

CURRENT HISTORY

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With the approach of a new year, the most conspicuous trend in global affairs is a proliferation of disasters, real and potential, abetted by the arrogance and incompetence of the administration in Washington. Fortunately, this is not the only trend.

Four years ago, George W. Bush famously identified Iraq, North Korea, and Iran as an “Axis of Evil arming to threaten the peace of the world.” Today, those who invaded and occupied Iraq without a plan for stabilizing it must share responsibility for its descent into chaos and civil war. A US intelligence study this year found that the Iraq War is fomenting rather than reducing Islamic extremism and terrorist attacks.

As for North Korea and Iran, one tested a nuclear device this fall, the other continues to enrich uranium, and most of the world—with cause—holds Washington partly to blame because of its preference for bluster and threats over serious engagement with these regimes.

Voters delivered a ringing repudiation of the president in the November congressional elections. But his policies had already diminished America’s constitutional strength and moral authority. Instead of building on the spirit of national unity that followed the attacks of September 11, 2001, the White House divided and weakened the country by converting the war on terror into an instrument for instilling fear, bashing opponents, smothering checks and balances, and seizing more power for the executive.

The cost to American values has been high. In the name of a conflict against those who “hate our freedoms,” the United States has become a country that establishes secret prisons abroad, that holds suspects indefinitely without judicial review, that threatens journalists with prosecution, that engages in warrantless spying on citizens, that even countenances torture.

The damage extends not merely to the nation and its reputation but across the world, in part because the administration has also squandered America’s traditional role of global leadership. The United States has lost prestige and power at a time when the world needs US help to strengthen the capacity of international institutions to address complex and daunting problems. These range from unimpeded massacres in Darfur to nuclear weapons proliferation and the very real prospect of climate change.

Declining US legitimacy and swelling anti-Americanism compound the difficulty, too, of democratic reform within countries. Around the world, the influence of autocratic China and Russia continues to grow. In Europe, economic growth rates lag. Latin America has seen a resurgence of authoritarianism. Africa is dragged down by corruption and violence. Iraq has become a catastrophe in the heart of the Middle East. All of these developments provoke doubts about democratic models, complicating reformers’ efforts. And now America, hobbled and distracted, its moral beacon dimmed, has less ability to help or inspire.

BACK TO THE DRAWING BOARD

This is a depressing litany, to be sure. Yet, for all the blunders and setbacks, a broad assessment of global trends as 2007 nears need not end in despair. Indeed, among the year's promising developments is the clarity with which Washington's policies have been exposed as failures. The resulting foreign policy debate emerging in the United States may augur important corrections.

As this fall's mid-term elections made evident, for example, a majority of Americans now regard the Iraq War as a strategic error. This conclusion likely will limit future adventurism, as will a badly overstretched military, the prospect of actual congressional oversight, and the fact that citizens in two years get to replace the president.

Amid the nation's return to reality-based deliberations, one response, well under way in foreign policy circles, has been to promote so-called realism. Its advocates offer a balance-of-power strategy as a guide to policy making and

How Is the World Doing?

Current History's annual report card of global trends at the end of 2006.

C-

Politics

The year in global politics has been mediocre at best. Confidence in leaders' ability to solve problems continues to decline. The world in some ways has been waiting for Washington to muster the legitimacy and leadership needed to help international institutions respond effectively to challenges like nuclear proliferation and ethnic conflict. The wait continues.

C

Security

The overall trend is promising—war is on the decline. But the exceptions remain deadly, and the risks of carnage spreading are real. Iraq sinks toward chaos because the United States chose to act, Darfur because the international community fails to act. Meanwhile, jihadist recruitment outpaces jihadist elimination, and a nuclear weapon store may open one day in Pyongyang.

B+

Economy

The world's economy has grown nicely in 2006. China and India continue their rapid expansion while some mature economies, like those of Japan and the euro zone, are mounting mini-comebacks. US consumption is still an engine of growth—part of the reason why balance-of-payments problems persist. High commodity prices have helped drive growth in Africa and Latin America, but this year's collapse of trade talks denies developing countries needed opportunities.

C+

Development

From \$100 laptops to multitudes of microloans, development strategies increasingly focus on empowering entrepreneurs rather than funding bureaucrats. Yet market reforms in most developing countries remain elusive. The new populists in Latin America insist on spreading gains beyond corrupt elites, a good thing. But their chosen means—nationalization—leads only to disappointment.

D+

Resources

Oil's price fluctuations have kept it in the news. The fuel figures to stay there because of its contributions to geopolitical conflict and global warming. While scientists and economists continue to issue dire warnings about climate change, officials in most nations continue to do little or nothing. Technological innovations, including in alternative energy, could avert the worst effects, but research remains underfunded.

A = Improving significantly B = Improving somewhat C = Staying about the same
D = Declining somewhat F = Declining significantly

an antidote to neoconservative overreach. A second response, less explicitly articulated, would have Americans pull back from messy commitments, build fences and walls, and assume a more isolationist posture.

Neither strategy would succeed in practice, however, because neither takes sufficient account of the state of the world at the end of 2006—a world still composed of sovereign states, but also increasingly and definitively interdependent; a world swayed, for good and ill, by non-state actors and transnational flows of goods, money, people, technology, and troubles. In this world, tied together by shifting capital and instant communication, everyone has a stake in phenomena occurring not just among states but inside other countries. In this non-zero-sum environment, American success depends on global success, and vice versa.

This reality would appear to leave the high ground in policy debates to the advocates of extending free trade, reforming liberal multilateral and global institutions such as the United Nations and the World Bank, and bolstering international law—a strategy akin to America's role following World War II. At that time, US leadership lent legitimacy to principles and institutions that suited American interests but that also attracted broad adherence because they were embedded in norms from which Washington did not exempt itself.

Today, with the disaster in Iraq looming large, discussions of liberalization strategies generally retain enthusiasm for democracy promotion—but by political advocacy and economic integration, not invasion. The results of the neoconservative experiment have demonstrated again the potency of a little-remarked but key trend in recent history: the declining efficacy of military power.

REARGUARD RESISTANCE

Globalization, the biggest trend of all, offers cause for hope in spite of the stumbling superpower's accumulation of errors. The war on terrorism, for instance, may seem a losing proposition at the end of a year when Islamic militants enjoyed an important political victory in the Israeli-Lebanon War, when the Taliban surged in Afghanistan, and when US intelligence agencies acknowledged that Iraqi turmoil has spawned a recruitment and training center for jihadists. The war on terror looks different, however, in the light of the long-term spread of markets and ideas that are quietly, if disruptively, transforming the world.

British Prime Minister Tony Blair in a perceptive speech this year said of the conflict with violent Muslim radicals that it is “not a clash between civilizations; it is a clash about civilization.” The “we” with a stake in the outcome, said Blair, “are as much Muslim as Christian or Jew or Hindu. ‘We’ are those who believe in religious tolerance, openness to others, to democracy, liberty, and human rights administered by secular courts.” In other words, the underlying struggle, however mismanaged by the Bush administration, does not set the West against Islam. It pits the globalizing influences and values of modernity against a fundamentalist backlash born of alienation, anger, and the fear of being left behind.

As 2007 approaches, it is clear, given America's preeminent role in global governance, that an obstinately inept and offensive US administration can set back efforts to promote reasonableness. It remains clear, too, that terrorists, especially if they acquire weapons of mass destruction, may succeed in slaughtering multitudes and provoking government abuses, whatever the administration or policies in Washington.

Certainly, though, in a long struggle for political allegiance, the moral and material benefits of liberal institutions and international cooperation offer compelling advantages against those who would embrace repression and theocracy or try to reorder the world with shock and awe.

A. T. S.

POLITICS

The system needs repair

JULY THIS YEAR was not a good month for global governance. On July 5, North Korea tested a long-range missile, a precursor to its detonation of a nuclear device this fall, which has left the world's nonproliferation regime in crisis. On July 17, leaders of the Group of Eight industrial nations broke off a St. Petersburg summit that a *New York Times* editorial described as "pointless and embarrassing." On July 24, world trade talks aimed at relieving poverty and boosting economic growth collapsed after nearly five years of wrangling.

And July was not that unusual. The month's setbacks in fact highlight a paradox amply evident in global politics today. It is this: in the face of emerging threats and complex challenges associated with globalization, the need for institutionalized cooperation to address such problems is greater than ever. Yet the actual exercise and organizations of international politics seem, all too often, ineffectual.

One of the reasons for this state of affairs has to do with globalization itself. Until recently, global politics was limited more to relations among states. Arms control agreements produced mutual reductions in weapon systems aimed at each side's cities. Diplomats tended not to concern themselves with the internal affairs of other countries. Trade talks were about cutting tariffs. As the world nears 2007, however, global commerce and communications and the spread of individual-rights advocacy have blurred the lines of sovereignty and increased the relevance of domestic developments to international relations.

The fact that the world is in a transition to a new sort of international order makes global politics, always hard, in some ways harder still. Today, efforts to promote security may require intervening in an internal conflict like Sudan's, or inducing a country such as Iran to give up an arguably legal nuclear energy program. Promoting democratic reform may require challenging the leader of a formally democratic country, like Russian President Vladimir Putin (the host of the 2006 Group of Eight summit), to stop suppressing political pluralism. And promoting international economic reform may require grappling with fiscal and monetary policies and informal trade barriers embedded in domestic political arrangements. Existing institutions are not well prepared to handle such challenges.

The United Nations, in particular, has proved unable so far to recast itself to adapt to some of these developments, despite broad agreement that it needs to. But in fact this picture of political feebleness extends more broadly. It mirrors trends within most countries, democracies included, where entrenched elites avoid their responsibilities to the general interest, and where citizens increasingly question the ability of institutions to perform effectively and fairly.

SEEDS OF STABILITY

It is good that countervailing trends persist as well. One quiet effect of globalization in the international sphere has been the parallel development of interlinking trade, civil society networks, avenues of information flow, and emergent norms, all of which carry forward the seeds of a more effective international order. More of these seeds are likely to sprout if and when the United States, the world's leading power, adjusts its posture to better conform with global needs and reality.

This will happen when Washington stops trying to maintain a unipolar world with no constraints on its supremacy or freedom of action. It will happen when the United States resumes instead an international role focused on direct diplomatic engagement, the institutionalization of collective action, and the promotion of a global order based on rules from which no one, not even America, is exempt.

Two examples of current global trends—the erosion of the nuclear nonproliferation regime and the rise of China as a great power—illustrate the importance of US leadership in efforts to make global politics more effective.

Certainly the international arrangements governing nuclear technology and materials require urgent attention. North Korea's accumulation of nuclear weapons could provoke an arms race in Asia. Pyongyang, desperate for hard currency, might sell one or more of its weapons to the highest bidder—including terrorist groups. Meanwhile, in the face of Iran's defiant insistence on enriching uranium, four Arab states—Saudi Arabia, Egypt, Morocco, and Algeria—have told the International Atomic Energy Agency that they intend to develop nuclear power programs. Brazil, too, has announced plans to enrich uranium. In short, it is possible the nonproliferation regime will collapse.

Notwithstanding the talk in some quarters, military options are not viable in the case of either North Korea or Iran. The solutions will have to be political. In recognition of this, Washington has participated in multilateral negotiations with North Korea and its neighbors. It also has worked with European diplomats who talk with Tehran. But these negotiations have not been effective, in part because of the extremist regimes' intransigency, but also because the United States has refused to engage directly with them—much less consider incentives attractive enough to encourage a reversal of their nuclear ambitions. Vice President Dick Cheney has defined the American approach this way: "We don't negotiate with evil; we defeat it."

At the same time, US policies have undermined the international rules based on the nuclear Non-Proliferation Treaty (NPT). While condemning North Korea for its violations, the Bush administration has moved to create an exception to the rules to accommodate India's nuclear arsenal. Likewise, while attempting to punish Iran for its nuclear program, Washington has not made the effort needed to change outdated nonproliferation rules including those that allow countries such as Iran to develop nuclear facilities and fuel to the brink of weapons capability.

The US administration, moreover, has shown only disdain for its obligations under the NPT to take steps toward gradual disarmament. Washington refuses to ratify the Comprehensive Test Ban Treaty, a measure that would help counter perceptions that the United States regards constraints as applicable only to others.

THE RISK OF ANARCHY

It is hard to imagine the costs and dangers associated with global nuclear anarchy, in which each new proliferation threat might require regime change, military preemption, more inducements to block weapons development, or the acceptance of nuclear blackmail. The alternative—bolstering and updating the nonproliferation regime—will require US leadership, political agility, and legitimacy.

As a political matter, China, Russia, and others might see less need to block US initiatives in the UN Security Council and elsewhere if they perceive the United States as acting more like the advocate of a rules-based order than a traditional great power intent on preventing the emergence of competing peer powers and interfering in other countries' affairs on a unilateral or ad hoc basis.

As Princeton's G. John Ikenberry and Anne-Marie Slaughter point out in their recent report, *Forging a World of Liberty under Law: US National Security in the Twenty-First Century*, the rise and fall of great powers has historically led to conflict and instability. Because America's economic peers during the cold war were also its closest allies, the United States faces a new challenge in managing a relationship with a great power, China, that is potentially both a military and an economic rival.

Yet China has taken pains to support the view that its rise poses no threat to others. Although it has rapidly built up its military, mostly but not entirely with Taiwan in mind, its influence in Asia and elsewhere has grown largely through trade relationships and multilateral institutions, not military power. Beijing has even developed an interdependent relationship with the United States, buying US debt while Americans buy Chinese goods. In light of all this, a reasonable strategy would focus on economic integration and other ways to encourage China's continued rise within peaceful bounds and a stable international order. Treating China as a threat, on the other hand, could prove a self-fulfilling prophecy.

Ikenberry and Slaughter argue that America's strategic goal in the world should not be primacy, but rather a preponderance of power among liberal democracies, for the purpose of strengthening international institutions and the rule of law. All countries, including China, could be encouraged to participate in agreements and networks that would make more effective, cooperative action possible on problems like energy security, economic inequality, ethnic conflicts, regional militarization, pandemics, and global warming.

If existing international institutions or some of their member states such as China or Russia resist reform, then new institutions could be created, led by an alliance of democracies. If bad actors or rogue regimes resist constraints, then at least the measures taken against them would enjoy the legitimacy of universal rules enforced by collective action.

The question is not whether the world will become multipolar—that is inevitable. The question is whether the transition to that world can be managed in an orderly and peaceful fashion that reinforces the spread of democracy and the rule of law, and that helps the practice of politics produce better results. Getting there will require nimble American leadership, even if the world must wait for future presidents to exercise it. A. T. S.

ECONOMY

Another year without crisis

SIMPLY PUT, the story of the global economy in 2006 is that the steady, broad-based growth of the previous year has been sustained. This is dull-enough news—unless one considers the dangers lurking along the growth path, including volatile commodity prices, the United States' massive trade deficit, and the challenges that face emerging economies in managing their own expansions. Yet none of these dangers turned into disasters—not this year. For now, the world economy appears to be a machine in fair working order.

Bad news still has presented itself. For example, the Doha round of trade-liberalization talks ran aground this summer over disagreements on agricultural markets. Poor nations argued that subsidies and barriers to agricultural trade prevented them from leveraging one of their chief comparative advantages—cheap farm labor. But affluent countries found themselves unable to buck the power of agricultural interests back home. The pity of the round's collapse, beyond the fact that the poorer nations were in the right but lost out anyway, is that it has given protectionist forces everywhere an opening to argue their case. The failure of the talks will slow momentum toward global free trade even if it leads, as seems likely, to an increase in bilateral and regional trade agreements.

On the positive side of the ledger, the world economy this year has proved resilient against high oil prices. In the summer, when some were predicting that oil would hit \$100 a barrel, and others expressed concern that commodities speculators were fiddling with the market, anxiety grew that the inflationary flow-through of expensive oil would bring global growth to a shuddering halt. That did not happen. The International Monetary Fund (IMF) projects that global growth will reach 5.1 percent for 2006. Still, oil supply remains a concern for economies everywhere, with slow-to-be-remedied production bottlenecks and continuing high demand capable of nudging prices back up at any time.

The year's best economic news, however, was this: that the large, emerging economies continued their torrid expansions without overheating or landing hard, while certain rich but recently moribund economies showed fresh signs of life.

Take the resurgent economies first. When Japan's central bank raised interest rates in the summer, all the way to one-quarter of 1 percent, and the nation's economy did not immediately swoon, it was taken

as proof that Japan's long national nightmare of deflation was over at last. For this, credit goes to fundamental reforms in banking and employment practices—notwithstanding that Japan kicked, screamed, and held its breath until finally admitting that such reforms were necessary.

Europe, too, came out of a slumber, albeit modestly. Growth in the euro zone is apparently set to top 2 percent this year—hardly robust, but nearly double the rate in 2005. In the years ahead, Europe's ability to achieve dynamic growth and manage the aging of its population remains in question. For now, a growth rate of 2 percent counts as good news.

In emerging economies, the year's most welcome development has been continued growth coupled with the continued absence of major crises. Shocks such as those that afflicted Mexico and Thailand and quickly spread to international markets in the 1990s have not been seen for some time now, though equity markets encounter turbulence now and then. This suggests that emerging economies' financial sectors and monetary regimes are becoming more sophisticated. China in particular, despite the ham-handedness of its central planners, has apparently cracked the code for avoiding hard landings—or, it seems, landings of any sort—for the time being, anyway. Yet, despite the increased stability in the emerging world, corruption remains an embedded problem and a hindrance to growth.

The year has seen even some economies in sub-Saharan Africa perform nicely. This has resulted largely, however, from strong international demand for commodities (which have also proved a boon to richer exporters like Chile and Australia), rather than from economic development or diversification. In much of Africa, setting aside energy and minerals, the prospects for long-term growth remain bleak. With Doha having run up on the rocks and mostly discouraging progress having been made toward the United Nations' Millennium Development Goals, it still falls mainly to Brazil, Russia, India, and China to be the main engines of growth in the emerging world.

The role of the United States in global growth has become, as 2007 approaches, somewhat murky. Its economy grew strongly early in the year but has provoked anxiety more recently, with third-quarter GDP numbers revealing a pronounced slowing. A long-feared housing slump is widely tagged as the

cause, and though occasional downturns in home values are predictable and survivable occurrences, unease about this downturn runs particularly deep. With the world outside the United States depending so much on the voracity of US consumers, the global economy can little afford a decision by American homeowners to clamp their wallets so tightly that even cheap imported goods from China and elsewhere cannot tease the pocketbooks open.

IMBALANCE OF PAYMENTS

On the other hand, and somewhat paradoxically, *gradual* US wallet-tightening could help redress one of the gravest dangers facing the global economy today—the US trade deficit (\$925 billion in 2005) and an out-of-whack balance of payments, about which economists have fretted for years. These twin problems might be alleviated if consumers reduced their spending and parked their savings somewhere safe, if Washington pitched in by starting to practice a bit of fiscal discipline, and if foreign investors moderated their fervor to buy US assets, incidentally causing a gentle reduction in the dollar's value. This set of circumstances would amount to an orderly unwinding of the balance-of-payments problem. If the unwinding is not orderly, the result could be collapses in currencies and asset values and disturbing movements in interest rates. For now, all that is certain is that the payment imbalances are not sustainable.

As long as such disasters remain polite enough not to strike, however, 2007 figures to see the large emerging economies continue to grow nicely while the developed economies grapple with a mild slowing of growth. According to IMF estimates, China in particular looks set to dazzle again, with 10 percent GDP growth predicted. India's economy

will probably grow at better than 7 percent, down about a percentage point from this year's pace, but still impressive.

In the rich world, things look different. Japan is projected to grow by just over 2 percent (though in Japan's case this is not to be sneezed at). Europe, despite recent, small signs of invigoration, will probably see growth roughly equal to Japan's. The biggest downside variable may be the United States. The IMF had projected its GDP to grow at a rate of 3.4 percent this year and 2.9 percent in 2007—but that was before third-quarter growth came in at just 1.6 percent. If the housing slump turns out to be as bad as certain gloomy observers fear, not just a slowdown but a recession could ensue, with predictable ripple effects.

In the end, single-year projections only mean so much. The real questions are these: When will liberal, transparent, wealth-generating policies be adopted in countries where liberalism does not now prevail? Will the developed world truly commit itself to helping less-developed countries integrate into the global economy and lift themselves out of poverty? What becomes of workers and families displaced by global disruptions in local economies? How will countries with aging populations or bulging youth cohorts contend with their demographic challenges? Will economic growth continue delivering on its promise to bring education, security, good health, and a chance at contentedness to those who now lack such things?

Over recent years, global growth has helped hundreds of millions of Asians to escape dire poverty—the greatest example of mass enrichment in history. What is needed now is more such development, full of high and animating purpose, to do the same for hundreds of millions more around the world. L. C.

SECURITY

What is it good for?

THE VALUE ATTACHED to war has declined in most parts of the world and seems likely to continue declining in 2007. Indeed, the number of major wars has been dropping for some time. Industrial nations have grown so dependent on trade and financial markets that the prospect of conventional conflicts among great powers, as occurred during the twentieth century, appears remote, at least for now. An interstate nuclear war is unthinkable.

Today, most wars occur in the developing world, drawing fuel from religious or ethnic animosities

and competition for resources, and taking place within rather than between states, though some spill over national borders. Militias and rebels comprise many of the fighters, civilians most of the victims. Wars have been especially debilitating in Africa, the scene of most of the world's current bloodshed. But even in that continent, the number of conflicts has fallen from 16 in 2002 to 5 today. The greatest security threat facing Western industrialized countries, including the United States, is not war with other nations but the potential con-

junction of non-state actors with nuclear or biological weapons.

Nevertheless, the past year has seen a spike in conflict-related death in several continuing exceptions to the antiwar trend. The two most prominent cases involve, tellingly, insurgency and civil conflict. Under the rubric of America's war on terror, US-occupied Iraq has become far more violent and the Middle East less stable. In Sudan's Darfur region, horrific slaughter has resumed, in part because the international community has failed to muster an effective response.

THE MIDEAST MESS

This fall the Bush administration updated its stated Iraq policy from "stay the course" to, in the words of White House spokesman Tony Snow, "a study in constant motion." Yet various adjustments, including efforts to increase security in Baghdad, have failed to stem either the insurgency or the mounting sectarian killings.

Washington is pressing Iraq's leaders to agree on terms for demobilizing militias, sharing oil wealth, and ensuring a role for Sunnis in the government. So far, however, the Iraqi leadership has proved unable or unwilling to accomplish this—in part because the general insecurity in the country, which US mismanagement helped bring about, has prompted Sunnis and Shiites to fall back on clans and sects for protection and revenge.

With few assuming that a power-sharing agreement would hold up after the Americans leave, efforts to disband militias remain exceedingly difficult. Likewise, training Iraqi security forces to "stand up" so American and British troops can "stand down" is not working well, because many in the security forces place tribal or religious bonds ahead of national allegiance.

The bipartisan Iraq Study Group, headed by former Secretary of State James Baker III and former Congressman Lee Hamilton, will try to bail out Bush from another of his messes, like his father's friends did recurrently when Bush was younger. The end of one-party rule in Washington could theoretically enhance the possibility for serious debate and even for efforts to achieve bipartisan consensus. Unfortunately, after all the blunders and blood-letting, no options in Iraq look attractive.

Send more troops? The questions are where they would come from, what they would do, and whether they would be too late. Withdraw? Sunni areas might become a lawless haven for jihadists, and the sectarian chaos could worsen and spread

to other countries. Insert a strongman? That would hardly comport with the putative democratization rationale for the war. Create semi-autonomous regions for Sunnis, Shiites, and Kurds? It is not clear whether neighboring countries would accept an independent Kurdistan, why the new regions would believe government pledges to share oil revenues fairly, or how federalization would stop ethnic cleansing within the regions.

Engage Iran and Syria and other states in the neighborhood to seek their help in stabilizing Iraq as part of a comprehensive effort to resolve tensions in the Middle East? Whatever the promise of this strategy, it might be a hard pill for the Bush White House to swallow. At this point, perhaps the best Washington can hope for is to contain the damage, avoid all-out civil war, and prevent the conflict from engulfing the Middle East as US forces gradually redeploy.

The broader war on terror is not faring much better. A recently declassified US intelligence study provoked an uproar by stating the obvious: "The Iraq conflict has become the 'cause célèbre' for jihadists, breeding a deep resentment of US involvement in the Muslim world and cultivating supporters for the global jihadist movement."

And Iraq is hardly the lone grievance. US debates about detainee and torture policy, for instance, have received a wide airing. Israel's occupation of the West Bank continues to inflame opinion. This summer, Washington's tacit encouragement of Israel to bomb Lebanon for weeks failed to foresee the narrative impact of the televised deaths of Muslim civilians. It also ignored the prospect that Hezbollah's survival against Israeli armed forces would confer heroic status on the Islamists while bolstering their patrons in Tehran.

Al Qaeda's plan in initially attacking the United States, it should be recalled, was based on the same strategy that mujahideen had successfully used against the Soviet Union in Afghanistan. The idea was to lure Americans into invading a Middle Eastern country, whereupon jihadists would swarm over and bleed them until the infidel empire was defeated. The Americans seemed to avoid this trap when they successfully toppled the Taliban and routed Al Qaeda in Afghanistan shortly after 9-11. Yet then, in Iraq, they created a new trap to step in.

Partly as a result of the Bush administration's diversion of troops, intelligence operatives, and reconstruction funds to its war of choice, the security situation in Afghanistan is deteriorating. Senior Al Qaeda leaders have eluded capture. The

Taliban have regrouped and are waging open warfare against NATO forces in the south. Afghanistan has emerged as the world's principal opium dealer. And the potential for failed statehood has grown.

DEATH IN DARFUR

As bad as the Middle East crisis is, Darfur is just as bad. Over the past three years, an estimated 200,000 people have been killed in the western Sudan region and 2.5 million forced to flee their homes. This conflict, which has included massacres, rapes, and looting, pits Sudan's military and allied militias against rebels from ethnic African tribes who are seeking greater rights over local resources. Recent UN reports tell of Arab militiamen throwing women and children into blazing homes as they set villages afire.

The battle lines have grown messier since some rebel groups rejected a peace accord signed in May, and the fighting has now spilled into neighboring Chad. In August, the UN Security Council called for the deployment of peacekeepers to replace an understaffed African Union mission and to stop the killings that the US government has termed a genocide. But the UN resolution was a mockery, affording the oil-rich Sudanese regime, which has orchestrated the violence, a veto over the introduction of foreign troops.

President Omar Hassan al-Bashir has rejected the idea of a UN mission in Darfur, though he tolerates one in southern Sudan. His denunciations of "neocolonialist" and "Zionist" plots against Sudanese sovereignty have won plaudits in the region and in Arab states. But it is his country's oil reserves

that shield it in the Security Council, where China has resisted calls for intervention. A rising chorus now urges NATO involvement. In the end, a political settlement will be needed to stop the killing.

For five centuries the world's great powers engaged in wars to compete for preeminence. Today, even as countries continue to build armies and buy arsenals, war has become less viable for amassing wealth or empire. Nor does war, in many cases, augment states' power, in the sense of Thomas Schelling's term "compellence"—the ability to get others to do what you want. Indeed, the United States, the only superpower in a unipolar world—the hegemon that spends 10 times more on its military than the next highest spender—cannot seem to control two relatively minor powers, Iraq and Afghanistan.

Accompanying a general decline in the belief in war's efficacy, not coincidentally, has been a gradual but discernible strengthening of international norms against warfare. States are coming to recognize that legitimacy matters—it boosts leverage when it is present and enfeebles states when it is lacking. The only wars generally accepted as legitimate for some time have been those necessary for self-defense or to enforce the peace. Added to this list more recently have been cases, such as Sudan, where a state fails its responsibility to protect citizens from massive killing and suffering.

Whatever verdict these evolving norms of warfare assign to the US action in Iraq or the international inaction in Darfur, they certainly enhance the possibility that neither conflict will prove, in the long run, a trend-setter.

A. T. S.

DEVELOPMENT

PowerPoints and populists

IT IS MID-MORNING in a village somewhere in that place once called the third world but now labeled "developing"—a label meant to convey hope and progress but suffused with a Western conceit that maturation is still to come. A few cows—it could be goats or a herd of sheep—linger in a nearby field. Smoke from wood fires hovers over a ramshackle assortment of simply made one-room homes assembled amid dirt paths. A peek inside one of the homes finds a child—African, perhaps Latin American, definitely someone of color—staring intently at a bright screen on a small laptop. Her fingers tap lightly at the rubberized keyboard.

Occasionally she shifts and cranks the short handle jutting from the side that generates the power that keeps the machine running.

On the laptop's screen a window is open to Google. Another window holds a page from an electronic textbook. The laptop is linked to a wireless network that also allows the girl's mother in another corner of the room to go online with a similar laptop. She intently checks whether the prices and descriptions of wooden statues that her husband and a few other villagers had carved have been posted correctly on the fair-trade website the country's government has established on eBay. She then opens an Excel

document to review when the next principal and interest payment is due on the microloan that funded the packaging material for the statues.

Sound like fiction? It is. But it is a stylized portrait of the future that some believe can be a reality. The first of these self-contained, rugged \$100 laptops are scheduled to go from prototype to production line in 2007. And microloans, according to the World Bank, already serve 16 million poor people in developing countries, providing the financial foundation that spurs entrepreneurial enterprise and employment.

Both the laptop and the microloan are promoted as a new and formidable means to spur development—indeed, Muhammad Yunus, the founder of Bangladesh-based Grameen Bank, the best known microlender, was awarded the Nobel Peace Prize this year. But trade and aid, together with economic reform, continue to be the major tools by which the developed world hopes to bring change to the developing world. In practice, this attempt to induce change continues to be incremental, limited, and in some cases unsustainable economically for many developing countries. It has sparked a backlash in at least one region, Latin America, where it threatens to be overtaken by other policies and prescriptions that do not emanate from Washington and the rest of the developed world.

EMPOWERING THE PEOPLE

The brainchild of MIT's Nicholas Negroponte, the \$100 laptop (slated to fall to \$50 if enough units are sold) is not intended as a developmental panacea but as a means to bring educational materials and communications power to people who barely register on the radar of government officials in the capitals of the developing world. This individual empowerment is a first step toward creating the kind of educated and autonomous citizens who can take on the roles required to bring change to the developing world. As the Center for Global Development has noted, "with each additional year of schooling, people earn 10 percent higher wages." Moreover, "no country has ever achieved continuous and rapid growth without reaching an adult literacy rate of at least 40 percent."

Cheap, simple, and individually operated also form the basis of the microlending movement, as illustrated by Grameen Bank's lending practices. Small loans that average less than \$200 are provided generally to women to purchase materials needed to equip and operate small-scale enterprises. Although interest rates range as high as 20

percent, the repayment terms and practices are not onerous. Business has been good for Grameen, also, which has distributed \$6 billion in loans.

The awarding of the peace prize to Yunus this year has brought renewed attention to this latest version of "bootstrapping" development. But in some ways the more important story in 2006, and for the immediate future, might be what is taking place in Latin America, most recently in Bolivia.

Evo Morales was inaugurated president in January after a campaign in which he promised to ensure that revenues from the sales of Bolivia's natural resources—its abundant natural gas reserves especially—went first to Bolivians, and only then to the foreign firms carrying out the processing and export. Morales has worked to fulfill his promise by nationalizing the natural gas industry. He also has been, along with Venezuela's Hugo Chávez and Brazil's Luiz Inácio Lula da Silva, a vocal proponent of rejecting the economic prescriptions of Washington, the IMF, and the World Bank—that is, market liberalization, fiscal austerity, and privatization. Growth with equity has become the premise of the new economic paradigm in the region.

There is more than just leftist or anti-globalization sentiments driving leaders like Chávez or Morales to proffer alternatives. Former World Bank economist Joseph Stiglitz has pointedly noted that countries that implemented the economic advice of the IMF and the World Bank "have actually done more poorly recently than they did in the past. . . . Growth in Latin America was just half of what it was in the 1950s, 1960s, and 1970s, before we taught them what to do." Moreover, "words like fairness, equality, inequality," he notes, were not especially prevalent in the developed world's policy prescriptions.

That said, the tried-and-failed nationalization route offers no way out either—only the prospect of more disappointment. The Bolivian and Venezuelan model of state-dominated development may achieve a semblance of success, but only as long as energy prices stay high. In the meantime, opportunities for economic reform and diversification will have been squandered. The helpful part of the populist prescription is its focus on extending economic gains beyond corrupt elites. But sustainable success still depends on transparent institutions and the integration of developing economies into the global marketplace. State redistribution will not release nations from the grip of poverty.

Neither will foreign aid. Indeed, it is trade rather than conditional aid that accounts for the growth that much of the developing world has experi-

enced in the past year. Historically high commodity prices have driven up growth rates in both Latin America and Africa. Yet even in this area, the international community has yet to transcend the age-old pattern of the developing world providing raw materials for processing by the developed world. And rich nations have refused to take steps that would boost a broader integration of developing countries into global markets.

In particular, the failure this year of the Doha round of the World Trade Organization talks struck hard at the idea that the developed world could be trusted to adopt a difficult adjustment of the kind it has so often admonished the developing world to accept—in this case, reducing subsidization of an important political force, farmers. The Doha talks fell apart when the developed nations—the United States and Europe specifically—refused to remove price supports for farm products. Agriculture is

central to the economic well-being of most low-income countries. Much of the developing world also imports food. By rejecting trade reforms that would let developing countries enter even a limited number of farm markets, affluent nations have closed off opportunities for poor nations to modernize their agricultural sectors and create new employment in agricultural processing.

For all the interest in promoting technological tools like laptops and innovative financing like that provided by Grameen Bank, the failure of Doha captured a central truth about the North's level of concern for development in the South. This was aptly captured in a remark by Stiglitz: "Europe subsidizes its cows to the tune of \$2.00 a day. The reason why that is a relevant number is that \$2.00 is the World Bank measure of poverty. It's better to be a cow in Europe than to be a person in the third world." W. W. F.

RESOURCES

The year of oil

IF A HEADLINE-HUNGRY celebrity ever experienced a year such as oil has enjoyed in 2006, that celebrity's publicist would be in line for a substantial raise. Not a day has gone by, it seems, when oil has not seized big headlines. Oil has won its ink with price fluctuations that have maddened motorists and troubled economists, but also because of its association with geopolitical tensions stretching from Nigeria to Venezuela to Russia to Iraq. Gradually breaking into the spotlight, too, is an upcoming role likely to prove a career-definer for petroleum—the blockbuster, global warming. Yes, this fuel has had a very good year, in the sense that, although no one claims to *like* oil, no one spells its name wrong.

The centrality of oil presents the world, however, with two seemingly irreconcilable imperatives. The first is that, as all but the most science-resistant now realize, the international community must reduce emissions of greenhouse gases if it wishes to avert environmental disaster. The second is that, in order to raise standards of living, encourage liberal forms of government, and promote general security, the nations of the world must ensure that global economic development continues apace—which, for the time being at least, requires the burning of vast amounts of fossil fuels.

But growth cannot depend on oil forever. Even if the world chooses to pursue economic develop-

ment at the expense of its climate, it will discover, as global oil reserves are depleted, that petroleum's contribution to economic growth will diminish. Gradually but inevitably, oil will become prohibitively expensive, especially as industrialization in Asia and elsewhere contributes to energy demand.

For now, the oil-price spike of 2006 seems to have demonstrated that the global economy can withstand an occasional market-driven oil shock. A security-based shock, however, might prove a different matter, and the past year has only emphasized the world's vulnerability to disruptions in fossil-fuel supply. The year kicked off with the Russian state-owned gas company Gazprom temporarily reducing gas supplies to Ukraine and thus to the rest of Europe. In Nigeria, government forces have battled rebels for control of the country's oil-producing regions. In Venezuela, Hugo Chávez has continued to project antagonism toward his country's largest oil customer, the United States, all the while betting Venezuela's well-being on oil revenues instead of market reforms.

With security problems such as these likely to persist in years to come (and, in fact, with competition over water and other resources likely to provoke increasing conflict), it becomes reasonable to wonder which creeping disaster might catch us first—the transformation of the earth's climate

through global warming or the constriction of its economy through disruptions in natural-resource supplies and gradually increasing prices.

A TROPICAL DEPRESSION?

Absent more aggressive and collective intervention, global warming will itself prove no walk in the economic park. This fall the British government's top economist released a report estimating that climate changes induced in part by fossil fuel consumption—changes including increased flooding, shortages of drinking water, crop failures, and outbreaks of disease—could reduce world economic output by 5 to 20 percent, a disruption comparable to the Great Depression. Though some other economists dispute the magnitude of the potential disruption, the report's author was probably correct in asserting that the chance to avert global warming's worst effects could be gone within a decade or two.

As has become customary in recent years, the year 2006 has brought new data supporting the reality of climate change. The first six months of the year in the United States were the hottest on record. The previous year had been the hottest on record worldwide. British scientists (somewhat controversially) have warned that global warming may already be affecting the flow of the Gulf Stream in a way that could, counterintuitively enough, turn Europe frigid. And there have been continuing reports of animal species' altering their ranges of habitation because the weather had gotten too hot or dry in the places where they had previously lived.

Along with the dire data has come the usual measure of inadequate official response. The United States retains its status as the world's top producer of greenhouse gasses, still giving no sign that it might ratify the Kyoto Protocol to reduce such emissions. Australia has not signed on to Kyoto either, and though Canada and Japan are signatories, both are doing a poor job of reaching their emissions commitments. China, meanwhile, a country that by 2015 looks set to overtake the United States as a source of greenhouse gasses, has continued to build coal-fired power facilities at a rapid pace. It also is expending much of its growing diplomatic strength on securing oil supplies from countries ruled by unsavory governments.

To top it off, public investment in alternative fuels development has remained hardly more than a trickle. Among the governments of major economies, only Japan has increased funding for energy

research in recent years; the United States spends 20 times as much on military research as it spends on energy research. Paradoxically, the world is underfunding research into new energy technologies even as technology creates ever-greater demands for energy. Millions of newly middle-class consumers around the globe are buying cars and filling their homes with gadgets. By the end of this decade, the world's computing systems are projected to draw half the electricity that the world produces.

As worrisome as most of the climate news is, promising trends persist as well. Technological advances manage to be made despite inadequate public funding. Solar energy, for instance, is becoming more viable as researchers discover cheaper materials for building solar panels. Geothermal power can now be harnessed from cooler water than was previously feasible.

Moreover, although the United States and many other governments are doing little to redress climate change, some (notably in Europe) appear committed to facing the problem. Within the United States, cities and states are taking their own steps against greenhouse emissions. Even environmentally backward China is showing a few hopeful signs. Granted, the government is likely more concerned with popular outrage at miserable environmental conditions than it is worried about the state of the natural world. Nevertheless, it is building windmills and running some hydrogen-powered buses.

Those who belittle the urgency of addressing climate change often seem, coincidentally, to derive economic benefit from doing nothing about it. In any case, it is hard to imagine anyone performing a rational risk analysis and concluding that the smart play is to ignore global warming.

Fortunately, the aims of economic advancement and responsible environmental stewardship are not incompatible. Not only might efforts to address climate change avoid potentially severe disruptions to global growth, but the development of alternative energy sources and energy-efficient technologies could themselves prove economically productive. If governments show farsighted leadership and devote more resources to mitigating global warming, and if the private sector follows as dictated by market forces, eventually the world will reach a technological tipping point. At that point, alternatives to oil will do more than help avoid environmental disaster. They will also constitute a brand-new economic motor, one capable of harnessing ingenuity worldwide and keeping the global economy running for a long time to come.

L. C.