the French intervention is tenuous. The same is true in Somalia and Sudan, where a return to general civil warfare cannot be ruled out. A coup and counter-coup are driving Central African Republic toward civil war and ruin. The DRC's conflict in the east is not as bloody as Syria's, but the overall human toll has been calamitous, due largely to the breakdown of the state and economy, and the resulting increases in mortality from disease. Many of these problems pose serious spillover risks to other states.

There nevertheless is an opportunity to connect the region's growing number of positive stories into a broader community of countries moving in the right direction. The continent is not quite ready to become a zone of peace, but it may be on the verge at least of becoming a zone of hope. And a number of countries are helping. Beyond the impressive French role—the French have intervened successfully in Ivory Coast, Mali and Central African Republic—African states are stepping up to the plate, as the efforts by Ugandan and Kenyan forces in Somalia demonstrate.

The United States has already deployed a small contingent to help Uganda pursue the Lord's Resistance Army while maintaining special operations forces in Djibouti to pursue al Qaeda. The focus of this expanded U.S. effort should work through AFRICOM to build capacity in African states through programs such as the Global Peace Operations Initiative and the Trans-Sahara Counterterrorism Partnership.

Targeted efforts are warranted in specific countries. The case is strongest in the DRC and Libya. In the DRC, despite the creation of a rapid reaction brigade in recent months to strengthen the UN presence and take on militias such as the M23 group, Congolese forces remain weak. The general absence of the state will continue to compromise the quality of life and very survivability of vulnerable groups such as the young, women having children, the elderly and the diseased. The best path towards a more hopeful future is a systematic effort by the United States and other outside powers to strengthen and reform Congolese security forces. Given the enormous distances and logistics challenges involved, this requires more than a few dozen trainers in traditional missions, but a deployed force on the ground such as an

advise-and-assist brigade or SFAB to complement the nearly 20,000 UN forces, mostly from other African states, now in place.

In Libya, the real strategic loss has been a missed opportunity to help strengthen and stabilize the new Libyan government. The new proposed mission need not be large or costly. But the minimalist approach that the international community has followed to date has left the country worse off than it was under Qaddafi. Militias roam the streets; oil production and national GDP are way down; and institutions, including those providing education and health care, are barely functional. As part of a larger international effort, several hundred American troops in a training role could make a major difference. In so doing, they could also help reduce the spillover risks posed by renegade and extremist groups to neighboring countries like Mali, Tunisia and Algeria.

There are, of course, risks from any such increased American role in African conflict zones. But this country's general casualty aversion is not what it was in 1993, when tragedy in Somalia led to the rapid end of a U.S. military role there. Going forward, the political stakes in such a mission would appear to be less—as, admittedly, would the political reward for any successes that U.S. forces helped achieve. But in a broader historic sense, helping make Africa a “zone of hope” could prove a durable and notable accomplishment. And after the experiences of Iraq and Afghanistan, the U.S. military has created advisory capacity of a type it never had before that could make a major contribution elsewhere.

Conclusion

A modest U.S. military presence in Africa could pay significant dividends in promoting stability. To be sure, any stepped-up military involvement—by U.S. forces and/or other countries—needs to be carefully designed and implemented. But in countries such as the DRC, the United States and the international community have a chance to make a major difference for the better at modest cost and risk.

MEMORANDUM



TO: President Obama
FROM: Suzanne Maloney
DATE: January 23, 2014
SUBJECT: Broaden the Approach to Iran

Summary and Recommendations

Your strategy on Iran has helped to create a historic opening with one of America's most persistent and formidable adversaries. The strength of the sanctions regime and the breadth of international cooperation on Iran have generated an unprecedented opportunity to contain and curtail the Islamic Republic's most dangerous policies. The interim agreement concluded in November accomplished the first tangible progress in nearly a decade toward thwarting the prospect of an Iranian nuclear weapons capability. However, this initial deal represents only the first step of an even more ambitious objective: a comprehensive agreement that rolls back Iran's nuclear program; and a broader initiative to induce the Iranian government to adopt more responsible policies toward its citizens and neighbors.

Those efforts will prove even more complicated and more contentious among U.S. allies than the interim agreement, and they offer no certainty of success. Still, the dramatic reconfiguration of Iran's nuclear diplomacy since Iran's presidential election last June and the unprecedented traction in persuading Tehran to change its most worrisome policies justifies a double-down on our investment in engaging Tehran.

I recommend the following measures as the starting point for an expanded diplomatic initiative with Iran: build on the interim deal to move quickly and decisively toward a comprehensive agreement on the nuclear issue; formalize a broader dialogue with Tehran that begins to tackle the wider array of U.S. concerns; and establish a dedicated special envoy to manage the U.S. policy toward Iran, focused not just on our dialogue with Tehran but on ensuring that the interests and anxieties of U.S. allies and regional partners are addressed.

Background

Iran's politics broke wide open last summer with the unexpected election of a moderate new president, Hassan Rouhani. A decade earlier, Rouhani was responsible for brokering the sole significant compromise that Tehran had ever implemented on its nuclear activities—a 2003 suspension of uranium enrichment and reprocessing that lasted nearly two years. That made Rouhani the target of intense criticism from Iranian hard-liners, including Supreme Leader Ayatollah Ali Khamenei, during the eight-year presidency of Mahmoud Ahmadinejad.

Rouhani's sudden rehabilitation and ascension to the theocracy's second highest office reflected a consensus that had quietly expanded over the course of Ahmadinejad's final tumultuous years: Tehran could no longer afford to maintain its collision course with the international community over the nuclear issue. The campaign that won Rouhani the presidency and his early rhetoric and actions once he took office in August confirmed that he has been given an explicit mandate to resolve the impasse and return Iran to a more normal place in the international economy and the community of nations.

The dual-track policy framework established in your first term and implemented with impressive multilateral coordination had a great deal to do with Iran's change, but the shift in Iran's domestic political dynamics owes much to internal considerations that are largely distinct from the sanctions and international isolation. Frictions within Iran over Ahmadinejad's heterodox and destabilizing policies helped bind the regime's establishment together in an almost unprecedented fashion.

As a result, Rouhani leads what should be understood as a national unity government. Despite the persistence of Iran's factional competition and ideologically-driven critiques of the president's policies, he has far greater authority and room for maneuver than any of his predecessors to undertake ambitious and innovative policies.

That is the most important factor that distinguishes this historical moment from all prior periods of optimism in the tortured U.S.-Iranian dynamic. Rouhani should be able to deliver on the most significant and sensitive aspects of international concern about Iran's policies. The Supreme Leader continues to articulate a deeply engrained suspicion of American motives, but nothing that Rouhani has accomplished to date would have been possible without Khamenei's explicit endorsement.

So we face an opportunity for diplomacy, one that is almost certain to dissipate if we do not make the most of it. Iranian politics remain at an unsteady equilibrium, and the internal balance of power could shift without warning. Each of Rouhani's predecessors has seen his influence eroded over time, and powerful pockets of opposition to the changes underway in Iran's relationship with the world remain. As a result, it is important that we move rapidly to make progress on our core concerns. To the extent that diplomatic progress on the nuclear issue also benefits Iran and its citizens, Rouhani's more moderate position at home will be enhanced.

There are additional reasons for Iran to remain a principal foreign policy priority for the remainder of your second term: the interim deal has elicited significant pushback at home and among our allies. Their motivations vary. Some on Capitol Hill seek to use this issue for partisan advantage, but any opportunism is bolstered by the genuine unease of our closest allies in the region, including Israel and Saudi Arabia, over the staging of the negotiations, the terms that may be incorporated in a comprehensive nuclear deal with Iran, and the U.S. role in the region following a final deal.

For this reason, we must seek to build on the achievements of the interim nuclear agreement and fashion a comprehensive accord that establishes a framework of significant constraints and far-reaching inspection and verification on all aspects of Iran's nuclear program. At the same time, we should broaden and formalize our dialogue with Iran beyond the nuclear issue, incorporating the wider array of U.S. interests and objectives, in particular the interrelated issues of terrorism, the peace process, Syria and human rights.

The process of achieving the incipient agreement on halting the advance of Iran's nuclear program, and the responses it has evoked, offer some hints at how difficult it will be to accomplish these goals. It hardly needs to be stated that embarking on a wider-ranging negotiation with Tehran will compound this challenge exponentially.

However, creating a mechanism for dialogue on questions beyond the nuclear issue will also help us to insulate any progress toward a comprehensive nuclear accord from the rising chorus of demands

articulated by U.S. allies. At the same time, it will provide crucial reassurance to these same allies, by demonstrating that Washington is not prepared to disregard or bargain away our longstanding objections toward Tehran's policies in Syria, its support for terrorism and its repressive domestic policies.

As part of our diplomacy toward Tehran, we have an enormous amount of work to do to coordinate with and reassure our regional allies in Israel and the Arab world. They harbor deep trepidations about Iranian policies, but they are even more profoundly unnerved by the possibility of a shift in the formula of regional alignments. As a result, the instinctive preference for stability that characterizes our Gulf allies and the alarm that Israelis feel at the prospect of any bargaining with their existential adversary are manifesting already. They will only become more vociferous and potentially more obstructionist as any diplomacy proceeds.

These anxieties are not insurmountable; despite the consternation already expressed, a binding agreement that firmly constrains Iran's nuclear ambitions would safeguard the region and the world from the devastating implications of an Iranian nuclear capability, as well as save the United States and its allies from the catastrophic costs of a military strike against the program. It would end the cyclical proclivity for brinksmanship on all sides that inevitably spooks the oil markets and threatens the global economic recovery. Moreover, a credible nuclear bargain with Iran would bolster the tattered non-proliferation regime by bringing a would-be rogue back from the brink of nuclear weapons status.

Still, it is difficult to imagine that this diplomacy can be pursued successfully without a dedicated special envoy. Secretary Kerry and Under Secretary Sherman have engaged with tremendous skill and success in pushing forward an impressive start to the process, but we have already paid a price in terms of interrupted momentum as a result of insufficient consultation with our P5+1 partners and with Congress. The initiation of real bilateral diplomacy with Iran is a historic opportunity. It cannot be a part-time endeavor to be balanced with a range of other issues and regional crises. To make the most of this propitious moment, we need a presidential envoy with a clear imprimatur from you to undertake the hard work that will be required.

Conclusion

There are, of course, no guarantees. Iran's Islamic Republic is a persistently unpredictable state, and the animosity and distrust toward Washington runs deep among its relevant decision-makers. The sanctions have weakened Iran's economy and helped persuade its leadership to take a chance on negotiations, but there are no guarantees that Tehran will be capable of making the critical compromises on the nuclear program required to achieve a final deal. Moreover, the spiraling civil war in Syria and the determination of Iran's hard-liners to flex their muscles in hopes of regaining domestic primacy may undermine diplomacy, and could still instigate a confrontation that neither side desires.

Still, the alternatives to a negotiated deal remain profoundly less attractive than the risks involved in pursuing one. The evidence of the past six months of Iran's newfound readiness to deal and the prospective payoff—a world released from the perennial nightmare of an Iranian nuclear bomb—is more than sufficient to justify the investment of your time and energy on this issue. And if Tehran proves unwilling to cross the finish line, you will have demonstrated American commitment to diplomacy and reinforced the global coalition committed to preventing Iran from achieving nuclear weapons status.

MEMORANDUM



TO: President Obama
FROM: Michael Doran
DATE: January 23, 2014
SUBJECT: Pursue Regime Change in Syria

Summary and Recommendations

The decision to call off military strikes against President Bashar Assad's forces and instead to work with Russia to destroy his chemical weapons deeply disappointed the Syrian opposition and its major external backers. Pro-regime propagandists have depicted this policy as a quid pro quo: as a reward to Assad for his participation in the chemical weapons deal, the United States will withhold support for regime-change efforts. In the Arab world, this interpretation of U.S. policy is widely accepted.

Even if Assad's chemical weapons have been taken entirely out of play (by no means certain), the regime's goal of waging total war against the rebels remains unchanged. "We are fighting terrorists," Assad said recently. "Eighty to ninety percent of those we are fighting belong to al Qaeda. They are not interested in reform or in politics. The only way to deal with them is to annihilate them."

More than 6.5 million Syrians have been displaced by the war, according to the United Nations. Of those, two million have fled to neighboring countries. More than 130,000 people have died. The war has also divided the Middle East into two camps. The Saudis, Turks and Qataris, among others, remain committed to toppling Assad. They face staunch opposition from the Russians, Iranians and Hezbollah, who are working assiduously to save the regime. The fight between the two sides is a zero-sum game.

I recommend that you return to a policy of regime change in Syria. The United States currently appears fickle, risk-averse and unreliable to our allies and partners in the region—especially in comparison with Russia and Iran. This has serious knock-on effects to our standing not only in the region but around the world.

This recommendation raises an obvious objection. Any effort to topple Assad, it is frequently claimed, will draw the United States into a quagmire. After all, the Syrian opposition remains deeply fractured, and the radical Islamic element in it is growing ever stronger by the day.

A regime-change policy, however, need not require that you send American soldiers into harm's way. All it requires is a commitment to help American allies in the region muster sufficient force to change the balance of power on the ground in Syria. This policy would certainly include arming and training elements of the opposition. It would also mean providing strategic guidance, intelligence support and diplomatic backing. But the single most important dimension of the policy is simply the political commitment itself—the assertion of American leadership to remove a ruthless autocrat and replace him with a regime that is more representative of the Syrian population as a whole.

The United Nations will likely soon hold the so-called Geneva II conference, which is designed to negotiate a political solution to the conflict and the transition to a new government. The conference, though well intended, has little chance of success because Assad is growing stronger and will never negotiate the terms of his own departure. There is an added risk that the conference will have the effect of isolating and marginalizing the National Coalition, the most legitimate opposition to Assad. The Russians and Syrians are seeking to pack the proceedings with a variety of different opposition groups, some of which are little more than creatures of the regime. We should work to minimize the participation of other groups in order to prevent them from drowning out the voice of the Coalition. We should also prevent the inclusion of Iran, which, like Russia, is dedicated to the perpetuation of the Assad regime.

Background

Syria is now much more than just a civil war. It is the central battle in the conflict over the new order in the Middle East. By committing the United States to regime change, you would demonstrate solidarity with America's traditional allies in the region. Our standing aside will not convince them to abandon their efforts to topple Assad. On the contrary, the war will continue, in one form or another, and our allies will take positions that are both inimical to our interests and impervious to our influence. For example, even the Turkish government, a staunch NATO ally, has from time to time turned a blind eye to the flow of al Qaeda fighters into Syria.

A regime-change strategy is not just a means of solving the problem of Syria or countering Iran. It is also a tool for directing the efforts of our allies toward common ends throughout the region. The United States alone has the military, diplomatic and political resources to assign roles and missions to its allies that will safeguard their interests while simultaneously preventing them from undermining our own.

A dangerous line of reasoning has taken hold on Capitol Hill, where a number of influential figures depict any American support for the opposition as a boon to Islamic extremism. According to this perspective, Iran and al Qaeda should simply be left to fight it out. Since both are enemies of America, we only stand to benefit from their war of attrition.

This is a profoundly shortsighted perspective. It fails to address the phenomenal growth of Islamic extremism in the last few years. Syria is turning into one of the greatest magnets ever for the global jihad. Far from weakening al Qaeda, the conflict is giving the organization a new lease on life. That poses a huge threat to U.S. regional and global interests.

At the same time, the perspective ignores the fact that Iran has exploited the Syria conflict to expand its influence throughout the region. The Quds Force, the elite arm of the Iranian Revolutionary Guards, is recruiting Iraqi Shiite militiamen, training them in Iran, and then sending them to Syria to fight. Even while Iran suffers from unprecedented economic sanctions, its regional influence is on the rise. Before long, the United States could find itself confronting Hezbollah-like clones in both Syria and Iraq.

The goal of your policy should be to build up a third force in Syria—an alternative to both Iran and al Qaeda. Even if Assad remains in power, the U.S.-sponsored opposition can function as a valuable ally on the ground. It will ensure the United States the dominant voice in all Syria discussions.

Many of the same people who express concerns about building up such a force often claim that, in an age of austerity, we lack the resources for such a commitment. A regime-change policy, however, need not be costly. Gulf Arab states would be glad to subsidize a more robust American policy. In the Gulf War of 1990-1991, the United States actually turned a profit. It would be a good precedent to follow today.

Conclusion

In Syria, there is no “clean” option that puts the United States on the path of certain victory with perfectly virtuous allies. But we have dealt with similar ambiguities in the past, most notably in World War II. We must now make an analogous calculation. The alternative is to continue to adopt a position that is entirely disconnected from the vital interests of America’s key regional allies. Such a policy will fall between two stools. It will be completely ineffectual—especially with respect to the Iranian and al Qaeda threats, our primary strategic challenges. A more robust U.S. strategy aimed at regime change, which can be carried out with modest American means, offers a better route to achieve our goals in the Middle East.

MEMORANDUM



TO: President Obama
FROM: Jonathan D. Pollack and Jeffrey A. Bader
DATE: January 23, 2014
SUBJECT: Return to the Asia Rebalance

Summary and Recommendations

Your administration's policy of rebalancing to Asia has generated widespread support among nearly all of the countries in the region, though China views it warily and North Korea opposes it. A redirection of U.S. resources, energy, capabilities and attention away from the military conflicts of the past decade and toward the world's most economically and strategically dynamic region remains both appropriate and overdue. We need to build on the demonstrated success of the policy, fully ensure that our actions match our words, and impart unequivocally that the rebalance reflects a long-term reorientation of U.S. policy priorities.

Our challenge remains threefold: to protect and enhance America's long-term political, economic and security interests; to reaffirm and deepen U.S. relationships with long-standing allies and partners while reaching out to new ones; and to achieve the first two goals without alienating a rapidly emerging China or generating open-ended military rivalry across the region. These policy dilemmas will continue to require adroit management across a very broad spectrum of issues and interests, and they will at times continue to require your direct engagement.

A sound long-term policy should build on the promise and achievements of the rebalancing strategy while providing dynamism and direction in the U.S.-China relationship. We recommend the following steps:

First, it is essential to ensure that cuts from sequestration do not damage U.S. readiness and capabilities in the western Pacific or cause cutbacks in planned deployments under the rebalancing strategy.

Second, we should strive to complete negotiations on the Trans-Pacific Partnership (TPP) in the first half of this year and press for early congressional ratification of the agreement. We should convey to Beijing that the United States does not seek to exclude China from the TPP and is prepared to support its entry when China meets the necessary standards for admission.

Third, in parallel, following the Chinese Communist Party's Third Plenum last November, we should take steps to demonstrate that the United States actively supports the leadership's efforts to energize economic reform and advance China's continued economic transformation. China's economic success, particularly its moves toward a more open economy, is in the U.S. interest. Completion of negotiations over a U.S.-China bilateral investment treaty by 2016 affords the best opportunity to demonstrate the credibility of U.S. policy.

Fourth, we need to get our key Asian partners more closely aligned with our interests. We should support Prime Minister Abe's efforts to strengthen Japan's security in the context of our bilateral alliance, but press him to avoid stirring up history issues that undercut Japan's relations with South Korea and China, as he did recently by visiting the controversial Yasukuni Shrine. We should also support his efforts to enhance Japan's economic recovery. At the same time, we need to press President Park to restore normalcy in Korea-Japan relations. Open-ended estrangement between America's Northeast Asian allies will have corrosive effects on the region as a whole and directly damages U.S. interests and policy goals. We must impart this clearly to both Tokyo and Seoul.

Finally, we need to actively pursue the de-escalation of territorial disputes in the East China Sea and the South China Sea. This means supporting the negotiation of a code of conduct in the South China Sea and enhanced efforts to separate resource disputes from territorial issues in both areas.

Background

The basic political, security and economic elements of your rebalancing policy have been well articulated and are effectively understood across the region. We joined the East Asia Summit and worked to shape a multilateral agenda in a region historically dominated by bilateralism. We have strengthened relations with ASEAN and opened the door to a new relationship with Myanmar. We have continued to redeploy sophisticated air and naval assets to the region as demands have diminished in Europe, Iraq and Afghanistan. We have lent strong support to South Korea in the face of repeated provocations by Pyongyang and cooperated with Abe as he adapts Japan's security policies and capabilities to a more challenging threat environment. We have ratified the U.S.-South Korea Free Trade Agreement and have continued our pursuit of a Trans-Pacific Partnership with eleven states that would redefine the terms of trade and investment in future decades.

At the same time, we have worked hard to stabilize and enhance relations with China. Your meeting with President Xi Jinping at Sunnylands, our undertaking a more robust military-to-military relationship and security dialogue, and renewed negotiations over a bilateral investment treaty that will address market access barriers have been integral to this process. But continued suspicions linger in both countries over our respective strategic intentions, cyber-activity and political differences. Moreover, economic limitations in both systems (i.e., U.S. deficits and underinvestment and Chinese underconsumption and overinvestment) combine with these differences to generate an unhealthy synergy.

However, we cannot neglect the fact that our standing in the region has suffered serious damage because of the dysfunction of our political system, which has been on full display over the past year. In the absence of meaningful progress on these issues, Asians will not be satisfied with rhetoric or roadmaps. They take a hard-headed view of our capabilities and actions, and they have not been impressed by the U.S. political process and the limitations it imposes on the vigorous pursuit of U.S. interests. Respect for the United States has been largely based on our economic strength, our openness and capacity for effective governance, and our military strength. None looks quite as impressive as they have for most of the period after World War II.

The U.S. government shutdown and barely averted threats by some in Congress to endanger the full faith and credit of the United States by freezing the debt ceiling sent a profoundly negative message across Asia. Canceling your participation in the 2013 APEC and East Asia Summit meetings may have been

unavoidable, but it damaged our credibility and reputation in Asia. The rescheduling of your visit to East Asia for the spring underscores that U.S. interest in the region is not transitory. But sequestration, even with recent mitigation by Congressional agreement, runs the risk of diminishing the perceived reliability of the United States as a political, security and economic partner. These questions play out at a time when China is the number one trading partner of every country in the region, while the U.S. recovery continues to be halting.

Unease about the United States as a security and economic partner occurs while nationalism is on the rise across all of the region's major actors. This has manifested itself in a series of territorial disputes over thousands of tiny islands, islets and rocks in the South China Sea among China, Vietnam, Malaysia, the Philippines, Brunei, Korea and Taiwan, simultaneous with mounting maritime tensions and increasing military activities in the East China Sea. The risks of incidents or accidents between China and Japan have increased further with Beijing's declaration of an Air Defense Identification Zone (ADIZ) along its central eastern coast. We need to work with these states to reduce tensions and avoid situations that could rapidly escalate into a military confrontation that none wants, and ensure that China's ADIZ is implemented consistent with best international practice.

Conclusion

Strengthening the administration's commitment to the Asia-Pacific region is a welcome and necessary development. Speeches and visits are important tools in imparting meaning to U.S. policy. But we must ensure that they are backed by diligent, purposive actions across the full spectrum of U.S. interests, without which our words and visits will ring hollow to the states whose behavior we seek to influence.

MEMORANDUM



TO: President Obama
FROM: Ted Piccone
DATE: January 23, 2014
SUBJECT: Reach Out to Cuba

Summary and Recommendations

Your decision in 2009 to free up the flow of people, remittances and exchanges from the United States to Cuba was the right call at the right time. These steps have coincided with, and facilitated, Cuba's own process of reform, which continues, in fits and starts, to create new opportunities for the Cuban people to live independently of the state. Bilateral cooperation on migration, counter-narcotics, the environment, Colombia's peace talks and aviation security has improved. More importantly, potential flashpoints on issues such as the Snowden affair and arms trade with North Korea have been contained.

Now is the time to double down on this policy and open additional pathways to engagement. Your call in Miami last November to be more "creative" and "thoughtful" as we update our approach to Havana sent an important signal to key audiences here and in Cuba. Your handshake with Raúl Castro at Nelson Mandela's memorial also made headlines worldwide and was well-received by many editorial boards across the country. These lay the groundwork for new initiatives in the next few months.

To build on this positive momentum, I recommend a package of unilateral steps to be announced under your executive authority to expand trade, travel and communications with the Cuban people. These would include: direct assistance to Cuba's burgeoning small and medium enterprises, expanded general licenses for travel, additions to the list of authorized exports, lifting the cap on cash and gifts that non-Cuban-Americans can send to the island, and removal of Cuba from the list of state sponsors of terrorism. At the same time, we would continue to honor the sacrifice of Cuba's human rights defenders and bring new attention to the private-sector entrepreneurs who are taking risks to open businesses.

These measures would draw support from key political and business constituencies in the United States (including Florida), help accelerate further change on the island, and pave the way for improved U.S. relations in the region. They would leverage your presidential leadership as a further catalyst for a historic process of reconciliation now underway and long overdue.

Background

Since your decision to relax tough sanctions on Cuba in 2009, cash and gift transfers to Cuban families cumulatively have reached an estimated \$8.5 billion; the number of American visitors to the island (mostly Cuban-Americans) has climbed to over 400,000 a year; and humanitarian exports such as food and medicines have averaged over \$430 million a year. These resources are catalyzing a host of positive developments as the Cuban government, under the more pragmatic leadership of Raúl Castro, undertakes reforms to its economic and social model to reduce dependence on the Cuban state.

An emerging class of 450,000 entrepreneurs, with the help of cash and goods transfers from the Cuban diaspora that you helped unleash, is creating new jobs. Citizens can buy and sell their cars and homes—an increasingly attractive option for Cuban-Americans interested in returning to the island. Farmers are now permitted to sell their goods directly to state-owned enterprises, joint ventures and businesses such as hotels and restaurants. Government employees are allowed to moonlight in the private sector, supplementing their meager state salaries. A growing number of Cubans are taking advantage of new rules that make travel back and forth to the island easier, reinforcing old and new ties to the United States. As these sectors struggle to establish and grow their businesses, they are already forming their own interest groups, diversifying civil society, and opening new windows of opportunity for the United States.

While the Cuban government needs to do much more to improve the general climate for foreign investment and market-based economic development, the seeds for growth have been planted and are beginning to bud. Now is the time to help the emerging class of entrepreneurs by removing unduly harsh restrictions on trade with U.S. citizens. To that end, you should permit any U.S. commercial or economic activity that would provide direct services, donations and goods to Cubans authorized to open private enterprises. These permitted categories include construction and remodeling, real estate, transportation, technology, artisanal goods, food and beverages, room rentals and personal and technical services. These entrepreneurs are the future of Cuba's political economy and would benefit from the skills and expertise of our highly successful small business sector.

Coincident with this package of support to Cuban entrepreneurs, you should appoint a senior envoy to undertake direct talks with Cuba aimed at removing the country from the list of state sponsors of terrorism. Our official position in this regard already recognizes that they no longer are involved in such activities; keeping them on the list weakens our more important objective of focusing on states such as Iran. Furthermore, Havana is serving a useful role as host of the Colombian peace talks, and Secretary Kerry thanked them for facilitating the safe return last fall of a U.S. citizen held by the FARC. Cuba also recently assisted with the return of a U.S. fugitive long wanted here for prosecution for hijacking. Havana's bungled attempt last summer to earn some hard currency from the North Koreans through an arms transfer has been appropriately investigated by the United Nations, and the case will soon be closed.

Such a move would ease onerous financial strictures associated with being on the list (penalties in the Cuba case that are way beyond proportion and directly interfere with our goals to open Cuba's economy). Moreover, it would incentivize Cuba's cooperation to resolve the case of USAID contractor Alan Gross expeditiously. Other sweeteners we could bring to the table include authorizing payments for exports to Cuba through financing issued by U.S. banks and lifting the six-month wait that any vessel that enters Cuban ports must endure before docking at a U.S. port. This latter step is of increasing value to our own trade interests as we get closer to the opening of the enlarged Panama Canal in 2015. We can also continue to take unilateral steps to improve humanitarian treatment of the four Cubans still serving time in U.S. prisons on spying charges in 1998. Your special envoy would also be charged with ensuring that both the spirit and the letter of these and previous presidential orders are appropriately respected throughout the government. These relatively modest measures would go a long way toward restoring our credibility in the region as we approach next year's Summit of the Americas, which may otherwise ride off the rails.

Conclusion

To move forward, we need to overcome two stumbling blocks that have held us back: the detention of Alan Gross and the hard-line views of a small faction of Congress. At least two important developments are coming together to give us confidence that we can tackle these issues successfully. First, the anti-Cuba lobby is increasingly out of sync, not only with their Cuban-American constituents but also with a growing number of Cuban dissidents and religious leaders who want the embargo lifted. Second, the Cubans are under pressure from their increasingly unstable benefactor Venezuela and may be more receptive than before to artful diplomacy that allows both sides to navigate these shoals.

Nonetheless, we will need to be prepared for some unhelpful noise from a small but committed pro-embargo group of Republicans and Democrats. This can best be handled through personal outreach by your senior envoy and by early signs from Havana that they are ready to deal. If successful, we can trigger a new dynamic in the long and troubled history of U.S.-Cuban affairs, avert negative consequences for us of a potentially hard landing for the Cuban people, and further our goals of a free and prosperous Latin American and Caribbean neighborhood.

MEMORANDUM



TO: President Obama
FROM: Richard C. Bush III, Bruce Jones and Jonathan D. Pollack
DATE: January 23, 2014
SUBJECT: Avert Conflict in the South and East China Seas

Background

In January 2013, we recommended that you launch a concerted diplomatic effort to mitigate the risks of conflict between Asian powers in the South China Sea and East China Sea. We suggested this be pursued both regionally, through diplomacy with directly affected parties, and internationally, by leveraging China's significant interests in other maritime domains where it has less capacity to influence events. Since then, some modest steps were taken at the regional level, but we missed opportunities to apply pressure at the international level—for example, accepting China's application to become an observer in the Arctic Council without conditions. We continue to believe that risks of a military confrontation or outright conflict are high enough to demand sustained White House attention and proactive diplomacy.

Recommendations

In the South China Sea, regional actors, with U.S. encouragement, have offered promising proposals for a regional code of conduct; there is no need for us to add to them. President Xi's apparent signal of a more constructive diplomatic posture toward neighboring countries might provide an opportunity to test Chinese intentions, but his expression of interest needs elaboration and clarification.

In the East China Sea, however, the situation has continued to deteriorate as nationalist sentiment exacerbates economic and bureaucratic incentives to heighten tensions. China's declaration of an Air Defense Identification Zone (ADIZ) that overlaps with Japan's ADIZ, particularly over the Senkaku/Diaoyu islands that each claims as its sovereign territory, raises the risks of an incident or accident. Continued U.S. preoccupations with events in the Middle East have created an impression in Asia that there is less meaning and attention to "rebalancing" than the United States has claimed. This has given China an opportunity to sow doubt about U.S. readiness to respond to provocations against allies in Asia, adding to the risks of miscalculation.

To avoid additional deterioration and to forestall an outright crisis, we recommend four steps. First, you should reinforce the U.S. commitment to allies in Asia. National Security Advisor Rice's speech on Asia policy, Vice President Biden's December trip to Northeast Asia and the rapid responses of Secretaries Kerry and Hagel to China's ADIZ declaration were all necessary and important steps. At the same time, in high-level private communications with our regional allies and partners, you should reemphasize that our commitment to them is not a blank check to exploit heightened tensions.

Second, we will need to intensify efforts with U.S. allies, using our many channels of communication to the Japanese and South Korean governments, to tone down nationalist rhetoric and provocative behavior. This

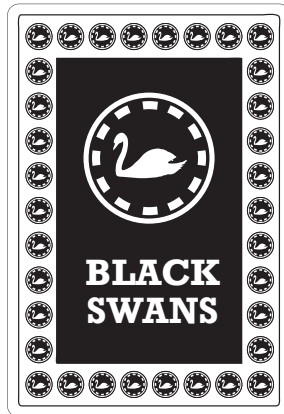
includes nationalist posturing between Japan and South Korea. The December 26th visit of Japanese Prime Minister Abe Shinzo to the Yasukuni Shrine is a case in point.

Third, you should personally engage President Xi, invoking his commitment to a “new type of major power relations,” while stressing the need to give the concept operational content. While he made clear at Sunnylands that he had no intention of backing away from Chinese interests in the South China and East China Seas, you should emphasize to him that there are serious consequences if China pursues these interests through military means.

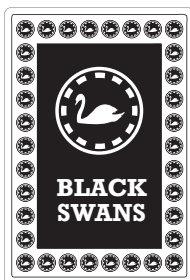
Fourth, you should designate a senior national security official to (1) lead efforts to develop a maritime security framework that enables collaboration or engagement with China and other Asian actors apart from the South China and East China Seas; (2) identify dispute management mechanisms and procedures that could be brought to bear in both areas; and (3) identify opportunities for leverage that derive from the American naval role in guaranteeing the flow of energy on which China and other regional actors depend.

We must also be prepared for the possibility that events will require intensive high-level shuttle diplomacy. An escalation of tensions in the East China Sea, including the possibility of limited military clashes between Japan and China that might compel us to intervene on Japan’s behalf, depending on the circumstances, would be a serious setback and challenge to U.S. policy priorities. It warrants top-level strategy and attention if we are to prevent acute deterioration in the regional security environment.

BLACK SWANS & NIGHTMARES



MEMORANDUM



TO: President Obama
FROM: Natan B. Sachs
DATE: January 23, 2014
SUBJECT: Israeli-Palestinian Violence Erupts

Summary and Recommendations

The current peace negotiations between the Israelis and Palestinians offer a glimmer of hope for resolving the longstanding conflict between the parties. But even as the United States works diligently to ensure the success of the talks, we should start the difficult and discreet task of preparing for their possible failure.

Failure of the talks carries a real risk—low probability but high impact—of full-blown violence between the parties. Such violence would be reminiscent of the aftermath of the Camp David negotiations in summer 2000, but it would be greatly complicated by recent upheavals in the Middle East and could spiral into a wider campaign against Israel from unstable regions in Syria and in the Sinai Peninsula. A breakout of regional violence of this kind would have profound and lasting consequences for future resolution of the Israeli-Palestinian conflict, which you determined last year to be a U.S. priority in the Middle East.

Even as Secretary Kerry and Special Envoy Martin Indyk focus their energy on the goal of a final settlement, you should candidly assess the possibility of the collapse of the talks into regional violence. Should you identify signs of a major outbreak of violence, U.S. policy should change rapidly. Instead of continuing to prioritize diplomatic progress amidst violence, as the United States did in the first few months of the Second Intifada in late 2000 and early 2001, the administration should suspend peace negotiations and focus on robust engagement with the Palestinian Authority (PA), Egypt and other regional actors, clamping down quickly and decisively on any acts of terrorism.

We should support Israel publically in fighting repeated terrorism. U.S. intelligence efforts with regard to jihadist activity toward Israel should be prioritized, in collaboration with the Israelis. At the same time, we will want to encourage Israel to continue prioritizing strategic interests, such as its peace treaty with Egypt or its neutrality in the Syrian civil war, even while facing severe short-term dangers.

Background

In the run-up to the failed Camp David summit in 2000, both Palestinians and Israelis were preparing for potential clashes in case the talks failed. Violence soon broke out, following a visit to Temple Mount by Israeli opposition leader Ariel Sharon. Pre-existing networks of Fatah activists, loose affiliations from across different Palestinian factions and even armed personnel from PA security organizations soon engaged in a wave of violence against civilians inside Israel not seen since 1949. Israeli forces, anticipating such an outbreak, prepared a forceful response that may have exacerbated the situation.

While disappointment with the outcome of Camp David may have contributed to the violence, the organization of the militants suggests that wider interests were at play. In particular, the Palestinian leadership—from Fatah, Hamas and smaller organizations alike—inflamed the crisis rather than seeking to calm it, each for its own reasons.

The situation today is considerably different. The PA security forces have been reformed, thanks in part to close U.S. involvement. Palestinian leader Mahmoud Abbas is much less likely than his predecessor, Yasser Arafat, to endorse terrorism against Israeli civilians. That said, Abbas and Fatah do not control the Gaza Strip. In Gaza, Hamas finds itself in dire straits, particularly since the fall of the Muslim Brotherhood-led government in neighboring Egypt. Hamas, or elements within it, may decide that outright violence would offer a path out of isolation and back into the mainstream of Palestinian and regional Arab politics.

Fatah, as well, suffers from a crisis of strategy. Should the negotiations fail, there may be those in Fatah who would opt to disrupt the status quo in hopes of re-positioning their faction—in Palestinian public perception—away from a failed peace process. With no apparent successor to Abbas, would-be contenders for the leadership of Fatah may likewise hope to seize an opportunity to distinguish themselves through “resistance” to Israel.

Moreover, much has changed in Israel’s surroundings since 2000. To the north, the Lebanese Hezbollah is now heavily engaged in the civil war in Syria, leaving it severely exposed in Lebanon. Therefore, it is less likely to seek a confrontation with Israel than in the past. However, opponents of Hezbollah and of the Assad regime in Syria, particularly among Sunni radicals in Syria or Palestinian groups in Lebanon, may seek to draw Israel into a confrontation with their enemies by provoking Israel into incursions into Lebanese and Syrian territory. We have already seen first signs of such attempts in December 2013. Moreover, jihadists may also attempt to operate from the West Bank, where networks of jihadists have recently been uncovered.

In the Sinai Peninsula, to Israel’s south, security and the rule of law have dramatically deteriorated since 2000. Despite recent spirited attempts by the Egyptian armed forces to regain control of the area, foreign jihadists and armed local groups pose a considerable threat to Israel, including to the civilian air route to the southern city of Eilat. Should confrontation erupt between Israel and the Gaza Strip, Gaza- and Sinai-based groups may well step up their existing attempts to provoke Israel into a response across the Egyptian border, which, in turn, could damage the strategically important relations between Israel and Egypt.

If signs of PA-tolerated violence appear, we will want to suspend negotiations and instead engage immediately and robustly with our partners in the region to try to stem a breakdown of order. Although events will be largely outside U.S. control, the United States still has important diplomatic and financial leverage to bring to bear. Avoiding a full-blown “Third Intifada”—or worse, an intifada mixed with widespread regional terrorism—would justify expending considerable diplomatic capital.

To prepare for such an eventuality, it is important that you re-energize U.S. involvement in security coordination between the parties today, under the auspices of the Security Coordinator for Israel and the Palestinian Authority at the State Department. Security cooperation today is good, but it may deteriorate rapidly if circumstances change. Immediately enhancing the U.S. profile by widening the role of

the Security Coordinator, alongside that of General John Allen, the security advisor to the peace negotiations, may help mitigate the effects of such deterioration.

The administration should also attempt to strengthen ties to parts of Fatah outside the official security establishment of the PA in order to ensure they do not destabilize the situation on their own. Coordinating with our allies, we should make clear that any move toward violence would hinder rather than promote Palestinian interests in international arenas. All parties in the region must understand the diplomatic and material costs they would incur if they are complicit in a resumption of violence.

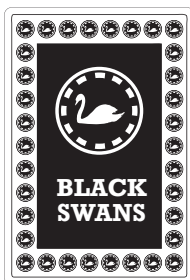
Finally, with the change in leadership in Egypt, it is also important to ensure viable diplomatic means for coordinating a cease fire with Hamas, via Turkey, Qatar and other regional actors, should a ceasefire be necessary.

Conclusion

The “Second Intifada,” which began in 2000, scarred a generation of Israelis and Palestinians, and left the Israeli public deeply mistrusting of Palestinian intentions. A recurrence of such violence, especially if coupled with regional violence in the new and volatile Middle East, could cement the mutual distrust for many more years to come. In other words, violence, more than just the failure of negotiations, might be the key to fulfilling Secretary Kerry’s warning that the two-state solution could soon be unattainable.

Given the costs to U.S. interests of a severe outbreak of violence, it is important that the negotiations be coupled with preparations for a worst-case outcome.

MEMORANDUM



TO: President Obama
FROM: Fiona Hill and Steven Pifer
DATE: January 23, 2014
SUBJECT: Putin's Russia Goes Rogue

Summary and Recommendations

Vladimir Putin seeks to secure Russia's primacy in its neighborhood and now views the European Union as a threat to that objective. In November, EU leaders held a summit in Vilnius with the Eastern Partnership countries—Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The EU initialed Association Agreements, including deep and comprehensive free trade area (DCFTA) agreements, with Georgia and Moldova. Azerbaijan and Belarus did not pursue agreements; Russia successfully pressured Armenia to drop its bid and Ukraine to defer the formal signature of its already initialed agreement.

Putin will not want to jeopardize the February Sochi Winter Olympics, but Russia has threatened to punish Ukraine if it signs an Association Agreement and is also unhappy that Georgia and Moldova are drawing closer to the European Union. We should expect Moscow to follow through in some fashion. In past disputes with all three countries, Russia has cut gas exports or raised gas prices, imposed embargoes on imported goods, and stoked inter-ethnic conflicts. When Tbilisi pushed for a NATO Membership Action Plan (MAP), Russia's retaliatory measures set the two states off on the path to the brief war that broke out in August 2008.

Georgia, Moldova and Ukraine look to the United States, not just the European Union, for support. A joint U.S.-EU stance has the greatest prospect of countering Russian actions. We recommend that you instruct the State Department to coordinate policy steps with the European Union and key members, including France, Germany, Italy, Poland, Sweden and the United Kingdom, to bolster the "targeted" states and assist them as Russia increases its economic and political pressures.

We should formulate joint messages to Moscow emphasizing our support for the rights of Georgia, Moldova and Ukraine to choose their own political course, and protesting behavior that is inconsistent with Russia's OSCE and WTO commitments. While you will not be traveling to Sochi for the Olympics, a few European leaders may. This provides the opportunity for a coordinated message to Putin. June's G-8 meeting is also scheduled for Sochi, and we should look for other opportunities to amplify our message between these two Sochi events.

We should build on Secretary Kerry's successful December 4 visit to Chisinau and coordinate a series of high-level U.S. and European visits to both Moldova and Georgia for 2014. Ukraine presents a difficult case, given our concerns about democratic regression, but European leaders will travel to Kyiv and can take the initial lead there.

We recommend asking the State Department to develop a plan for tailoring current U.S. assistance to support the goals and implementation of the EU's Association Agreements. The EU's Eastern Partnership Program is the logical mechanism to engage this group of countries. Concrete programs and funding to promote energy security in Moldova and Ukraine are most urgent.

If the Eastern Partnership countries are prepared to implement serious reforms, the U.S. and EU executive directors at the IMF should encourage the Fund to adopt more generous programs, particularly if Russia imposes trade sanctions on the Association Agreement countries. We should also discuss with the European Union the possibility of bringing states with Association Agreements into the ongoing Trans-Atlantic Trade and Investment Partnership consultations.

Unfortunately, we have few credible sticks to deter Moscow from retaliating against Moldova, Georgia or Ukraine. In conjunction with the European Union, we could consider reviewing visa policies. The Russian political elite prizes its ability to travel freely. Any action that threatens to complicate that, such as returning to a policy of issuing Russians visas valid only for a single entry, would alarm Moscow.

Background

Putin perceives the European Union as a genuine strategic threat. The threat comes from the EU's potential to reform associated countries in ways that pull them away from Russia. The EU's Association Agreements and DCFTAs are incompatible with Putin's plan to expand Russia's Customs Union with Belarus and Kazakhstan and create a "Eurasian Union." Putin's goal is to secure markets for Russian products and guarantee Russian jobs. He also sees the Eurasian Union as a buffer against alien "civilizational" ideas and values from Europe and the West.

Putin views Ukraine's delayed, but still possible, signature of an EU Association Agreement as the greatest threat to his Eurasian Union. If Ukraine adopts EU legislation and regulations, restructures its economy and systems of governance, and enacts European standards in all areas, Ukraine will become more European and, implicitly, less "Eurasian." Its vulnerability to Russian economic and political pressure will decrease.

Putin may believe that he cannot afford politically to "lose" Ukraine. Without Ukraine and its demographic and industrial base, the Eurasian Union has limited clout. Having recently stressed the cultural and historic unity of Russians and Ukrainians as "one nation," Putin could face a Russian nationalist backlash if Ukraine moves in a focused way toward Europe. Putin thus in December offered Ukrainian President Viktor Yanukovich a \$15 billion loan and a significant cut in the price of natural gas in an effort to stop Kyiv's developing relationship with the European Union. But Ukrainian public opinion and the massive demonstrations in Kyiv in favor of a European course limit Yanukovich's freedom of maneuver and make a turn toward Moscow and the Customs Union difficult, if not impossible.

We see a high risk that Moscow will make good on its threats to Georgia and Moldova, and—should Yanukovich backslide on his December deal with Putin—Ukraine, and apply "payback" in the form of economic and political measures:

Ukraine: As the Vilnius summit neared, Moscow imposed trade embargoes on various Ukrainian exports to Russia. As it did in 2006 and 2009, Moscow could escalate to cut off gas shipments—even at the

risk of endangering Gazprom's ability to transit large volumes of gas through Ukraine to Europe. As a lesser step, Gazprom might demand that Ukraine stay current on its gas debts or make back-payments for gas that Ukraine was obligated to buy but did not take. More dangerously, Moscow could take actions that weaken the coherence of the Ukrainian state, e.g., by appealing to ethnic Russians in Crimea, or even by provoking a violent clash in Sevastopol, leading to the deployment of Russian naval infantry troops from the Black Sea Fleet to "protect" ethnic Russians.

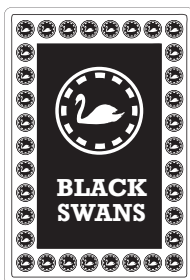
Georgia: Moscow has previously embargoed Georgian mineral water and wine, cut airline flights, suspended visas, harassed Georgian migrant workers, and unilaterally recognized Abkhazia and South Ossetia after the 2008 war. Prior to Vilnius, Russia erected border fences between Georgia and the two regions. Russia could further harden these borders and provoke border incidents that result in new cycles of confrontation—especially before the fall NATO summit if Georgia renews and energetically pursues its MAP request.

Moldova: Before Vilnius, Russia banned Moldovan wine and threatened to cut off gas supplies (we should explore steps with the European Union to complete the gas interconnector from Romania to Moldova). Moscow could move to expel Moldovan migrant workers or block their remittances to Moldova. More dramatically, Russia could take steps to recognize Transnistria, fuel separatist aspirations in Gagauzia, and support politicians and parties running in the fall parliamentary elections who oppose closer association with neighboring Romania and the European Union.

Conclusion

The United States and European Union must send strong signals to Moscow that punishing Moldova, Georgia and Ukraine for pursuing their European ambitions has consequences for our relations. This will require deft diplomacy and close coordination on joint programs and responses, as the actual sticks that we can muster against Russian misbehavior are limited. A unified U.S.-EU response has the greatest likelihood of discouraging Moscow from aggressive actions and managing the consequences if Russia presses ahead.

MEMORANDUM



TO: President Obama
FROM: Harold Trinkunas
DATE: January 23, 2014
SUBJECT: Venezuela Breaks Down in Violence

Summary and Recommendations

Economic mismanagement in Venezuela has reached such a level that it risks inciting a violent popular reaction. Venezuela is experiencing declining export revenues, accelerating inflation and widespread shortages of basic consumer goods. At the same time, the Maduro administration has foreclosed peaceful options for Venezuelans to bring about a change in its current policies.

President Maduro, who came to power in a highly-contested election last April, has reacted to the economic crisis with interventionist and increasingly authoritarian measures. His recent orders to slash prices of goods sold in private businesses resulted in episodes of looting, which suggests a latent potential for violence. He has put the armed forces on the street to enforce his economic decrees, exposing them to popular discontent.

Although the volume of crude oil that Venezuela supplies to the United States has declined in recent years, it is in the U.S. interest that Venezuela remain a reliable source of oil. Popular unrest in a country with multiple armed actors, including the military, the militia, organized crime and pro-government gangs, is a recipe for unwelcome chaos and risks an interruption of oil production. A violence-induced regime change in Venezuela would create a volatile situation regionally.

Our leverage is limited, given our poor relations with the Maduro administration. I therefore recommend that your administration begin a conversation now with others in the Americas on the situation in Venezuela, particularly with Brazil, whose interests are also at risk. While dysfunctional economic policies are the immediate threat, at its core Venezuela's problem is one of a failure of democratic institutions. We should engage others to see if they can help steer a possibly chaotic situation toward one in which Venezuelans have the institutional mechanisms by which to influence their government to change course.

Background

Production by the national oil company, Petroleos de Venezuela (PDVSA), has been falling for over a decade due to underinvestment, poor maintenance and the loss of skilled workers. International investment in the oil sector has been deterred by erratic and arbitrary government policies. Further aggravating balance of payments problems, Venezuela sells a substantial amount of its oil at below market prices to China, Cuba, its allies in the Americas and its own citizens.

Dwindling oil revenues are a problem because oil constitutes over 95 percent of Venezuela's exports, and two-thirds of food and consumer goods are imported. Hugo Chávez nationalized and then mismanaged many domestic industries, undermining local production. Maduro has since doubled down on these policies. In addition, his administration is increasingly financing the public sector by ordering the central bank to print more money. These policies produced the highest inflation rate in the world in 2013.

The government's response to scarcity has been to decree price reductions and create government agencies to manage all imports. This produced a rush to acquire what consumer goods remain, compounding the already existing shortage of staples. The Maduro administration has promised that it will ensure sufficient imports, but it has a poor record with the large segments of the economy it already controls.

Venezuela still holds elections regularly, but the Maduro administration has undermined democratic institutions. It has centralized power in the executive branch, preventing other branches of government, opposition parties or civil society from influencing policy. State institutions are controlled by government supporters. Last November, the legislature gave Maduro essentially unlimited power to rule by decree. There are no checks on the executive when it uses state resources to win elections and selectively applies the law to intimidate opponents. Even when its opponents do win elections, the Maduro administration creates parallel governing institutions to route around them.

The risk of a violent outcome may still be low, but it will rise as the true extent of scarcity in Venezuela becomes apparent in the coming months. The threat to the Maduro administration may come from popular unrest, an effort by moderates in the government to oust the radicals and the president, or (least likely) a traditional coup. A now unified national opposition continues to emphasize elections as the solution, but the playing field is hardly level, and elections are not scheduled to take place again until 2015.

Ultimately, the armed forces are key to Maduro's hold on power, but he lacks the charisma and insider knowledge that Chávez used to keep them loyal. He has placed the military on the street to enforce government decrees that may prove increasingly unpopular as scarcity deepens. The armed forces have been reluctant to engage in repression in the past; if there is popular unrest, they may return to their barracks rather than defend the government. Maduro has an insurance policy in the form of a loyalist militia and pro-government gangs known as "colectivos," although their existence also means that any attempt to overthrow Maduro will quickly turn violent.

Violence in Venezuela would have international consequences, mainly through its potential to interrupt oil exports. Venezuela still supplies nearly one million barrels of crude per day to the United States, and it exports range as far as China and India. Venezuela is also a major supplier of energy to countries in the Caribbean and Central America. However, a chaotic outcome in Venezuela would also have a major impact on Colombia, both because Venezuela is an important consumer of Colombian exports and because of Venezuela's role in Colombia's peace negotiations with its insurgency.

There are few good options that could be taken to reduce the likelihood of violence. To begin with, we must bear in mind that the United States lacks the diplomatic tools, such as democracy assistance, to influence outcomes in Venezuela. Overt U.S. criticism of the Maduro administration or efforts to exert our limited economic leverage would be grist for the mill of the Venezuelan propaganda machine; we should avoid that.

The focus of our efforts thus should be to work with regional and international partners to both reduce the risk of violence and promote the restoration of full democracy. Unfortunately, the states with the most influence in Venezuela—China and Cuba—are the least likely to support change. The Organization of American States, which in the past played a stabilizing role, is hobbled by disagreements among member states, and this limits its ability to invoke the Inter-American Democratic Charter to address the situation in Venezuela.

Brazil is both politically and economically influential in Venezuela, and it has enough at stake to want to avoid a chaotic outcome. We should encourage Brazil to push the Maduro administration to rethink its economic policies, press it to respect the checks and balances contained in Venezuela's own constitution, and allow elected members of the opposition to fulfill their role in government. It will not be easy to secure this partnership with Brazil, given its preference for non-intervention and current distance from the United States over NSA surveillance issues. However, it offers the best available option under the current circumstances.

In addition, we should also begin quiet conversations with others in the hemisphere on what steps to take should Venezuela experience a violent breakdown of political order. Such an event could potentially fracture the regional consensus on democracy on a scale much greater than that of the Honduran coup in 2009. Maduro's allies in the region would most likely push for his immediate restoration, but in the absence of functioning democratic institutions, this would only compound Venezuela's internal crisis. The United States would need to work with key states in the region—Brazil, Mexico, Chile, Peru and Colombia—on a regional consensus in favor of rebuilding democracy in Venezuela.

Conclusion

The Maduro administration's economic policies are producing widespread scarcity and accelerating inflation in Venezuela, but rather than change course, it has chosen progressively more authoritarian measures to control the economy. Although the probability of political unrest is still low, economic mismanagement is creating conditions that increase the risk of violence in a country where armed groups have proliferated.

We have an interest in a democratic and peaceful Venezuela that is a reliable supplier of oil to international markets. As the economy worsens, the risk of violence grows, which would destabilize the country and interrupt oil exports that Venezuela needs to support its population. The United States should now engage partners in the region such as Brazil to convince the Maduro administration to shift course, or should violence erupt, to prepare a concerted regional response that leads to Venezuela's re-democratization.

MEMORANDUM



TO: President Obama
FROM: Jonathan D. Pollack and Richard C. Bush III
DATE: January 23, 2014
SUBJECT: Korean Crisis Prompts Confrontation with China

Summary and Recommendations

The latent possibilities of internal instability in North Korea or of an armed conflict between the two Korea and the attendant risks of a Sino-American confrontation persist. Quite apart from these very worrisome scenarios, the United States and China face the reality of a nuclear-armed North Korea that resists all pressures to denuclearize, is intent on expanding its nuclear arsenal qualitatively and quantitatively, and repeatedly threatens to renew provocations against the ROK. Your administration needs to redouble its efforts to pursue closer policy coordination with China, thereby reducing North Korea's freedom of action and limiting the possibilities of an acute peninsular crisis.

Without shared understandings and parallel policies between the United States and China, the risks to regional peace and security and to the non-proliferation regime will continue to grow. At worse, we could face renewed armed conflict on the peninsula that could lead to a direct confrontation with China that neither country seeks. In the absence of meaningful cooperation with Beijing, the possibilities for a maturing political-military relationship with China could also sharply diminish.

We recommend that you personally convey to President Xi Jinping that the risks in Korea are shared risks, and represent a defining test case of building "a new model of major power relations" between our two countries. We need to emphasize to Beijing that the United States will take all necessary measures to protect its interests and those of its regional allies while also imparting that these steps are not designed to destabilize North Korea and are not directed against China. Enhanced information sharing between the United States and China offers one means by which Washington and Beijing can begin to increase cooperation and assure each other about our respective intentions. The United States should reaffirm its readiness to share intelligence about known or suspected locations of the North's nuclear assets, fissile material holdings and the status of its missile development programs. China for its part has an understanding of internal conditions in the North that far surpasses that of any other state. We should seek China's views of economic and social conditions in North Korea, including Beijing's assessment of the possibilities of internal change. At the same time, we need to actively discourage Beijing from undertaking measures that could "lock in" Pyongyang's claims to standing as a nuclear weapons state (e.g., large-scale economic assistance that insulates North Korea from external pressure).

Background

North Korea remains East Asia's conspicuous "strategic outlier." Its provocative behavior and adversarial policies (first and foremost directed against South Korea and Japan) have long stymied the building of a post-Cold War order in the region. These issues have been made far more worrisome by the "dual crises" involving North Korea: the continued advancement of Pyongyang's nuclear weapon and missile capa-

bilities; and the latent risks of internal instability in the North, including the risks of a major regional crisis if peninsular instability cannot be effectively managed. North Korea is thus both dangerous and endangered, and it represents a serious threat to the interests of both the United States and China.

From your very first weeks as president, you have consistently emphasized that North Korea must make a choice between its nuclear ambitions and its interest in reversing its long economic decline. Pyongyang has repeatedly rejected this choice, insisting that it can pursue both courses of action. Twice during your time as president (in 2009 and again in 2013), North Korea undertook nuclear tests. It has steadily enhanced its capacities for uranium enrichment, has restarted its plutonium production reactor, and has asserted a sovereign right to develop nuclear weapons. Its bellicose rhetoric in early 2013 triggered our decision for B-52 and B-2 overflights of South Korea and the deployment of a carrier battle group to the region.

China was very troubled by North Korea's actions. The North's third nuclear test triggered especially sharp Chinese criticisms, some of them voiced by Xi in your discussions with him at the Sunnylands meeting. For the first time, China at the highest leadership levels openly acknowledged that North Korean actions posed a direct risk to Chinese interests. Xi also signaled his willingness to cooperate more actively with the United States to oppose the North's nuclear weapons development. However, China's actions since Sunnylands have largely reverted to its earlier stance. Beijing yet again argues that flexibility on the part of the United States can induce Pyongyang to return to the long-dormant Six Party Talks and that the United States should be prepared to resume higher-level diplomacy with Pyongyang.

Your administration has repeatedly emphasized to China that it has no interest in resuming multilateral negotiations with the North without unambiguous evidence that Pyongyang is prepared to walk back from its nuclear weapons pursuits. The most tangible evidence of policy change by North Korea would be an outright halt to all ongoing nuclear activities, but there is no indication that it is moving in this direction.

However, Beijing remains worried that heightened pressure on Pyongyang might trigger instability in the North. At the same time, China seems to believe that North Korea will ultimately be compelled to shift its economic and political priorities. China is by far Pyongyang's most important source of trade and investment, and it probably believes that North Korea's growing reliance on China will ultimately provide Beijing influence over the North's decisions. China has put forward these arguments on many occasions, but they remain unfulfilled.

If China's strategy again fails, as we suspect it will, North Korea will become an even larger danger to regional stability. The question is whether the United States and China will prove capable of meaningful cooperation on Korean denuclearization. Washington and Beijing have very little shared experience in cooperating on security matters of vital interest to both countries. The continued development of nuclear weapons by North Korea ought to provide common ground on which both can meet. The United States, for its part, cannot acquiesce to further nuclear and missile development by North Korea, in particular the operational deployment of its nuclear weapons. This prospect directly threatens America's core alliance relationships in Northeast Asia and undermines the essential premises of nuclear non-proliferation. It also poses acute risks to China. But China fears even more the possibility of a destabilized North Korea. This circle can and must be squared if our two countries are to prevent Pyongyang from exploiting Sino-American strategic differences for its own purposes.

The United States has a twofold task in its security discussions with China. We must impart to Beijing that we will take all necessary measures to mitigate the risks to American political and security interests and to reduce the dangers that North Korea poses to the security of South Korea and Japan. But we must also convey to China that the United States does not seek to destabilize North Korea or prevent its economic revival, should it credibly demonstrate its commitment to move toward denuclearization. This will also require assurance to Beijing that American actions are not intended to undermine Chinese interests on the peninsula.

Conclusion

Active cooperation between the United States and China to inhibit and reverse nuclear weapons development in North Korea and to caution Pyongyang from any renewed provocations are indisputable common interests of both countries. Pyongyang's decades of nuclear defiance lends little confidence that it is prepared to accommodate to American or Chinese concerns on terms remotely acceptable to either major power. The challenge is to demonstrate to China that active cooperation serves the interests of both countries and will deny North Korea additional opportunities to advance policy objectives that the United States and China both oppose.

MEMORANDUM



TO: President Obama
FROM: Robert Einhorn and Kenneth Pollack
DATE: January 23, 2014
SUBJECT: Iran Nuclear Talks Fail

Summary and Recommendations

While our negotiators are working hard to get a final nuclear agreement with Iran that meets our requirements, we must be prepared for the possibility that negotiations will fail and the Iranians will then direct their efforts toward eroding sanctions and advancing their nuclear program. The opening created by President Hassan Rouhani's overtures would close.

In this scenario, Iran would reject any extension of the current interim agreement, portray itself publicly as having been the reasonable side in the talks, reach out aggressively to governments and companies around the world to entice them to circumvent or ignore sanctions, and ramp up nuclear activities that have been frozen under the interim deal.

We should seek to head off this scenario by keeping the pressure on Iran to accept a final agreement along the lines of our proposal. That will involve three priorities: (1) continuing to urge governments and companies to enforce existing sanctions, (2) showing additional flexibility within the delegation's existing instructions to avoid an Iranian narrative that we are the intransigent party, and (3) maintaining a strong consensus among the P5+1 governments and the broader international sanctions coalition that the rigorous measures necessary to make a deal acceptable to us are reasonable, fair and essential to a sound agreement.

At the same time, we need to prepare for the possibility that no agreement will be reached and Iran will attempt to turn that eventuality to their advantage. To thwart that attempt, we would have to ensure that Iran bears the onus for any breakdown of the talks. We would also want to work with Congress to adopt additional sanctions, urge key states (including Russia and China) to press Iran not to further advance its nuclear program, and convey a clear message to Iran that movement toward or across the nuclear threshold would be met by a firm international response that could involve much stronger sanctions and perhaps more coercive measures.

Background

Thanks largely to the crippling sanctions we worked hard to put in place, we were able to achieve the six-month "interim" deal that halted further progress in Iran's nuclear program at a minimal price in terms of measures to ease sanctions. But negotiations on a final agreement may prove difficult, or even impossible, to bring to a successful conclusion.

To detect and deter any Iranian decision to break out and move to build nuclear weapons, we have proposed going well beyond a freeze of Iran's nuclear activities to a major reduction of its nuclear infrastructure, and we have sought verification measures that exceed the requirements of the International Atomic Energy Agency (IAEA) Additional Protocol. These tough proposals can help restrain Israeli public attacks, although the Israelis can be expected to strongly oppose any watering down of our positions. On the other hand, the Russians and Chinese can be expected to favor significant compromises in order to gain agreement.

The Iranian negotiators have demonstrated the same seriousness of purpose as they did during negotiations of the interim deal. But they oppose deep reductions in their enrichment capacity, insist on operating the Arak reactor and Fordow enrichment plant, and have resisted monitoring arrangements that go beyond the Additional Protocol.

The domestic Iranian backlash against the interim agreement and our negotiating position for a final agreement has been intense. The newspaper Kayhan, the Islamic Revolutionary Guard Corps (IRGC), and hardliners in the Majlis have been outspoken critics of the Iranian negotiators and their efforts. In a mirror image of the positions taken by American critics, they argue that the interim deal concedes too much and receives too little in return. They inaccurately claim that we have already accepted a legal "right to enrich" and assert that we are reneging on the interim deal by denying such acceptance.

IRGC Commander Jafari has publicly attacked Foreign Minister and chief negotiator Zarif, who has pushed back firmly and asserted that his negotiating team has the support of the Supreme Leader. Critics in the Majlis have strongly condemned the introduction of a new sanctions bill in our Congress and retaliated by introducing their own legislation that would mandate increasing Iranian enrichment levels to 60 percent, ostensibly for submarine propulsion. To justify a retention and even expansion of Iran's enrichment capacity, Atomic Energy Organization of Iran head Salehi has spoken of the need to provide fuel for several new nuclear power reactors.

While continuing to press for a final deal, we need to recognize that, given the wide gap between U.S. and Iranian positions as well as domestic opposition in Tehran, such a final deal may be very difficult to achieve. If prospects for a negotiated outcome begin to look remote, we may soon find ourselves confronted by an aggressive Iranian effort to erode the sanctions in the absence of agreement and to move its nuclear program closer to the weapons threshold.

We must seek to head this off by continuing to press for a final deal consistent with our requirements. We should aggressively enforce existing sanctions, both to maintain powerful incentives for Iran to reach agreement and to signal to the Iranians the futility of trying to undermine support for sanctions without an agreement. At the same time, we need to publicize for Iranian audiences the benefits they have realized from the initial sanctions easing measures and the much greater benefits they would realize under a final agreement. We should be willing to accept some modifications to our initial position (e.g., acceptance of somewhat greater centrifuge numbers), both because such modifications would still leave the terms well within our necessary requirements, and because doing so would demonstrate our willingness to compromise to reach a final deal. Meanwhile, we should seek to convince the other members of the P-5+1 of the necessity and appropriateness of our (modified) position, thereby solidifying support for a tough overall agreement that substantially reduces Iran's breakout capability.

While pressing for an acceptable agreement, we must also prepare for the eventuality that the interim deal will lapse and that Iran will seek to undermine sanctions and resume its nuclear activities. In that circumstance, we would need to demonstrate that Iran, and not the P5+1, was responsible for the breakdown, explaining publicly that our position was supportive of meeting the practical needs of Iran's civil nuclear energy program. We would discourage Iran from moving closer to a rapid breakout capability—in particular, by urging countries with influence in Tehran, including Russia and China, to press Iran's leaders to forgo such steps and by encouraging the international community at large to convey a clear message to Iran that such action would be met by a sharp ratcheting up of sanctions or even more coercive actions.

To thwart Iranian efforts to erode the sanctions regime without an agreement, we would consult actively with members of the international sanctions coalition to explain that prospects for resolving the issue diplomatically and avoiding a military confrontation depend on maintaining a united front on sanctions. We would also work with Congress to adopt additional sanctions and make the case internationally on the need for ramping them up. To encourage Iran's crude oil purchasers to make further reductions, we could continue urging major producers in the Middle East, Africa and North America to increase production in order to provide alternate sources of supply.

Our goal in pursuing these policies would be to make the Iranians amenable to accepting a deal along the lines we propose or, failing a negotiated solution, to deter significant Iranian movement toward or across the nuclear threshold.

Conclusion

We can still achieve a sound final agreement before the expiration of the interim deal, but that will require demonstrating convincingly to the Iranians that the only way to get the sanctions relief they seek is by coming to terms with the P5+1. But if the Iranians are not prepared to come to terms and instead seek to undermine sanctions without an agreement, we need to make sure they bear the onus for the impasse, reinforce international resolve to maintain and increase sanctions, and build support for credibly threatening to impose additional costs for moving toward and across the nuclear threshold.

MEMORANDUM



TO: President Obama
FROM: Vanda Felbab-Brown
DATE: January 23, 2014
SUBJECT: Afghanistan's Presidential Election Goes Awry

Summary and Recommendations

As the 2014 departure deadline for U.S. and international forces in Afghanistan approaches, structural weaknesses and deep worries about the country's post-2014 future persist, imperiling a successful transition to a stable Afghanistan. As I described in last year's memo, these deep-seated challenges include a precarious security situation, a severe economic decline and a profound legitimacy crisis of politics and governance. As these damaging dynamics continue, hedging behavior on the part of Afghan powerbrokers as well as ordinary people has intensified. The specter of another civil war looms, all the more so given the ongoing lack of clarity about a continuing U.S. post-2014 presence.

This year's presidential election can provide a critical opportunity for a renewal of legitimacy, a boost in confidence and a start to correcting the ineffective and corrupt governance that characterizes Afghanistan. But the presidential election could also trigger extensive violence, a prolonged political crisis that paralyzes governance and the collapse of international support. It is therefore essential to focus on the election process and help make it broadly acceptable to the Afghan people.

Even as the United States and international community continue to lose visibility and leverage as troop withdrawal proceeds, they are hardly powerless. Their engagement can still be an important catalyst for security, political and economic progress in the country. And the United States can help steer the elections toward a successful outcome in multiple ways.

I recommend that you instruct your top officials to deploy patient, non-confrontational diplomacy with President Hamid Karzai to persuade him to sign the Bilateral Security Agreement (BSA) permitting a continuing U.S. military presence after 2014. We should also engage the many Afghan leaders and people who support the BSA, and mobilize partners with aligned interests from Europe, Russia, China and India to get Karzai to sign as soon as possible.

You should insist that the presidential election take place this year, even if with some moderate delay. The United States should provide technical assistance to election management bodies and all interested political parties and coalitions. We should deploy independent election monitors and help Afghan civil society to deploy their own. The United States must avoid picking winners or losers; Karzai has also demanded such noninterference as a precondition for his signing the BSA. Yet we must engage with Afghan politicians to facilitate consensus governance, especially if the election fails to produce a clear winner and the chance of violent contestation and paralysis dramatically increases.

You should task the U.S. military to assist Afghan security forces in designing contingency plans for dealing with any major outbreak of ethnic violence and for preventing security force contingents or militias from manipulating elections and facilitating fraud. International troop withdrawals should be suspended for the duration of the election period to enhance security. Finally, the United States should urge Pakistan to considerably boost its military presence along the border with Afghanistan, before and during the election, to prevent high levels of violence.

Background

In mid-2013, the Afghan National Security Forces (ANSF) took the lead in providing security throughout Afghanistan, which was an important accomplishment. Despite intense pressure from the Taliban, the ANSF did not buckle and did not cede territory to the Taliban. But it held on at the cost of intense, and likely unsustainable, casualty levels.

Equally important, the ANSF continues to be plagued by debilitating deficiencies, such as dysfunctional logistics, an inadequate medevac system, and intelligence and planning problems, as well as by ethnic and patronage fractures. Without continuing U.S. and international financing after 2014 and assistance in developing enablers and mitigating these fractures, the ANSF will likely weaken and splinter.

The Taliban insurgency faces its own difficulties. The possibility of Taliban negotiations with the Afghan government and engagement with the international community has triggered dissent, particularly among mid-level commanders and perhaps even among the group's top leaders. Taliban indifference to civilian casualties and its callous willingness to treat fighters as cannon fodder may progressively delegitimize the movement with the Afghan people and create recruitment problems. Nonetheless, the Taliban insurgency continues to be entrenched and is nowhere near losing the capacity to retain influence and even territory in large parts of rural Afghanistan.

The lack of certainty as to whether the BSA between the United States and the Afghan government will be signed plays into the Taliban's hands. Should a BSA authorizing the continued presence of U.S. and NATO forces after 2014 not be concluded because Karzai ultimately refuses to sign sufficiently in advance of the 2014 deadline, grave difficulties would ensue. The United States and the international community would be severely limited in their capacity to assist ANSF to redress its critical inadequacies.

The ability of the United States to secure its own critical interests in Afghanistan and the region—specifically, counterterrorism, regional stability, preventing a collapse of Pakistan and the leakage of its nuclear assets, as well as humanitarian goals—would also be jeopardized.

The existing crisis of confidence among the Afghan people about the post-2014 situation would deepen. Resurrection of detrimental parochial power and profit-maximization behavior among Afghan powerbrokers would intensify, bringing the country closer to entrenched violent conflict and civil war.

Self-interested rule by Afghan officials and powerbrokers has already characterized much of the past decade, eviscerating international efforts and the opportunity for political and social empowerment created by the overthrow of the Taliban regime. Serious crime, land theft and usurpation of other resources, nepotism, a lack of rule of law, exclusionary patronage networks and corruption (some of which is fueled by the large opium economy) permeate Afghanistan's current political structures. Yet Afghans

crave accountability and justice. They resent the current mafia-like rule. Improved human security and leadership accountability are their unfulfilled aspirations.

The presidential election provides an opportunity to break with this profound mis-governance. But the election can also go catastrophically wrong, deepening the domestic political crisis and governance paralysis, strengthening the Taliban and eroding international commitments to support Afghanistan after 2014.

Multiple threats can arise during the electoral process. At the extreme, the election could be canceled on the basis of insufficient security, perpetuating Karzai's rule with ever-weaker legitimacy. Such a cancellation would likely trigger violent protests and even uprisings.

The election could also be so plagued by fraud that it deepens the legitimacy crisis of the existing political system. Taliban and Haqqani violence and voter intimidation by powerbrokers, militias, gangs or coopted security forces could facilitate fraud and potentially disenfranchise vast segments of the population, including southern and eastern Pashtuns. The losers could refuse to accept the outcome, particularly in regions of high ethnic and tribal fragmentation. In such areas, ethnic violence could easily break out, potentially generating deleterious pressures on ANSF sent in to quell the fighting, and precipitating the ethnic and patronage shattering of the ANSF.

Conclusion

Afghan political leaders understand that a highly contested presidential election can severely destabilize the country. Although much political energy has been spent on agreeing on a consensus candidate, or better, a set of consensus candidates, such political unity remains elusive. The most likely consensus candidate will be someone with a weak power base and thus less threatening to the dominant powerbrokers.

If Afghanistan is truly to seize the election opportunity to start addressing its deeply-rooted governance deficiencies, the new leader will have to be determined, powerful and adroit enough to take on the powerbrokers, even as he owes them electoral debts, and start delivering more efficient and accountable governance to the Afghan people. Otherwise, Afghanistan will merely get through the imminent crisis but not come out of its deep governance mire. The election will play a crucial role in determining which path Afghanistan takes. We can and must bring our influence to bear to ensure that the election is successful.

MEMORANDUM



TO: President Obama
FROM: Daniel L. Byman and Tamara Cofman Wittes
DATE: January 23, 2014
SUBJECT: The Muslim Brotherhood Radicalizes

Summary and Recommendations

Egypt has long been a U.S. ally, and its stability an important U.S. interest. The military's forcible removal of Mohammed Morsi and the Muslim Brotherhood-led government in July 2013 and the brutal crackdown that ensued are likely to further destabilize Egypt. The Brotherhood's exclusion from politics could lead its members to give up on peaceful politics, radicalize and return to terrorism, which would pose a major setback for U.S. interests in Egypt. The negative effects could spill outside of Egypt's heartland to Sinai and beyond its borders to Gaza, further threatening U.S. interests.

American policy probably cannot prevent the radicalization of the Brotherhood, but it can seek to mitigate its effects on U.S. interests and the security of Americans. The Egyptian regime is primarily focused right now on securing its hold on power, while our interests are in the overall stability of Egypt and the region. American policy must therefore seek to prevent widescale radicalization, while also limiting the capacity of Islamist radicalism in Egypt to affect regional stability. We recommend that you push the Egyptian government far harder to allow paths for Brotherhood supporters to participate in legitimate political and social activity. You should also broaden intelligence efforts on Islamist radicalization, and focus U.S. engagement with Egypt and other Arab allies on counter-radicalization, as well as counter-terror, operations.

To sustain a peaceful alternative for Brotherhood supporters, you should press the Egyptian government to release from prison Islamist politicians who commit to non-violence, and to allow a range of Islamist parties to organize, compete in elections, and participate in governance. Former President Morsi is now on trial for a host of charges, some questionable, in a highly politicized environment. The United States should not make his release the measure of success for its diplomacy. But it should continue to press the Egyptian government to engage with Brotherhood figures seeking reconciliation, and should insist that Morsi receive fair treatment. U.S. officials should engage with all Egyptian politicians, including Islamists committed to non-violent political participation—even if this displeases the Egyptian government.

The Egyptian government has declared the Brotherhood a terrorist organization, criminalizing membership in the group and association with it. Cairo will likely expect you to accede to this designation, although at this point it is less an empirical description than a self-fulfilling prophecy. You should make clear to your Egyptian counterparts that, absent clear evidence of violent intent and capability, the United States will not allow criminalization of the Brotherhood to bar your officials' contact with peaceful political opponents.

Background

Last July the Egyptian military forcibly removed from power the elected government of Morsi, a Muslim Brotherhood leader. The exact number of Brotherhood supporters is hard to gauge: though Morsi won free runoff elections with roughly half the vote, the Brotherhood's share of the parliamentary vote was closer to 35 percent, and some smaller number of Egyptians are committed backers. By the time of the coup on July 3rd, polls showed that Morsi and the Brotherhood were increasingly unpopular. Their lack of progress in turning Egypt's economy around and their increasingly insular and authoritarian style alienated many Egyptians.

Arrests of major Brotherhood leaders followed the coup, and a brutal crackdown killed over one thousand Egyptians. U.S. calls for reconciliation and your October decision to temporarily freeze some forms of foreign aid have had little impact on what most participants view as an existential struggle for the future of Egypt. The current Egyptian regime seems determined to drive the Brotherhood out of business and/or underground. Our Gulf allies have made clear their financial and political support for the military government. Brotherhood leaders, including the ousted president, are being put on trial, violence is spreading against security forces and mainly Christian civilians, and there appear to be no prospects for a compromise that might bring Brotherhood elements back into the political system in any form.

The Brotherhood so far has not called its members to arms, but this could change as the government implements its effort to criminalize the group. In the past, the Brotherhood weathered its exclusion from political power by concentrating on social change. This time, however, the regime has banned the Brotherhood outright and seized its assets, denying the Brotherhood outlets for civic action and threatening its existence.

Given this, Egyptians who supported or joined the Brotherhood may take up arms out of frustration with peaceful politics. Jihadi groups across the Arab world have long criticized the Brotherhood for its belief that peaceful political participation could produce an Islamic state. The military takeover appears to validate these arguments, and may convince younger Brotherhood members that violence is the only possible path. Islamists in other Arab countries are watching and will draw lessons as well. Thus, one threat of Islamist radicalization in Egypt is the cultivation of a new generation of extremist recruits for the global jihadi cause.

In addition, the imprisonment and prosecution of the senior Brotherhood leadership mean organizational discipline, particularly to enforce non-violence, is weakening. Brotherhood cells might act on their own, provoking a government response that is likely to perpetuate a circle of violence and repression. Some members and supporters have already attacked government targets and Egypt's Christian population.

This radicalization could take a decidedly anti-U.S. turn. The United States was never popular among the Brotherhood's ranks. While in power, Brotherhood leaders were pragmatic about the need to earn U.S. favor but remained suspicious of its intentions. Many in the Brotherhood believe that the coup was engineered with Washington's support.

Radicalized Brotherhood cadres in Egypt could interact dangerously with existing violent jihadi groups across North Africa, Gaza and the Sinai Peninsula. Already, Egypt's jihadi challenge is exacerbated by trafficking in arms, drugs and people from Sudan and Libya.

This situation also has implications for the security of Israel. Sinai is a base for criminal groups, Hamas associates and jihadists with an ideology akin to al Qaeda. Terrorism from Sinai has long been a problem, and a surge in resources and fighters from former Brotherhood ranks to Sinai-based groups could lead to more rocket strikes and cross-border raids into Israel.

Intelligence on radicalization trends in Egypt is likely to be limited. Much of our information comes from the Egyptian government, which is in many ways a reliable intelligence partner. On this issue, however, it will be politicized: the regime already conflates most Islamists with terrorists and in any event it might inflate the threat to gain our support. It is not likely to pass on information indicating that its own policies are backfiring.

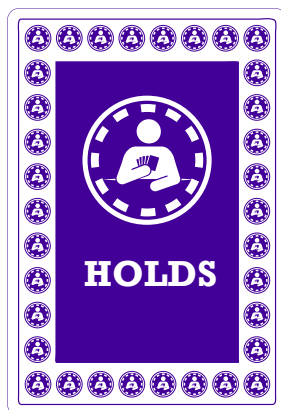
Several steps can reduce the likelihood of these problems metastasizing:

1. U.S. officials should make clear to Egypt's military leaders that we do not see widespread Brotherhood radicalization as inevitable. To minimize radicalization, the military regime should allow Brotherhood figures and other Islamists who forswear violence a role in Egypt's political and social life. Even if the Brotherhood itself remains banned, the existence of some legitimate non-salafi Islamist organizations in Egyptian politics will provide former Brotherhood supporters an outlet for their views and limit the appeal of radicals.
2. The United States should make clear to the Egyptian military that they will have America's support for targeted efforts against radicals acting against U.S. interests such as the security of Israel—but that we do not see all Islamists as terrorists, nor do we see all Islamist violence as of equal priority. Currently, the Brotherhood is not a terrorist movement. Moreover, the United States must consistently advocate a counter-terrorism approach that respects human rights and embraces the impartial rule of law.
3. U.S. officials should continue to engage all Islamist politicians and opinion leaders who are committed to non-violence, including Brotherhood leaders, in Egypt and around the Muslim world, to maintain visibility into the movement's debates and evolution, to press for continued vocal commitments to non-violence, and to make clear U.S. willingness to deal with Islamists who embrace democratic principles. Those who condone or incite violence should, however, hear swift and public U.S. condemnation.
4. Allies such as Saudi Arabia and the United Arab Emirates fear a pro-democracy Brotherhood, but they also have no interest in a radicalized Brotherhood. The United States should work to persuade these allies of the risks and urge them to press Cairo for a less ham-fisted approach. This may not work, but the effort should be made. Because the military sees its struggle with Islamist radicals as existential, efforts to condition aid to Egypt on the policy choices noted above are unlikely to succeed.
5. U.S. intelligence agencies should prioritize collection on Islamist politics in Egypt in general, and on connections that might form between Brotherhood supporters, al Qaeda-linked groups, and Palestinian jihadis. U.S. agencies should work with like-minded allies such as Israel and use independent collection and analysis to check intelligence information provided by others, including Egypt.

Conclusion

Politics in Egypt is fraught with uncertainty, and the chaos there has often left our policy one step behind events. We cannot anticipate every dangerous twist that might emerge, and we do not wish to create a self-fulfilling prophecy. That said, the radicalization of the Brotherhood is unfortunately plausible under current circumstances. Adjusting our diplomacy and intelligence collection in Egypt and outside can help reduce the risks to U.S. interests and the security of Americans.

HOLDS



MEMORANDUM



TO: President Obama
FROM: Bruce Riedel
DATE: January 23, 2014
SUBJECT: Avoid a U.S.-Saudi Divorce

Background

As I wrote a year ago, revolutionary change in Saudi Arabia remains possible but unlikely. The Saudi-American bilateral relationship has been seriously strained in the last year by the tensions underlying the Arab Awakening and by differences over Iran's nuclear program. Saudi Arabia's resources are also increasingly strained by the costs of countering the uprisings in the region. The United States has no serious option to head off a revolution in the Kingdom, if it is coming, because we are too deeply wedded to the House of Saud. The Saudis have no realistic alternative to the American alliance either.

The Saudis were very quick to welcome the military coup in Egypt last summer; they saw it as strengthening their own position at home by removing a dangerous example of revolutionary change in the Arab world. The return to autocratic rule in Cairo reduced the risks of upheaval in other Arab states. Riyadh rapidly put together a multibillion dollar aid program for Egypt and enlisted Kuwait and the United Arab Emirates to help fund it. The aid comes with no requirement that Egypt restore democratic rule. To the contrary, it is intended to undermine our efforts to use U.S. aid to help foster reform.

The Saudis also saw their interests advanced in Bahrain and Yemen, where Saudi-backed regimes have hung on to power despite popular demands for change and human rights. Saudi troops continue to back up the Sunni minority regime in Manama, and Saudi money sustains a weak government in Sana'a.

Riyadh is especially disappointed in our policy toward Syria. The Saudis want us to take robust steps to oust the Assad regime and replace it with a pro-Saudi Sunni government. At the same time, Riyadh is anxious that Washington is prepared to appease Assad's backer, Iran, and conclude a deal with Tehran on its nuclear program. Senior Saudi officials have been increasingly outspoken in criticizing U.S. policy, as we saw in their refusal to take up a seat on the UN Security Council, although robust cooperation continues in private on counter-terrorism and other issues.

The burden of bucking up weak autocratic regimes is becoming more costly for Riyadh. Saudi officials say the Kingdom spent more than \$25 billion subsidizing its allies in Jordan, Bahrain, Yemen, Pakistan and elsewhere in 2012, and expect that burden to rise to over \$30 billion in 2013 with the addition of the Egyptian account. Almost all of this aid is budgetary support, so there is virtually no economic development return. The cost of supporting the counter-revolution in the Arab and Islamic worlds adds greatly to the challenges facing the House of Saud in the years ahead.

Recommendations

As I noted last year, we have no ability to avert revolutionary change in the Kingdom if it comes. In the interim, Washington and Riyadh do not share common values, but we do share some common interests such as containing Iran, fighting al Qaeda, and facilitating Assad's departure from Syria. Neither of us has a viable alternative partner to secure those interests. While we will have to pursue our policy goals in the context of what is likely to be an increasingly disharmonious alliance, it should not be a divorce. You should continue to reach out to the King. Progress in the Israeli-Palestinian negotiations would especially help to improve ties with the Kingdom.

MEMORANDUM



TO: President Obama
FROM: Mireya Solis
DATE: January 23, 2014
SUBJECT: Close the Deal on Free Trade

Background

Last year, Justin Vaisse and I recommended that you pursue a proactive trade policy by negotiating trade agreements in the Asia-Pacific region and Europe. Sealing these deals (the Trans-Pacific Partnership and Trans-Atlantic Trade and Investment Partnership trade agreements) would enable the United States to tap into off-budget sources of growth, improve the international competitiveness of the U.S. economy, craft cutting-edge rules on trade and investment, secure America's role in the dynamic Asian region, and consolidate the trans-Atlantic partnership. To achieve these goals, we recommended that you work with Congress to secure renewal of trade promotion authority, engage in a public awareness campaign to increase understanding of the benefits of free trade, and aim to strike a balance between ambition and flexibility in the trade talks.

Recommendations

The stakes in successfully negotiating the Trans-Pacific Partnership (TPP) and Trans-Atlantic Trade and Investment Partnership (TTIP) trade agreements have, if anything, grown. The era of mega-trade agreements is in full swing as we witness for the first time the simultaneous negotiation of trade deals that aggregate sizable shares of world output, including: TPP, TTIP, the Regional Comprehensive Economic Partnership (RCEP), the trilateral China-Japan-Korea trade deal and the Japan-EU trade agreement.

Concurrent mega free trade agreements (FTAs) afford your administration the opportunity to encourage a "race-to-the-top" by negotiating high-quality FTAs that encourage the other trade groupings to increase their level of ambition to remain competitive locales for trade and investment. The United States can act as a "bridge country" as it sits at the intersection of the Pacific and European trade rule-making efforts. The cornerstone to this strategy is the conclusion of the TPP talks this year in order to demonstrate the viability of high-quality mega trade agreements.

Beyond this, I also recommend that you instruct our trade negotiators to negotiate consistent rules and standards across our trade agreements. We should not seek the creation of a Pacific standard (TPP) and an Atlantic standard (TTIP), but rather the establishment of high-quality rules and norms capable of global dissemination.

You should engage Congress much more proactively to pave the way for a bill on trade promotion authority. Securing congressional support for your trade initiatives is imperative, as well as eliminating this source of uncertainty for our trading partners. You should also launch as soon as possible an outreach campaign to allay the public's fears about market openness.

Finally, it is important to prevent the budgetary showdowns from hijacking the trade agenda. Missing the Bali summit and the cancellation of a negotiation round with the Europeans most likely will not create permanent damage. But the sequester limited the U.S. Trade Representative's resources at a time when we are asking trade negotiators to do more than ever before. Most importantly, the perception of a polarized Congress and fruitless domestic battles come at the expense of America's ability to lead the way on international economic integration.

Your coming trip to Asia in April will be useful in reassuring our partners about the depth of your commitment to the region, but you also need to restore their confidence in the workings of the American political system. To that end, you should invite on the trip a high-level bipartisan delegation from Congress to help convey the broader political support for a proactive American trade policy.

MEMORANDUM



TO: President Obama
FROM: Elizabeth Ferris
DATE: January 23, 2014
SUBJECT: Manage the Impact of Climate Change

Background

In my memorandum to you one year ago, I noted that global warming is occurring faster than predicted with potentially catastrophic long-term results and that urgent action was needed or the advance effects of climate change on life on the planet and the United States would increase. Over the course of the past year, scientific evidence has accumulated that global warming is occurring and that sea levels will rise faster than predicted. For example, the latest Intergovernmental Panel on Climate Change predictions for sea level rise by the end of the century are 50 percent higher than its previous estimates in 2007—and these figures are seen as conservative by many scientists. In addition, extreme weather events, strongly influenced by climate change, are more frequent and more severe. The estimated cost of Hurricane Sandy and severe drought in 2012 came to more than \$100 billion altogether.

Over the past year, you have taken significant steps to address the effects of climate change at home and abroad. In June, you announced a new Climate Action Plan to cut carbon pollution in America, prepare the United States for the impacts of climate change, and lead international efforts to combat global climate change and prepare for its impacts. Further to this plan, you are seeking to curb funding of coal projects overseas, along with other governments and international actors. In November, your executive order asked federal agencies to help state and local authorities prepare for climate change.

Moreover, over the course of the past year, Secretary Kerry has stepped up climate diplomacy through his meetings with key officials in Asia and the European Union, including new ministerial-level cooperation with Japan and China on the 2015 UN climate treaty. At the Warsaw climate talks, Secretary Kerry announced a major new program sponsored by the United States, Britain and Norway for forest preservation and sustainable land use.

Recommendations

I recommend that you take practical measures to follow up on the bold statement on climate change in your January 2013 inaugural address, in which you pledged that “we will respond to the threat of climate change, knowing that the failure to do so would betray our children and future generations.” The coming year is a chance to build on progress made to date to ensure your administration has a strong climate change legacy.

Ahead of the 2015 climate summit in Paris, the United States should play a leadership role in addressing the challenges of climate change. Among other things, U.S. leadership should aim to set more drastic carbon emission cuts at home and find agreement with other states, particularly China, given its leadership role for developing states in the global climate change regime.

Your administration should follow up on your November executive order by ensuring that federal agencies are all providing the necessary support for climate change adaptation measures at home, for example, by ensuring increased investments in infrastructure take into account the effects of climate change.

We should increase training of and cooperation and sharing of lessons learned with foreign national disaster management authority agencies and their local counterparts. More than 30 federal agencies have developed climate change adaptation plans; effectively implementing these plans could benefit from dialogue with foreign agencies also working to combat the effects of climate change.

MEMORANDUM



TO: President Obama
FROM: Kemal Kirişçi
DATE: January 23, 2014
SUBJECT: Deepen Economic Ties to Turkey

Background

In January 2013, I recommended that your administration pursue a more ambitious agenda for U.S.-Turkish relations, given the importance for U.S. interests that Turkey be permanently anchored to the West. Turkey straddles an often turbulent region where the trans-Atlantic model based upon democratic governance and free markets competes with the model of autocratic governance and state-dominated economies. In such a neighborhood, the U.S.-Turkish relationship can best be cemented with common long-term economic interests. I thus recommended that your administration include or at least closely associate Turkey with the Trans-Atlantic Trade and Investment Partnership (TTIP).

Inclusion of Turkey would contribute to TTIP's economic benefits, including job creation in the United States, as well as to our geopolitical and strategic goals. TTIP strives to set the global standard for deep-integration trade agreements, and so all U.S. strategic allies with sizable economies—Turkey's is the world's 17th largest—should have the opportunity to participate.

Recommendations

Unfortunately, including Turkey in the TTIP negotiations was not possible, as participation was limited to full EU members, excluding accession countries and those, like Turkey, with only a customs union with the European Union. However, you were able to respond partly to the Turkish Prime Minister's call to deepen bilateral economic relations and liberalize trade by establishing a U.S.-Turkey High-Level Committee led by the Turkish Ministry of Economy and the Office of the U.S. Trade Representative.

This committee falls short of Turkey's expectations. Yet, it offers a solid basis to explore the prospects of greater economic integration and possibly a free trade agreement. This would require costly reforms in Turkey. It will be important to evaluate the will of the Turkish side to embark on these difficult reforms. The United States could encourage Turkey by supporting an inter-governmental dialogue about these reforms and also by keeping the Turkish side regularly informed about developments with respect to TTIP negotiations, particularly in areas that will directly impact on U.S.-Turkish economic relations.

The United States should explore with its EU partners whether a mechanism similar to the “docking” provision that the administration has advocated for Japan in the context of the Trans-Pacific Partnership (TPP) negotiations could be part of TTIP. “Docking” would allow the possibility for countries such as Canada, Mexico, Norway and Switzerland, as well as Turkey that have strong economic ties with both the United States and European Union to join TTIP subsequent to its launch. For this to be an option, TTIP would need to have the required clauses within the agreement, and Turkey's application would need to be accepted.

In light of the chaos prevailing in the Middle East, there are growing signs that Turkey wants to revitalize its trans-Atlantic ties. That is in the U.S. interest. In November, another chapter was finally opened in Turkey's EU accession process. The United States should continue to strongly support Turkey's EU accession while at the same time responding positively to Foreign Minister Davutoglu's call in November that TTIP be used to anchor Turkey in the West. That was a profoundly significant step, reminiscent of Turkey's enthusiasm to become part of the trans-Atlantic community in the early days of the Cold War.

MEMORANDUM



TO: President Obama
FROM: Steven Pifer
DATE: January 23, 2014
SUBJECT: Beyond New START

Background

In January 2013, I recommended that you build on the New Strategic Arms Reduction Treaty (New START) by engaging President Putin on a new round of bilateral nuclear arms cuts, to include non-strategic nuclear weapons; seeking a cooperative NATO-Russia missile defense deal; and testing the possibility for Senate approval of the Comprehensive Test Ban Treaty (CTBT). Unfortunately, Moscow has shown no enthusiasm for further nuclear reductions and has not responded seriously to our offer of a transparency agreement that would assure them that U.S. missile defense plans pose no threat to Russian strategic forces.

Recommendations

You have offered solid proposals on further nuclear reductions and missile defense, including to reduce New START's deployed strategic warhead limit by one-third. There is no need to add to them now, as we do not want to get into a negotiation with ourselves. We will see whether Moscow decides to adopt a more forthcoming approach.

Meanwhile, your administration should make the point publicly, more in sorrow than anger, that reasonable U.S. proposals are on the table and that the responsibility for the lack of movement rests with the Kremlin. That will become important as we approach the 2015 Non-Proliferation Treaty (NPT) review conference, where non-nuclear weapons states will undoubtedly question U.S. policy and commitment to meet its NPT obligation to disarm.

You should instruct the Department of Defense to accelerate implementation of New START's limit of 1,550 deployed strategic warheads. The Russians are already below the limit, and we do not need until the 2018 deadline to reach it. Warheads can be removed from ballistic missiles relatively quickly and at little cost, though at no real financial savings. Such an acceleration would underscore your policy of reducing the number and role of nuclear weapons in U.S. security policy. Should Moscow continue to refuse to engage, you may wish to consider whether to implement other changes to the U.S. nuclear force structure without regard to Russian actions, but that is a question for the end of 2014 or 2015.

CTBT ratification remains in the U.S. interest, but gaining a two-thirds majority in the Senate would pose a stiff challenge, even without the current tensions on Capitol Hill. You do not want to commit to a path that would lead to a second ratification failure. However, you might consider a public statement in favor of ratification, either in your State of the Union address or a subsequent speech. That would allow us to see what the non-governmental arms control community—which is very interested in ratification—could do in building Senate support before we conclude CTBT is in the “too hard” category.

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