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THE SECRETARY OF STATE
 WASHINGTON

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MEMORANDUM FOR SECRETARY OF STATE-DESIGNATE WARREN CHRISTOPHER

FROM: LAWRENCE S. EAGLEBURGER

SUBJECT: Parting Thoughts; U.S. Foreign Policy in the
 Years Ahead

In a few weeks, you will become the first Secretary of State confirmed by the Senate in the post-Cold War era. The world that awaits you is a much different place than the one you and I have known through many years of government service. It is a world in the midst of revolutionary transition, in which you will have both an historic opportunity to shape a new international order and a sobering collection of problems to contend with.

During your tenure, many achievements are possible: a genuine new partnership with Japan for global economic growth and security; a new trans-Atlantic compact linking us to the European democracies; the gradual incorporation of a reforming Russia and the East Europeans into a stable European system; peaceful reunification of the Korean peninsula; normalization of relations with a reforming Vietnam; the departure of Castro and the peaceful emergence of a free Cuba; expansion of free trade arrangements and consolidation of democratic institutions throughout the Hemisphere; nonracial democracy in South Africa; the invigoration of UN peacekeeping and peacemaking capabilities; and, not least, a whole series of Arab-Israeli peace agreements.

That's the good news. The bad news is that there are at least as many troubles awaiting you as opportunities. Three immediate problems top the list, in my view: (1) the possible outbreak of a general Balkan war; (2) a breakdown of reform in Russia and a reversion to some form of authoritarian rule; and (3) the continuing threat of deepening global recession and trade wars between regional blocs, fueled by a collapse of the Uruguay Round and domestic political weaknesses throughout the West.

Other potential troubles include: armed conflict between Russia and any of a number of states on its periphery, with Ukraine not the most likely but certainly the most dangerous

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possibility; erosion of the non-nuclear commitments of Ukraine, Belarus, and Kazakhstan; continued trade tensions with the Japanese and perhaps eventually even rumblings of resurgent militarism in Japan; increasing friction with an isolated and anti-democratic Chinese leadership, against a backdrop of increasing turmoil within China; the lingering danger of nuclear war on either the Korean peninsula or in South Asia; a revived threat to Western interests in the Persian Gulf, from either a rearmed Iran or an unrepentant Saddam; or a breakdown in the Middle East peace process.

With the humility born of recent experience, let me offer a few personal thoughts on the post-Cold War world, and then on what I see to be the main policy challenges before you. To flesh out these questions, I am also sending you a more detailed collection of papers prepared by the Policy Planning Staff. I don't necessarily agree with every argument made in them, but they are a useful and provocative way to think about what lies ahead.

The Post-Cold War Setting

My starting point is a simple one. It seems to me that the basic purposes of American foreign policy are still to ensure the physical security and economic prosperity of our people, and to promote our values wherever we can -- at least in part for the common sense reason that democracies are less likely to threaten us and healthy free market economies are more likely to enhance our own economic well-being. As I look at prospects for advancing those core purposes over the next few years, a number of trends and developments in the post-Cold War world strike me as especially critical.

First, the most obvious consequence of the demise of the Soviet Union is that for the first time in fifty years we do not face a global military adversary. It is certainly conceivable that a return to authoritarianism in Russia or an aggressively hostile China could revive such a global threat, but that is not likely in the short term. We retain a vital stake in preventing domination of four key regions -- Europe, East Asia, the Persian Gulf, and Latin America -- by a hostile, non-democratic regional power. But it is hard to see any immediate regional threats of this nature with the end of the Cold War and the defeat of Iraq.

Second, in the absence of a global military threat, the most important global challenge we face is the emergence of an increasingly interdependent and competitive international economy. Creating and sustaining jobs at home depends more and more on exports, which in turn depend upon both renewed growth in the world economy and improved American competitiveness. We

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face stiffer and stiffer competition from our closest allies, continued obstacles in protected markets in Europe and Asia, as well as the danger of a collapse of order in the global trading system. We retain substantial internal strengths -- a massive domestic market, a flexible work force, high productivity, and traditions of ingenuity and entrepreneurship -- but our domestic economic shortcomings undercut our competitiveness. They devalue U.S. leadership and, perhaps more importantly, threaten domestic support for strong international engagement.

Third, the broadest systemic challenge that we face is the deconstruction of the system of states that emerged as a result of World War II and postwar decolonization, and that was held in place by the Cold War. Alongside the globalization of the world economy, the international political system is tilting schizophrenically toward greater fragmentation. Most dramatically in the former Soviet empire, but more generally wherever state boundaries and racial, national, ethnic or religious identities do not coincide, the old state system is being transformed or is at least under strain. The resulting chaos is enough to almost -- almost -- make one nostalgic for the familiar discipline and order of the Cold War. Our basic stake is in peaceful processes of change rather than in clinging blindly to existing maps; but promoting such processes is going to require great patience and skill, and creative ways of safeguarding human and minority rights. Chaos in the international political system is also going to confront us increasingly with the dilemma of whether to take part in limited military interventions in situations which do not directly threaten our vital interests, but which endanger innocent civilian populations and pull hard on our values and humanitarian traditions. Somalia is only the first of these kinds of challenges.

Fourth, as peoples reorganize themselves in the wake of the Cold War, ideological competition continues. The collapse of Communism represents an historic triumph for democracy and free markets, but it has not ended history or brought us to the brink of ideological uniformity. A great wave of democratic institution-building is taking place, driven by a surging post-Communist interest in the political and economic empowerment of individuals. But democratizing societies that fail to produce the fruits of economic reform quickly, or fail to accommodate pressures for ethnic self-expression, may slide back into other "isms", including nationalism or religious extremism or some combination of the two. In much of the world, including parts of it that are very important strategically for us, Islamic conservatism remains a potent alternative to democracy as an organizing principle.

Fifth, the proliferation of weapons of mass destruction and advanced delivery systems is likely to be the central security challenge of the 1990s. It is entirely possible that as many as eight or ten new powers, many of them authoritarian and

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anti-Western, could acquire ballistic missiles equipped with nuclear or biological warheads by the end of the decade. Such a development would dramatically destabilize important parts of the world, and could even threaten the physical security of the United States. Proliferation becomes an even more dangerous phenomenon when it intersects with fragmentation in the international political system, increasing the number of unstable actors with an incentive to acquire weapons of mass destruction.

Sixth, a variety of new transnational threats have appeared, particularly environmental degradation, drugs, and the spread of deadly diseases like AIDS. Such dangers demand collective action rather than purely national responses. They also require an aggressive, new international scientific agenda, in which American leadership will be critical.

Seventh, and perhaps most importantly, you will be tackling all these challenges at a moment in our history when many Americans will be preoccupied with domestic problems, and when budgetary constraints on the conduct of American foreign policy are likely to be tighter than at any point in the last half-century. This leaves you and the President with a very tough task. It was relatively easy during the Cold War to justify national security expenditures and build support for sustained American engagement overseas. It is infinitely harder now. More and more, you will need to link our involvement clearly and directly to American ideals, and particularly to American economic needs. And more and more, you will need to point clearly to what other governments are doing to bear their fair share of the cost and burden. These tasks will require a radical restructuring of our national security institutions, most of which were designed for the Cold War. And they will require that you and other senior Administration officials -- and especially the President himself -- spend considerable time and effort selling the inter-relationship of foreign and domestic policy to the American people. Few people will take that argument for granted any more.

The Importance of American Leadership and Five Key Policy Tests

Against that backdrop, I am convinced absolutely that American leadership is as important in this period of revolutionary transition in the international system as it was during the Cold War. Our self-interest, especially our economic self-interest, requires it. And for better or worse, peoples and governments still look to us to make sense of the changes swirling around them and show some initiative and purpose. No one else can play that role. The Communist regimes have collapsed or are discredited. The European

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Community is consumed with its own problems, and by no means as monolithic in its view of political issues as we once hoped (or feared) it would be. And the Japanese are neither ready nor willing for such a task now. The bottom line is that in this time of uncertainty, the United States has a unique role to play -- as a provider of reassurance and architect of new security arrangements; as an aggressive proponent of economic openness; as an exemplar and advocate of democratic values; and as a builder and leader of coalitions to deal with the problems of a chaotic post-Cold War world.

I have yet to see a term or phrase which captures the essence of America's new role and strategy as neatly as Kennan did with "containment" at the outset of the U.S.-Soviet confrontation. While this may simply reflect my own lack of creativity, I suspect that it may be some time before such a term emerges, perhaps after the contours of what lies beyond this transitional period are clearer. In the meantime, I believe the major challenges you face will fall into five broad, interconnected categories:

- Renewing the adhesion -- the cement -- that held the democratic community together and won the Cold War;
- Promoting long-term expansion of that community to include our former Cold War adversaries, while coping in the meantime with the massive uncertainties and instabilities left in the wake of the collapse of Communism;
- Pressing a new regional agenda in what used to be the "Third World", composed of conflict resolution, nonproliferation, democratic institution-building, and economic growth;
- Competing aggressively in an open international economic system, while protecting the environment;
- Restructuring our national security institutions for the post-Cold War world.

I. Building New Partnerships with Japan and Europe

The first and most fundamental task of post-Cold War policy is to adapt the key alliances that were the instruments of our success over the past half-century -- to refocus what used to be the "First World" on a whole new set of challenges. That will not be easy. We simply cannot take for granted cooperation among the U.S., democratic Europe, and Japan, absent the unifying security threat posed by the USSR. We are all being pulled in separate directions by economic competition, racial and cultural tensions, domestic political pressures, and greater regionalism in European and Japanese security perspectives.

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The basic reality with which we must come to grips is that as a natural outgrowth of the end of the Cold War, our allies are less reliant on the U.S. security umbrella, and thus less willing to defer to the United States in the conduct of their foreign policy. Hard as it is for some of us to adjust to that, we ought, on balance, to welcome it. Over time, it will reduce our financial and military burdens at a moment when domestic priorities deserve more attention and resources.

Japan: Together we and the Japanese account for some 40% of global GNP, and Japan is likely to represent our single most important bilateral relationship in the 1990s. It could also be our single most vexing relationship. The Japanese want a larger political role on the international stage, but are still unprepared to take on the responsibilities that must inevitably accompany that increased role. The key to healthy relations lies in structural changes in both our economies, with us becoming more competitive and the Japanese more open to our exports. Beyond that, you might consider the following:

- **First**, you and the President ought to go out of your way at the outset of the Administration to highlight the importance of Japan, and your determination to make this a genuine partnership. Make a call or message to the Japanese Prime Minister one of the first foreign contacts that the President makes after he takes office.
- **Second**, look for ways to put more structure in -- and even institutionalize -- the relationship. Have regular Ministerial and sub-Ministerial meetings, with a broad agenda that integrates political, security, and economic concerns and helps put our economic differences in perspective. As a complement to this bilateral effort, work hard to make Japan a full player in the G-7, with the G-7 Summit in Japan this summer providing an excellent opportunity.
- **Third**, for all our talk about "global partnership", the core of our relations will continue in the near term to be a stronger regional partnership in pursuit of peaceful change in China, Indochina, and the Korean peninsula. APEC -- the Asia Pacific Economic Cooperation forum -- also holds a great deal of potential for U.S.-Japanese coordination.
- **Fourth**, explore possibilities for easing Russo-Japanese friction and eventually resolving the Northern Territories dispute. Neither side is ready to concede much now, but our stake in both relationships and especially in encouraging Japanese economic help for Yeltsin gives us an interest over the medium term in playing a mediating role. Thusfar, the Japanese have been less than creative in the way they have dealt with the Russians.

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- **And fifth**, pay close attention to the bilateral security relationship. In Europe, we embed Germany in a web of multilateral institutions; in Asia, our bilateral treaty is the only real anchor for Japanese security. A remilitarized Japan would be a strategic disaster for the region, and a strong U.S.-Japanese security relationship is the best insurance against that.

European allies: Our central task in post-Cold War Europe is to do what we failed to do in 1918 and succeeded in doing in 1945 -- contribute to a stable European state system. At a time when the Europeans are both more assertive and more uncertain about how to play their new post-Cold War role, we face a demanding test of U.S. leadership. That will require enough self-confidence to let our European allies stumble a little in search of their own security identity -- and enough judgment to know when to act more decisively in pursuit of our own vision of trans-Atlantic security. A few further thoughts:

- Don't expect much coherence from the Europeans for at least the first few months of 1993. They're still consumed by Maastricht and their individual political troubles.
- Recognize that the real test today of NATO's continued relevance and the future of European security architecture is in the Balkans, not in theological disputes in Brussels.
- Assuming that we and the Europeans find a way at least to contain the agonies of the former Yugoslavia, aim to use a NATO Ministerial or Summit in the late spring of 1993 (after the French elections) to launch a process to adapt further the trans-Atlantic alliance to post-Cold War realities.
 - Such a process could be designed to produce by 1996 (the next target date in European political integration) a new security partnership between the U.S. and Europe, perhaps extending even to an updating of the Washington Treaty of 1949.
 - Key elements would include giving the Europeans a larger military role in the Alliance, and emphasizing the central challenges of containing and integrating the East, retaining Germany, and managing crises on NATO's borders.
- As one way of minimizing trade frictions, and as a complement to a rejuvenated security relationship, consider a formal U.S.-EC treaty, upgrading the

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U.S.-EC agreement of 1990. We ought to look too at ways to continue to enhance the effectiveness of CSCE, especially in conflict prevention and peacekeeping.

Prospects for trilateral cooperation: I admit that I am not optimistic about the near-term potential for systematic coordination among the U.S., Europeans, and Japan. I am always struck by how much the Japanese and the Europeans distrust one another. We remain the hinge for trilateral coordination wherever it does exist. Our relationship with the Japanese gives us a certain amount of leverage with the Europeans, and vice versa. The European-Japanese relationship is not likely to be enhanced by Japan's push for permanent membership in the UNSC. (The question of UNSC reform will be a difficult one, with Japan, Germany, Brazil, India, Indonesia, and Nigeria all poised in one way or another to press for permanent membership. We ought to aim to have a plan in place for expanding or otherwise restructuring the UNSC by the UN's fiftieth anniversary in 1995.)

II. Pursuing a "Democratic Peace" with Former (and Soon To Be Former) Communist States

Perhaps the most critical test of our partnerships with Europe and Japan beyond the Cold War is helping our former adversaries in the "Second World" transform themselves into pluralistic, market-oriented, responsible members of the international community. That is ultimately the surest guarantee of our security. It is also an extraordinarily tall order, and I must tell you that I am increasingly concerned about the dangers of backsliding toward authoritarianism, especially in Russia. Even in the most optimistic scenarios, we will face tough tradeoffs among our varied interests in economic reform, democratization, and demilitarization.

Russia: Russia's course in the years ahead holds the key to the future configuration of power in Eurasia -- and its evolution will determine whether a long-term threat to U.S. security re-emerges in that vast landmass. We have to be realistic about what to expect in the near-term: under increasing pressure at home, Yeltsin may well be less cooperative on issues like the Balkans than he has been over the past year, and more determined to show Russia's independence of the West, as he did during his recent trip to Beijing. Our broad policy toward Russia, and the enormous opportunity that reform offers, ought to have three basic elements.

- **First**, as a hedge against future uncertainties, we want to lock in as fast as we can further stabilizing reductions of nuclear weapons, and their consolidation in Russia. Conclusion of START II is an important step forward. We are also working hard to hold the

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Ukrainians, Belarussians, and Kazakhs to their non-nuclear commitments, and the denuclearization of those three states will need to remain one of your major priorities.

- **Second**, we need to continue to work with other donors to support economic reform, and open foreign markets in those few areas in which the Russians can be competitive. While the Russians themselves must ultimately make the hard choices, history will not judge the United States kindly if we fail to offer generous assistance. Massive people-to-people exchanges should be an essential ingredient in our strategy; by 1996, we should have thousands of Russians in the U.S. studying and training, and thousands of Americans across Russia providing technical assistance.
- **Third**, we have to stay engaged with the Russians and help Yeltsin -- or his successors -- find ways to keep conflicts on the periphery from boiling over. We do not want to see turmoil on the outside and threats to Russian minorities cause more problems for democrats in Russia; nor do we want to see a reassertion of Russian imperial control. Both CSCE and NACC can be useful here, as multilateral mechanisms for dampening conflicts before they explode, and for harnessing Russian peacekeeping efforts.

Ukraine and Other Former Soviet States: Likely economic troubles in Ukraine in 1993 could easily aggravate frictions with Russia over security issues like the disposition of the Black Sea fleet, or even worse, control of nuclear weapons on Ukrainian territory. We can help temper Ukrainian behavior by working now to treat Ukraine as an important player in its own right -- not an adjunct to our central relationship with Russia. At the same time, the Ukrainians have to understand that possession of nuclear weapons is a liability, not an asset, in their quest to be taken seriously. Tensions remain high between Russia and the Baltic states; the more we can get the Balts to be generous on the issue of Russian minority rights, and the more we can do to help Russia house returning officers, the more luck we will have holding Russia to troop withdrawal timetables. The Caucasus is a tinder box, with Georgia and Nagorno-Karabakh ready to explode. The Central Asian states, the least prepared of the former Soviet republics for independence, will likely remain unsettled politically and economically for years to come. Kazakhstan, with its forty percent Russian minority and nuclear weapons, remains the most important of the Central Asian states for U.S. interests.

- **A final comment:** You will hear a great deal from strategic thinkers, such as Henry Kissinger, that we pay too much attention to Russia and not enough to the

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other republics of the former Soviet Union. There is much merit to this criticism. But one fundamental reality remains: if reform succeeds in Russia, it may not assure the success of reform in the other states of the FSU; but if reform fails in Russia, it most assuredly will mean the failure of reform throughout the former Soviet empire.

The Balkan Tragedy: The single most immediate and most difficult policy challenge that you are likely to face on January 20 will be the horrible tragedy of what used to be Yugoslavia. Having spent seven years of my life there, I have no illusions about the depth or complexity of the hatreds that have boiled over. The continuing nightmare in Bosnia rivets our attention today, but the bigger strategic danger just over the horizon is violence in Kosovo and the outbreak of the third Balkan War in this century, this time dragging in Albania, Macedonia, Bulgaria, Greece, and maybe even Turkey. The stakes for the United States are considerable: the outcome of the Balkan crisis will have a critical effect on stability in Central Europe and an important demonstration effect for future developments in Russia and Eurasia; it will have far more impact than countless hours of architectural debate on the future of our security relationship with the European democracies; and it could shape post-Cold War relations with the Islamic world in profound ways.

The main problem remains unchecked, aggressive Serbian nationalism, riding atop Serbian military predominance. I'll provide you separately with a more detailed update on the situation, but let me summarize in the meantime three sets of actions that we're taking now. These are interconnected; the credibility of any warnings to the Serbs about Kosovo, for example, is dependent in part on the decisiveness of our actions in Bosnia.

- **First**, we're working to contain the conflict by making clear to Milosevic the consequences of spreading "ethnic cleansing" to Kosovo; we're urging restraint on the Kosovars; putting together a package of political and economic steps to bolster Macedonia; and the UN is organizing a preventive peacekeeping force along the Macedonian border with Kosovo.
- **Second**, we're trying to build further pressure against the Serbs to prevent establishment of a Greater Serbia and the carving up of Bosnia. The UNSC passed a tough new resolution to tighten sanctions last month, and we're pressing now for a second resolution to enforce the no-fly zone over Bosnia. (I doubt, however, that we will overcome European concerns in time to put such a resolution to the test before you take office.)

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We've also reopened the question of lifting the arms embargo against Bosnia, but have run up against a brick wall of European opposition.

- **Third**, we're pushing hard to find ways to deliver more **humanitarian relief** to Bosnian Moslems this winter.

You will want to take a fresh look at how and toward what ends U.S. military force might be used in Bosnia or Kosovo, and what kinds of support you can get from our increasingly cautious allies and an increasingly constrained Russian government. However you slice them, your choices in the Balkans will be exceedingly difficult ones, and will probably get worse with time.

Eastern Europe: The process of reform is proving difficult for the other former Communist states of Eastern Europe, especially for the southern tier countries. The Poles are making progress, however painful, and so are the Hungarians (at a somewhat slower pace). The breakup of Czechoslovakia will slow down the reform process there and could fan broader ethnic troubles, with discrimination against Hungarian minorities in Slovakia, Romania, and Serbia causing regional polarization.

- **An unsolicited word of advice**: However you decide to manage our aid programs to the FSU and Eastern Europe, find some way to deal with them separately. Otherwise, the FSU programs will overwhelm the Eastern European effort, with disastrous results for the latter.

China: With more than a billion people, a potentially enormous market, and the third biggest nuclear arsenal in the world, we ignore China at our peril. As the octogenarian Chinese leadership continues to try to cope with the discrediting of Communism by mixing political authoritarianism with economic reform, you will face the challenge of trying to encourage openness and respect for human rights inside China, and responsible Chinese behavior outside its borders. You may well disagree with how we have tried to manage that task over the past few years. But I urge you to find a way to sustain elements of the relationship like MFN, which it seems to me is precisely the kind of instrument that serves both our own economic interests as well as our stake in encouraging openness inside China, especially in south China in the run-up to Hong Kong's reversion to Chinese control in 1997.

- An isolated China can be a real danger -- a proliferant of weapons of mass destruction and missile technology, an obstructionist in the UNSC, a troublemaker with big neighbors like Japan, and conceivably even an anti-Western hub around which other alienated powers, like Iran and Pakistan, might organize themselves. This is one relationship we can't afford to neglect or mismanage.

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North Korea and Vietnam: The DPRK is a mystery to me. I have no idea how Kim Il-Sung will choose to play out his remaining days. It is possible that he could reach out gradually to the outside world and open up chances for peaceful reunification of Korea (although I have my doubts); or instead he could lash out at the South. It is obviously in our interest to continue to work extremely closely with the ROK and Japan, harnessing their commercial leverage to our common task of pressing the DPRK toward the first scenario.

- On Vietnam, recent progress on POW-MIAs opens up a new opportunity to move toward normalization. We have already taken the first steps toward lifting the trade embargo. Your Administration will inherit a chance finally to turn the page in this country on the Vietnam War, and join a process of opening up Vietnam economically that will lead, inevitably, to the demise of Communist rule there.

Cuba: Castro's Cuba is the last outpost of Communism in this Hemisphere. His economy is in ruins, and his main claim to popular legitimacy remains the fading memory of the revolution and whatever image he can sustain of standing up to threats of American aggression. We have an interest in as fast and as stable a transition to post-Castro rule as possible; while our levers are limited, we ought to stay on the high ground diplomatically -- denying Castro the argument that the U.S. threatens Cuba -- and continue to work to sever Russian-Cuban ties.

- You might consider an international effort to pressure Castro to hold free elections, with the carrot of economic help for a government that is freely elected and operates through democratic institutions.
- We also need to plan carefully for worst-case scenarios, such as an outbreak of civil war in Cuba and mounting pressure for U.S. military intervention to stop the killing.

III. Promoting a New Regional Agenda of Conflict Resolution, Non-Proliferation, Democratic Institution-Building, and Economic Growth

The end of the Cold War has stripped the "Third World" of its original meaning, but not its importance for American interests -- with Saddam Hussein's invasion of Kuwait the most graphic illustration of the point. We will also have to cope with a mounting sense of abandonment in the "South," where the perception is widespread that the U.S. will be increasingly absorbed in coordinating with its "First World" friends and reaching out to the old "Second World." In key regions outside Eurasia -- East Asia, the Persian Gulf and Middle East, and Latin America -- we should set our sights on a spectrum of

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post-Cold War goals, from the minimal objective of preventing the emergence of hostile, non-democratic regional hegemony armed with weapons of mass destruction to the longer-term ideal of fostering well-established democratic institutions.

Freed from narrower Cold War imperatives, we will need to employ the broadest possible definition of security, viewing pursuit of economic growth, democratic political values, conflict resolution, and military arrangements increasingly as parts of an integrated whole.

- The precise mix of these elements of policy will depend upon particular circumstances, and the tradeoffs between them will often be difficult. The traditional Cold War pattern was for political-military concerns to take precedence over economic ones; now, that pattern may well be reversed in many parts of the world, particularly in Asia, where our economic interests increasingly drive our security arrangements.
- In other areas, we will obviously have to balance objectives that may sometimes conflict, at least in the short-term; our stake in the Middle East peace process, for example, will likely continue to override any interest in putting democratic institution-building at the top of our agenda with Assad's Syria (although that doesn't mean we should pull our punches on respect for basic human rights).

Let me convey some quick impressions of developments in several important regions, and then offer a few thoughts on the kinds of new policy tools that you will need:

Middle East: You have a real opportunity to achieve a number of Arab-Israeli peace agreements, building on the process launched at Madrid in November 1991. An Israeli-Palestinian accord on interim self-government is within reach in 1993, and Israeli-Syrian talks are showing more promise than I had thought possible.

- But progress will require painstaking, high-level U.S. involvement. The Arabs and Israelis have been spoiled over the last twenty years; since Kissinger's time, they've come to expect the direct, personal engagement of the President and especially the Secretary of State, and Madrid would not have happened without Jim Baker's intensive involvement. The process is not self-sustaining, and events in the Middle East have a nasty way of intervening -- so I urge you to invest in this effort early. The recent furor over Palestinian deportations and violence against Israelis is only the latest and most troubling reminder of how quickly things can begin to unravel.

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- You'll also want to keep a close eye on internal developments in key countries. In Egypt, for example, economic decay and Islamic extremism make an increasingly combustible combination.

Persian Gulf: Given the West's continuing energy dependence, we retain a vital interest in Gulf security. In broad terms, that translates into a stake in ensuring a rough balance of power between Iran and Iraq at the lowest possible level of arms, with those two countries focussed inwardly on internal reconstruction rather than on the attractive assets of their neighbors. The combination of extreme wealth and political-military weakness will continue to make the GCC states inviting targets for would-be hegemon. The Saudis and their Gulf Arab friends will never be able to stand on their own militarily against their bigger neighbors, and thus their security link to us will remain critical. In the medium term, it makes sense to explore regional cooperative security structures that might lessen somewhat Gulf Arab dependence on the U.S. military, but the Saudis have never demonstrated much enthusiasm for formalizing alliance relationships with the Egyptians or other Arab moderates. Meanwhile, I would urge that you pay attention to three threats in particular.

- **First**, and most immediately, Saddam is anxious to break out of the system of postwar constraints imposed by the UN. He will test you early in the new Administration, perhaps first with charm, and when that fails, with defiance. To pre-empt him, I urge you to make clear publicly, and privately to our key coalition partners, that keeping Saddam under wraps remains a very high priority for the U.S. If you are not moving forward to keep the pressure on Saddam, you will find yourself sliding backward. (Sustaining the pressure will be easier said than done. The allies, and especially the UN, are showing growing signs of fatigue, reinforcing Saddam's belief that he can outlast us.)
- **Second**, Iranian rearmament -- both conventional and non-conventional -- is proceeding at a worrisome pace. While Rafsanjani is clearly intent on domestic reconstruction, it is just as clear that he does not accept the political status quo in the region. Meanwhile, our allies, notably Germany and Japan, are making major economic investments in Iran that weaken our political leverage with Tehran.
- **And third**, we need to be attentive to the possibilities for political upheaval on the Arabian peninsula. There are pressures from both Islamic conservatives and the technocratic elite for broader political participation in Saudi Arabia; while this is

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not the Shah's Iran, it is a situation which bears careful monitoring, given our stake in the relationship.

South Asia: Although the end of the Cold War and the demise of India's Soviet patron open up new opportunities for U.S. engagement on the Subcontinent, where the huge Indian economy is already launched on a process of market reform, recent Hindu-Moslem violence is a harsh reminder of the fragility of South Asian politics. This is an extremely dangerous neighborhood, for nowhere in the world today is the risk of a nuclear confrontation greater than between India and Pakistan. While our leverage is limited, we ought to encourage a two-track process, addressing the core political dispute over Kashmir while simultaneously pursuing a regional non-proliferation strategy engaging China and Russia in addition to India and Pakistan. If the dust settles on recent religious and ethnic violence, you might consider a trip to South Asia by the end of 1993 to give such a process a high-level boost (George Shultz was the last Secretary to visit the area, in 1988).

East Asia: I've already emphasized the importance of a coordinated strategy with Japan and the ROK on the Korean peninsula. Cambodia remains a terribly complicated problem. The UN process -- including the largest and most expensive peacekeeping operation since Korea -- is pushing ahead toward elections in May 1993, but it could be stymied or undone by armed opposition from the Khmer Rouge.

Latin America: U.S. policy has come a long way in this Hemisphere over the last few years, putting us arguably on our best footing in Latin America in the last half century. Peace is holding in Central America, but we cannot afford complacency. Nor should we confuse the fragile emergence of democratic institutions with long-term popular support for democracy. People turned to democracy because every other form of governance they tried had failed them; if democracy fails to address basic economic and social inequities, it will be replaced by something else.

- NAFTA is a solid anchor for our critical relationship with Mexico, and along with the Enterprise for the Americas Initiative (EAI), an excellent basis on which to expand free trade throughout the Hemisphere.
- Inevitably, some new Latin democracies will slide backwards over the next few years (with Peru already in trouble and Colombia and Venezuela under strain), but it's heartening to see a country like Brazil survive the impeachment of an elected civilian President without the military knocking at the door (so far).

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- **Haiti** is likely to remain a basket case for years to come. To help forestall a flood of boat people in early 1993, you might consider several steps: deploy an international contingent of military and civilian monitors in Haiti organized by the OAS with UNSC backing; support actively the UN special envoy's efforts to broker a serious political process between Aristide and the de facto regime; and (as a more effective stick) substitute a limited UNSC embargo on arms, oil, and access to financial assets for the failed OAS embargo.

Africa: An irreversible political process is underway in South Africa, but keeping it moving steadily forward to nonracial democracy will require help from us, as well as from the UN and the British. The derailed peace process in Angola and new hopes for a settlement in Mozambique also deserve our attention. Elsewhere on the continent, I fear more Somalias over the next few years. The post-colonial order is breaking down: state-centered economies are collapsing; corruption and mismanagement are worse than ever; the end of the Cold War petrifies the old elites, accustomed to playing East off against West; and borders are increasingly challenged by ethnic and tribal violence. In Zaire, for example, which is Africa's third largest country bordering on nine others, Mobutu's corrupt autocracy could come crashing down early in your tenure.

- With the end of Cold War competition, few hard interests tug us toward sub-Saharan Africa. What we face instead is a series of humanitarian disasters which place strong demands on our national conscience and values.
- The spread of humanitarian catastrophes will compel more assertive outside intervention. In that sense, Somalia is a very important test case, particularly in terms of how quickly and effectively we make the transition from U.S. military intervention to UN peacekeeping or some form of UN "trusteeship."

New Policy Tools: While carefully tailored regional strategies will be essential, we also need to develop a new set of policy instruments, including:

- **A Concept for Humanitarian Military Interventions:** Recognizing that there is no perfect model, we should use the Somalia case to flesh out key criteria for action. These might include a compelling threat, such as genocide or the destruction of an entire population; the likelihood that military action would be effective at manageable risk; the absence of further non-military alternatives; and the inability of other countries or regional organizations to act effectively without us.

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- **Enhanced UN Peacekeeping and Peacemaking Capabilities:** A useful starting point is Boutros Ghali's recent report, "An Agenda For Peace." We have done a fair amount of work on this within the Administration over the past few months, and I will make sure you have the details. One key to success will be to put the UN's -- and our own -- financing of burgeoning peacekeeping operations on a sustainable basis. (That is not now the case.)
- **Multiple Approaches to Nonproliferation:** Containing the spread of weapons of mass destruction and advanced missile systems will require painstaking efforts on a variety of fronts: tighter global regimes (like the recently completed Chemical Weapons Convention); a new tech transfer regime to succeed COCOM; close attention to the problem of "brain drain" and technology seepage from the former Soviet Union, including the provision of incentives and alternative civilian means of earning hard currency; careful development of missile defense systems, in cooperation with other key governments; progress toward resolving the regional conflicts which fuel both conventional and unconventional arms races; and, as a last resort in particularly dangerous cases, forceful preemption.
- **A New Foreign Aid Strategy:** We need to overhaul thinking and structures that have their roots in the early 1960s, and focus more clearly on promoting economic reform and growth, particularly in ways that directly support our own economic and other interests. I have given a fair amount of thought to this, and would be glad to go into more detail if you are interested.

IV. Competing Aggressively in an Open International Economic Order While Protecting the Environment

To succeed in the first three major policy tests that I have outlined, we must strengthen and expand participation in the post-World War II liberal international economic order. At the same time, we must bolster our competitiveness. This formidable set of economic challenges has to be a central feature of almost every aspect of our policymaking; nothing will affect our prospects in the world over the rest of this decade more significantly than the skill with which we shape the international economic environment and compete in it.

It seems to me that several dimensions of this overarching economic challenge are most important. Briefly:

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First, we need to work to reduce foreign obstacles to greater U.S. competitiveness. The obvious starting point is successful conclusion of the Uruguay Round. The French will almost certainly obstruct early completion. I had hoped that the recent U.S.-EC agricultural deal would give us a chance to wrap up the Round before Congressional fast track authority expires next spring. I now believe that to be virtually impossible; certainly it is beyond the ability of this Administration to accomplish. Failure to make progress at this critical fork in the road will feed a growing tendency toward regional trading blocs, built around the EC, Japan and its Asian trading partners, and NAFTA. I wish I could be more optimistic here, but I am afraid this issue will prove to be one of your most immediate and most painful headaches.

Beyond GATT, we will still need to work in our bilateral trade negotiations to lower barriers, and seek over time to build an expanded network of bilateral free trade agreements.

Second, we ought to be much more active in promoting a government-business partnership for taking advantage of lowered foreign barriers to trade and investment. This has important implications for how we structure the efforts of the Executive Branch, which I will touch on in the next section. It also requires striking a delicate balance with efforts to lower barriers. If we are too heavy handed in the first task, we will pay a price in trying to exploit access; if we are ineffectual in the first, we can be as effective as we want in the second and still not see much benefit.

Third, we need better policy coordination with our G-7 partners on economic growth strategies. The Tokyo Economic Summit in the summer of 1993 will provide an early focal point, but a deepening global recession and domestic political weaknesses throughout the West could be very big problems for you.

Fourth, we face the broader historic challenge of trying to integrate the reforming economies of the former Soviet Union, Eastern Europe, and the developing world into the global economy. I have already discussed a few of the obstacles to integration of the old "Second World." If the "Third World" has lost its political meaning with the end of the Cold War, it has also lost whatever sense of economic uniformity it once had. It is fragmenting rapidly. Some dynamic, outward-oriented economies (like Korea, Singapore, Chile, and Mexico) are surging forward into the world economic system; a handful of lumbering giants (India, China, Brazil) are poised to follow suit if they stick to the right domestic choices; and a number of impoverished societies (mainly in Africa) are lagging further and further behind. We need to promote emulation of the first category, and contribute to a collective humanitarian safety net for the third. It remains encouraging that -- with the debt issue at least temporarily neutralized,

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and limited foreign aid flows in greater demand -- most developing countries view increased trade and investment as their principal avenues to economic growth.

Fifth, we should pay increasing attention to our economic relationships in Asia. U.S. trans-Pacific trade is now one and a half times the volume of our trans-Atlantic trade, and the trend is toward an even higher percentage of our trade with Asian and Pacific countries. By the beginning of the next century, Japan and the other Asian economies could represent one-third of world GNP. The U.S.-hosted Ministerial meeting of the Asia-Pacific Economic Cooperation forum (APEC) in the early fall of 1993 provides a good opportunity to highlight the value of our Asian economic relationships, and look for ways to begin to institutionalize and enhance free trading arrangements.

Protecting the environment and sustainable development:

Cutting across all of these economic challenges is the need to contribute to effective multilateral strategies for addressing global environmental problems -- without undercutting economic growth. Follow-up on the 1992 UNCED Conference in Rio will be an immediate task.

- We might consider promoting a multilateral **Northern Hemisphere Forest Convention**. This would have practical value in protecting forests in North America and Siberia, as well as symbolic value in making clear to other countries that we are not only interested in safeguarding tropical rainforests.
- We might also consider establishing a **U.S. Environmental Technology Corps**, which could provide help to LDCs as well as improve commercial prospects for U.S. business in what is becoming a very big market.

V. Restructuring Our National Security Institutions for the Post-Cold War World

Forty-five years ago, the Truman Administration reorganized the U.S. national security establishment to deal with new postwar realities, creating the National Security Council, the CIA, and the modern Defense Department. The end of the Cold War leaves you with a similar challenge today. You simply will not be able to cope successfully with the four other broad challenges that I have highlighted unless you begin a radical restructuring process in the Executive Branch.

This process has to be driven by the President, and it ought to be launched in a bold and comprehensive initiative within the Administration's first six months in office. If you miss that opportunity, Congress will be less accommodating and various bureaucratic fiefdoms within the Executive Branch will have time to throw up barricades around their turf and their

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budgets. The President should aim to unveil an integrated plan in a major speech, preceded by careful consultations on the Hill. It is not my business to prescribe the individual elements of such an initiative (any more than it is to suggest the initiative in the first place), but I would urge you to consider the following general points:

Restructure the NSC: Change should start at the top. The basic challenge is to adapt to a world in which economic interests are more central to national security than they were forty-five years ago, but to do so in a way which serves the original purpose of integrating input into decisionmaking. Whatever system of parallel Councils is set up in the White House, the NSC staff will need to reflect the reality that it is hard to separate "economic security" from "national security." At some point in the White House decisionmaking chain, you are still going to have to centralize the flow for the President.

Establish a partnership with Congress: As you well know, you may wind up spending 40-50% of your time as Secretary dealing in one way or another with the Congress. You do not need me to tell you how important it will be to work out a healthy relationship with the Hill.

Reorganize foreign assistance: There has been no shortage of reform proposals in recent years, but AID has proven peculiarly impervious to real change. You will regret it if you fail to tackle this problem early on. My own sense, for what it is worth, is that very radical surgery is called for. I am prepared to discuss this with you if you wish.

Rationalize the bureaucracies of non-proliferation: Responsibility and expertise is spread over too many agencies and bureaus now. We need to focus less on traditional arms control negotiations and more on the emerging challenge of proliferation of weapons of mass destruction and advanced missile technology, and on integrating our nonproliferation and strategic trade control efforts. One alternative worth considering is to abolish ACDA and move some of its personnel into State to strengthen and centralize its capabilities. Another is to give ACDA principal responsibility for non-proliferation. Again, I have some ideas if you wish to pursue the matter.

Reassess the role and priorities of the intelligence community: I am increasingly concerned about overlap between State and CIA in overseas reporting, especially in the former Soviet Union, where the Agency has huge resources but a less distinct role. My obvious preference is for State to handle overt reporting, with the CIA's budget and mandate trimmed to fit post-Cold War needs. But the intelligence community has

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some of the best protected turf in Washington, and you will need to engage the President in a very high level review early on in the Administration.

Reform the budgetary process: The foreign affairs budget (function 150) has taken on a life of its own over the years. State, USIA, AID, EXIM, and OPIC all fight their own battles, without any really systematic effort at integration. I would argue for a new approach which gives the Secretary of State expanded authority to set policy priorities and allocate resources across agency and account lines; stresses regional rather than country approaches to security assistance; and encourages multilateral rather than traditional bilateral programs. The key is flexibility. I'd also challenge the Congressional leadership to limit earmarks and reorganize its budgetary oversight system, which as currently structured would needlessly constrain even the most efficient Executive Branch effort.

Promote trade and investment: There is wide agreement that competing effectively with Japan and the EC will require a better U.S. government-business partnership in support of expanded exports and investment. Some argue for eventual creation of a new Cabinet-level agency, a kind of American MITI. I am generally suspicious of adding more agencies, and I would be careful about doing anything that might undercut USTR. An intermediate step would be to make export promotion a very high priority for all relevant existing agencies, especially Commerce and State, and task the new NSC staff with coordinating preparation of integrated national export strategies for a whole range of countries and markets.

- This is a subject to which I have devoted a great deal of time and attention; we now have, I believe, a far more responsive State Department where export promotion is concerned. I hope you will let the Department know it is an effort you want to continue.

Enhance peacekeeping/peacemaking capabilities: While the Pentagon may continue to resist new thinking in this area, expanded attention to multilateral peacekeeping/peacemaking will not only respond to increasing international needs, but also help give the American military an important new mission. Practical steps could include the designation of U.S. units that could be drawn upon by the UN, joint training at U.S. facilities (with the Russians and Ukrainians, for example), and establishment of a separate DoD/State "account for peace" out of existing resources to pay our share of a mushrooming UN peacekeeping bill.

Last but not least, reorganize State: Over the past thirty years, I have seen a number of structural overhauls at State, with mixed results. It is a truism that putting top-notch

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people in key places is more important than rearranging block and line charts. But you need to consider some fundamental organizational changes too. I would be glad to discuss this with you directly. In the meantime, I would offer a few general thoughts, which will be addressed in more detail in Under Secretary Rogers' "State 2000" study: raise the profile of economic and global issues (here your choice of Under Secretaries will be key); integrate planning and resource allocation functions on the Seventh Floor; cut back on State's enormous Washington-based administrative "tail," in favor of channeling more resources to the field; reduce Seventh Floor staffs, and layering throughout the building; and streamline bureau responsibilities, cutting several existing staffs. This can be a frustrating building, but as you know it also holds enormous talent and energy. If you harness it early and give people a clear sense of direction and involvement, State can produce impressive results.

Welcome back, and good luck. I look forward to working with you to make this the smoothest transition possible.

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