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America’s National Labs Critical to Energy Security

Holland:
Why Oil Prices Will Remain High Despite the U.S. Oil Boom

BGen. John Adams USA (Ret.):
Cyber Theft and Vulnerabilities to the U.S. Defense Industrial Base

Cole: American Competitiveness must be a priority in Washington

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Joyce: Oil Dependency: a Subtle but Serious Threat

Lodge: More Action Needed to Reduce Nuclear Dangers

Wallin: Engagement: What does it Mean for Public Diplomacy?

Mull: Disinformation in Public Diplomacy
Geraghty: India and Australia: An Emerging Partnership in the Indian Ocean?
Engebretson: Crafting a New Policy for the Crisis in Egypt (No, Not the Political One)

Freear: Looking at the lessons since Black Hawk Down
Over the past quarter, ASP has continued to examine a host of issues and their implications for our national security. From American Competitiveness to Nuclear Strategy to Public Diplomacy, we have published a wide array of articles on what we feel are the most pressing matters in the security dialogue of our nation. While it is not an issue of “guns and bombs” we here at ASP feel that state of our energy security—our ability to act in our foreign policy independently of how we use energy domestically—is paramount to the security of our nation. One such energy issue I would especially like to draw your attention to is the state of American energy—namely oil production and gasoline prices.

In 2012, U.S. domestic oil production surpassed that of any year within the past 15. And yet, crude oil and gasoline prices remain near historic highs. So far, increased domestic production has not been large enough to make an impact on prices—which are set by global supply and demand. In addition, oil use produces greenhouse gas emissions, directly leading to climate change. As regular readers know, climate change presents clear national security implications.

For more on how booming domestic and global production prices remain high, see ASP’s 2013 Report “Cause and Effect: U.S. Gasoline Prices.” It highlights how little impact that U.S. production has on global oil prices and the direct link between the cost of crude oil and American pump prices.

Since January of 2009 U.S. oil production has increased by 34% - an unprecedented increase. Up to now, this rise has only accounted for 1.5% of the total global increase in crude oil production. In addition, U.S oil consumption has dropped by 15%.

Unfortunately, that’s not the whole story. The global demand for oil has continued to rise.

As Americans we cannot continue to participate in a myopic view of oil and gasoline demand. Our fluctuations in both supply and demand do not control the global market.

All of this combined to show how 2012 saw the simultaneous growth of domestic oil production and a significant (approximately 8%) increase in American gasoline prices. While we may be transitioning to a period where we are not dependent on foreign sources of oil, that is not the promised land we were supposed to see.

In the end, we must decrease our dependency on oil as a source of fuel in order to enhance our competitiveness and security. Investment in renewable energy sources and biofuels are crucial to helping break the hold oil has on our economy and national security.

I hope this preview whets your appetite for the truly thoughtful and comprehensive articles included in this, our latest edition of American Security Quarterly.

BGen Stephen A. Cheney USMC (Ret.)
CEO American Security Project

American Security Quarterly - edited by Wes Reichart
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American Competitiveness must be a priority in Washington

August Cole

Flashpoint Blog
May 6, 2013

Many of the best solutions to strengthen American competitiveness are not new.

The Hart-Rudman Commission, for example, more than a decade ago proposed significantly raising investment in science education because of the obvious benefits to U.S. national security, among other reasons.

Yet such seemingly sensible measures still remain out of reach for policymakers. No matter the obvious, and increasingly urgent, signs in the opening years of the 21st Century that a national approach is needed to shore up everything from infrastructure to science and engineering education in order to strengthen America.

According to Sean Kay, a professor at Ohio Wesleyan University, America lacks the unity of purpose and strategic focus that followed the 1957 surprise of the Soviet Union sending the Sputnik satellite into space.

“The United States seems to be suffering strategic paralysis, unable to agree on what the shifting trends in global politics mean for the American future,” Kay wrote in the latest issue of the journal Survival in his article, “America’s Sputnik Moments.”

(Survival is published by the International Institute for Strategic Studies. The author of this blog post is a member of the IISS.)

The years following the Sputnik orbit saw profound investment and bureaucratic initiative that led to ensuing establishment of NASA and DARPA’s predecessor agency, for example. Such feats of creation are literally unimaginable today in a time when growing government programs beyond defense carries immense political liability and broad bipartisan agreement on acute issues is as likely as snow falling on the Beltway in July.

Spending on education, particularly science and engineering but also foreign language training, surged post-Sputnik because of the confidence that this kind of allocation of taxpayer dollars would yield huge returns in the future. National Science Foundation spending rose from $40 million in 1958 to $500 million in 1968, Kay points out. That kind of conviction that government spending in science is a sound investment is missing today.

“What is missing across the political spectrum is a sense that ideology should be informed by basic facts, not the converse. As is often said, the nice thing about science and facts is that they are true whether one believes them or not,” Kay wrote.

Importantly, the Sputnik shock was seen as an issue of national security more than a scientific or technical hiccup in America’s national trajectory. The importance of space to America’s defense was obvious to everyone from President Dwight D. Eisenhower to Congress.

Similarly American’s competitiveness needs to be seen as more than just an economic issue, as it is often framed. It is a national security issue.

After more than a decade of war and historic levels
of defense spending, the U.S. can no longer count on its military might as the best measure of its global influence. If anything, further reliance creates strategic liability. It does not have to be. America’s strength comes from many pillars, including education, the political system, immigration policy, the defense industrial base and others. However, most of these are under threat not from an external foe, but from our own mismanagement and lack of strategic vision.


Improving American competitiveness starts with re-framing the national security debate. It is time to take on disparate issues that are at the core of the American system and address them with a sense of common purpose. What is also important now is agreeing this is an urgent issue.

That concord can be an important moment of recognition of the seriousness of our current situation. The steps that should follow are just as clear today as they were to America’s leaders more than 50 years ago.

Bare Bases on Foreign Lands – The First Step in Defense Efficiency?

Adin Dobkin

Flashpoint Blog
July 1, 2013

Depending on whom you ask, the United States currently maintains a force of nearly 300,000 troops stationed overseas. Although a majority of these individuals are fighting in the War on Terror, the US also actively maintains fully staffed bases in relatively stable and friendly areas such as Germany, Australia, Norway, and Italy. When considering this fact in the light of imminent budget cuts, a logical area of improvement would be the surgical removal of permanent troop installations in non-critical areas.

Nearly one half (approximately 135,000 acknowledged troops) are stationed on non-warzone foreign bases and in international waters. It has been estimated that the maintenance of these troops and bases cost $250 billion annually – a significant number for any operation.

If the vast majority of these troops are not currently involved in warzone operations, what purpose do they serve to the US defense policy? For the most part, they act as a political psychological show of power and confidence in their respective areas. They demonstrate that the United States can and will become active in engagements against our allies. In addition, it has been argued that the troops can act as a quick reaction force in the event of nearby conflicts such as in the Middle East. Despite these assurances, their critical role has often times been overstated by certain groups.

For all the seemingly positive arguments in favor of this presence, it is not as clear cut as one might initially imagine. First, the existence of these troops is rarely developed to accommodate changing geopolitical conditions. The size and continuation of these bases are static throughout the years, despite a shifting regional focus. In many parts of Europe, they are considered a Cold War relic, regardless of their continuous staffing.

Second, the “quick reaction force” that staffs these bases is not always combat ready. If regional conflict were to erupt in the area, rapid deployment forces such as the Army Rangers and Airborne Corps would be more suitable for the conditions that the typical troops found at the bases. These units are capable of deploying in 18 hours regardless of the mission.

Lastly, US troops simply aren’t always needed in these areas. If one keeps in mind that rapid deployment forces would be used for mid to large scale operations in the Middle East, European based conflicts could be handled with ease by our NATO allies. If troops were eventually required to enter the area, our fully maintained bases would not have a distinct advantage
over other forms of establishments.

Converting these fully operational bases into bare bases would be a valid streamlining measure that would continue our operational readiness for valid conflicts as well as save a significant amount of money for more pressing matters. A fully implemented bare base structure would utilize a military caretaker staff during peacetime to ensure that the base “[has] minimum essential facilities to house, sustain, and support operations to include… a stabilized runway, taxiways, and aircraft parking areas.” If required, combat and support units would be capable of deploying to the base during wartime with little to no warning or infrastructure development required. For many of our bases in stable regions, this would remove millions of dollars spend on maintaining full staffed structure that may never be used.

A potential compromise to a full bare base structure could include the development of more joint military facilities. These bases could prove to be fruitful for diplomatic relations in areas where a strong US presence has been called into question by the local population. Bases maintained by a foreign staff could also ensure that the United States doesn’t bear the brunt of costs associated with a fully equipped station. Through the development of bases like those created in Bulgaria, the US could find a middle ground that ensures readiness as well as economic and political stability.

The strong presence of United States armed forces throughout the rest of the world is a poor reflection of our 21st century capabilities. More often than not, the full staffing of these establishments does not serve as a direct and significant interest to our defense or foreign relations. By converting many of these bases to a joint or bare base structure, we could ensure that our budget is utilized to its fullest potential, all the while improving the diplomatic relations and foreign readiness of our allies.

Corporate Tax Reform: Is Territorial the Solution?

Justin Winikoff

Flashpoint Blog
June 11, 2013

Our nation’s tax policy poses a serious threat to American competitiveness. According to business leaders surveyed by the World Economic Forum, a nation’s corporate tax policy is among the “most problematic factors for doing business.” An additional OECD study revealed that “corporate taxes are found to be the most harmful for growth.”

With its global position in mind, it is imperative that the United States takes quick action to reform its tax code.

A recent study by the World Bank revealed just how high American business taxes are. The 35% statutory rate has long been among the highest in the world. Even including deductions, however, the effective tax rate on American companies is 27.6%, twelve percentage points above the average of all other OECD countries.

The tax code presents a complex problem for policymakers: myriad loopholes prevent the U.S. government from maximizing revenues and dampen domestic growth. The current “worldwide approach” taxes both income earned domestically and abroad (although it allows foreign tax credits to avoid double-taxation). However, corporations (not only Apple) are allowed to defer the tax on international earnings until the money is repatriated. Therefore companies, with shareholders in mind, keep their money abroad, preventing tax revenue and investment from returning to the United States. One study estimates, that American multinationals are holding more than $1.7 trillion in earnings abroad.

Other tax loopholes allow companies to transfer money and excess tax credits from high-tax countries to
affiliate branches in low tax countries through “strategies” regulations and cross-crediting.

Such reform must begin, a move with bipartisan support. The rate is substantially higher than in most other advanced countries, and puts American companies at a competitive disadvantage. Other sensible reform includes eliminating deferral, which would lead to increased repatriation and tax revenue.

But where do we go from there?

Some have called for a switching from a “worldwide” to a “territorial” tax system. A territorial approach only taxes domestic income, and is used in virtually all advanced economies other than the United States. By exempting foreign-earned income from taxation, this approach hopes to motivate firms to re-invest their earnings domestically. This could consequently lead to economic expansion and more job creation back in the United States.

Another advantage of the territorial approach is that it enables American firms to be more competitive in the global economy. Multinationals would no longer have to pay taxes on repatriated income. Their only tax burden, like companies from other “territorial” nations, would be in the countries in which they are operating. This would substantially level the playing field by allowing American companies to compete with a similar effective tax rate.

Senators John McCain (R-Arizona) and Carl Levin (D-Michigan) are hoping to craft a bill that may incorporate elements of a territorial tax system. With Levin set to retire in 2014, Congress hopes to achieve comprehensive corporate tax reform before then.

Despite its nearly universal use, however, uncertainty surrounding the territorial system may prevent its passage. Many economists feel the revenues abroad would not be reinvested in the United States. A 2005 tax repatriation holiday did not lead to further investment. Instead, funds returning home went to dividends and share repurchases. Such an approach could lead to further investment in tax havens. Moreover, a territorial tax system may have other adverse effects on the American economy such as lower realized wages.

Regardless, the discussion concerning the territorial tax system must continue. Mr. Cook’s appearance at the Senate made it clear that there is political advantage to making this a highly visible issue. If American competitiveness is to improve, then Congress must work together to construct a loophole-free, effective corporate tax code.

Infrastructure Investment Greatly Needed for Competitiveness and Security

Wes Reichart
Flashpoint Blog
June 27, 2013

America’s critical infrastructure is very important to ensuring both competitiveness and security. The movement of goods, people, energy, and information is vital to a strong economy and defense. In order for such transit to take place efficiently, effectively, and safely strong infrastructure systems and networks must be in place and maintained. Unfortunately, crumbling infrastructure throughout the United States has not only reduced American productivity but left the nation vulnerable to being overwhelmed via homeland disasters. Well-planned and efficient investment in updating and maintaining critical infrastructure is desperately needed to enhance American competitiveness and national security.

An American Society of Civil Engineers (ASCE) report claims that businesses could face up to $1.2 Trillion in extra costs due to deteriorating infrastructure systems. Furthermore, the report card issued by the ASCE assigned America’s infrastructure a D+ grade.
citing major deficiencies in the following areas: energy, transit, roads, and levees. Even in the face of rapid online commercialism, traditional structures including roads, bridges, harbors, and railways still remain essential to the transport of raw materials, finished products, and services. Crumbling and inefficient infrastructure will cause higher transport costs for businesses as travel contains more congestion, is not as safe, and does not work smoothly. Such circumstances will act as significant drags on the U.S. economy and thus greatly hamper American competitiveness.

In addition to competitiveness concerns, the deterioration of American infrastructure also presents a host of national security challenges. In a broad, simple view, the quality and efficiency of infrastructure is crucial for the transport of troops, supplies, and equipment for deployment and transit between homeland bases. Response to threats, attacks, and natural disasters require the ability to quickly mobilize and maneuver forces throughout the nation. Poorly designed and inadequate infrastructure will hinder the ability for the United States to respond quickly. Also in the event of a natural disaster, it may further exacerbate the damage ensued as weak levees may break. The nation’s worst fears in this regard were witnessed beyond magnitude during Hurricane Katrina, and yet not much progress has been made.

Major investment in infrastructure repairs and upgrades are desperately necessary for both economic related competitiveness concerns and national security challenges. The aforementioned ASCE report estimates that the United States would need to invest approximately $3.6 Trillion to raise the nation’s infrastructure to an acceptable “B” level by 2020. These costs will continue to rise exponentially should the U.S. choose to sit idly by as more critical infrastructure crumbles and falls by the wayside.

Admittedly, achieving multi-trillion dollars of investment within the next seven years is highly unlikely in the current era of fiscal austerity. However, increased investment in infrastructure must be made through a series of reforms and well-designed programs. Ultimately should the public and private leaders of our nation fail to act, there will be extreme long-run economic, competitiveness, and security consequences.

A strong starting point in this process involves reform of government spending with regards to infrastructure programs such as the Highway Trust Fund. No longer can the federal government allow pork-barrel spending and short-term stimulus objectives to eat away at appropriated budgets. Federally funded infrastructure projects must be carefully evaluated to ensure the most needed and efficient projects are funded rather than those that are used to appease constituents or special-interests. Along with these judgments, a project’s expected economic returns should also be included in the respective cost-benefit calculus.

In order to overcome the rational (we need to avoid unsustainable deficits for other competitiveness concerns) lack of available government funding, public-private partnerships must be forged. Congress should work to create a “National Infrastructure Bank.” This long-term, fundamental mechanism will help to raise the rate of investment for infrastructure projects as private institutions will see viable returns to their excess, mostly flexible capital. Businesses should also become more aware of the economic benefits such projects will provide their transportation mechanisms.

Similar to American Competitiveness writ large, the United States infrastructure is crumbling—and crumbling fast. Long-term solutions are desperately necessary to save the nation from a large magnitude of economic and security problems. Disciplined spending and greater investment fueled by a public-private partnership are requisite to turn things around. Urgency is paramount as the greatest consequences could be just around the corner.
The STEM Jobs Shortfall Is a National Security Shortcoming We Can Fix

Justin Yarros

Flashpoint Blog
April 3, 2013

At the top of the list of challenges to American competitiveness and national security is the lack of STEM (science, technology, engineering, and math) graduates in our schools and universities. The U.S. is facing a shortfall of 230,000 STEM jobs because Americans are not earning enough of the requisite degrees to fill those positions. American competitiveness suffers as a result. The U.S. strategy should therefore include hiring more foreign-born workers and finding ways to improve science and math outcomes for U.S. students.

The STEM jobs shortfall problem starts with the education system. The National Science Foundation (NSF) showed that few American 4th graders are proficient at math and none of their average scores reach the “proficient level”. By 12th grade most American students are not at the proficient level in math and science.

These graduates are unfit to fill engineering, science, and technician jobs that the aerospace and defense industry needs to remain on the cutting edge of research, development, and production. Partly due to the education gap, “the STEM activities of the Department of Defense are a small and diminishing part of the nation’s overall science and engineering enterprise.” This is a crisis but the United States has the resources to make its research and development stronger – and the jobs are already there! Teachers should be empowered to offer solutions instead of being blamed for systemic failures, while students should be encouraged to see STEM studies as an exciting potential career path.

ASP has also looked at the link between immigra-
tion, American competitiveness, and national sec-
urity, and identified the H-1B visa program as a means to boost American competitiveness. This visa allows foreign workers with special skills to live and work in the United States.

Hiring foreign workers or foreign students who are graduating with U.S. degrees is good for American workers. There is a multiplier effect – one study concludes that every foreign worker with an advanced U.S. degree adds 2.62 jobs to the American economy.

The U.S. Congress and President Obama are already working out the details of immigration reform. One proposal eliminates the cap of 20,000 visas per year for foreigners who earn U.S. degrees. An alternative proposal would increase the cap on H-1B visas. Policymakers should also take a serious look at how to improve scores in math, science, and engineering among K-12 students. The policy choices we make today will have a direct causal effect on the ability of the United States to maintain its competitive edge in the years to come.

Cyber Legislation Needed to Protect American Competitiveness

Ben Secrist

Flashpoint Blog
June 20, 2013

National security and American competitiveness are deeply intertwined; hacking and theft of data from the Defense and private industry is a constant concern. While the United States will certainly remain the target of cyber attacks from a range of perpetrators, there are actions that can be taken to limit the damage.

The Cyber Intelligence Sharing and Protection
Act (CISPA) was a bill proposed both in the 112th and 113th congress and passed by the House on April 26, 2012 and again on April 18, 2013 however it failed to pass in the Senate both times. The legislation attempted to allow for greater information sharing between private businesses who were victims of sophisticated cyber attacks and the federal government. Much of the bill was focused on protecting energy companies and firms in the defense industrial base, both of which are included in the Department of Homeland Security’s list of 18 critical infrastructure sectors.

The theft of intellectual property poses both a national security risk and an American competitiveness issue because it closes the gap between America’s military and economic advantage over the rest of the world. For countries like China and Russia, it is much cheaper and faster to set up a hacking cell than fund research that could take years to see results.

Since much of the intellectual property belong to private companies, what responsibility should the government have in protecting it?

On March 17, 2011 the computer security firm RSA announced that it had been hacked by a “highly skilled, well-funded group with a specific agenda.” RSA makes encrypted keys used by the U.S. government, the intelligence community, many firms in the defense industrial base, and fortune 500 companies. In January of this year Apple admitted they had been hacked along with Twitter and Facebook. Bloomberg reported the attack originated in Eastern Europe from a cyber-gang intent on selling the information they collected.

Large companies may be better prepared to protect their property from theft but medium or small firms do not necessarily have the resources to fend off sustained cyber attacks. Coordination between the private and public sectors is necessary so these smaller firms can also be protected. Sharing best practices and information on common threats is where the government could step in and help.

Even without concrete legislation being passed, steps have been taken to increase information sharing, especially in the defense industrial base. In 2011 the Pentagon launched their “Defense Industrial Base Enhanced Cybersecurity Services” program in which defense companies would send reports on attempted and successful hacking into their networks. After being scrubbed of private data and ensuring the victim company would remain anonymous, the information would be shared with other participating companies on the signatures of the attackers. Unfortunately only a handful of companies participated in the program out of the thousands of firms in the defense industrial base.

While CISPA failed to become law due to arguments that it violated the privacy of citizens, it still passed the House with overwhelming support from both sides of the aisle. The issue of maintaining American cyber security is too important for Congress and the White House to simply allow potential protections to flounder and die within governmental bureaucracy. The government has a responsibility to protect the country’s security, and the theft of major weapons systems data certainly justifies at least a political response.

Both Congress and President Obama know how important passing legislation is to protect our country’s intellectual property and the competitive advantage we hold over the rest of the world, but striking a proper balance of security, privacy, and the role of government has been tricky. A proactive and well-de liberated approach to cyber legislation is much more desirable than a reactive and hasty response following a major cyber attack. As Senator Jay Rockefeller of W.Va. said, “There is too much at stake for Congress to fail to act.”
High-Skilled Immigration Reform Needed to Enhance Competitiveness

Wes Reichart

Flashpoint Blog
June 21, 2013

The political capital and motivation pushing immigration reform should not reside solely with the demand for stricter border security and the prevention of a mass influx of illegal aliens. While national security and illegal immigration concerns are clearly linked, they are also related to the lack of high skilled immigration as viewed from the lens of American Competitiveness. The United States must aim to attract and retain the “best and brightest” in order to ensure greater security through economic and research and development advancements. The current system for immigration greatly hinders the state’s ability to keep high skilled foreigners in the United States upon graduation as well as attract the best. Unfortunately, over the past decade, the United States has seen a pattern of human capital flight with regards to highly educated foreigners. Due to a flawed immigration system in which only 85,000 H-1B high-skilled and 140,000 work visas (of which one country cannot make up more than 7%) are issued, the U.S. is losing many of the top foreign-born students to other nations such as Russia and China. Such ramifications are especially true in the most critical programs for advancement, especially those with degrees in Science, Technology, Engineering, and Mathematics (STEM).

In 2011, an estimated 40% of the approximately 25,000 students in the United States receiving Ph.Ds in STEM programs were foreign born. However, as a result of the extreme lack of appropriate visas, only 30% of these graduates were able to stay in the U.S. and work in public or private enterprise. This complete disconnect between a vast need for highly-skilled STEM graduates to complete vital research and development and being able to capitalize on an abundance of U.S. educated foreign-born students is quite alarming.

The United States and American taxpayers are failing to achieve a much needed return on “their investment” as many of the foreign-born students attending major research universities receive U.S. government grants and/or state education system scholarships. On the whole, American institutions of higher learning have made considerable advancements in their ability to attract the “best and brightest” scholars across the globe. As the business community and government agencies yearn for such talent, the powers that govern the U.S. should take a lesson in this approach and implement high-skilled immigration reform.

The current dearth of foreign-born STEM graduates working in the U.S. presents great challenges to many national security imperatives. Without very skilled and intelligent students entering both the public and private sectors of the defense industrial base the U.S. will suffer from a lack of superior research and development. A wide array of emerging asymmetric and hybrid threats such as biological and cyber warfare require highly complex scientific and technical responses. Should U.S. educated, foreign-born graduates return home or land in another nation, they may provide other states with the skills and knowledge necessary to threaten U.S. primacy in certain areas. Furthermore, the Department of Defense may be missing out on the ability to utilize highly educated and skilled foreigners to develop new weapons systems and military technology.

As immigration reform reaches the floor of both houses of legislature, Congress should be sure to overhaul the system to include a greater availability of long-term visas and citizenship for highly skilled foreign-born students whom were educated in the United States. Greater coordination between public and private immigration needs is a necessity. Leaders may wish to consider a provision in which students who possess the most-needed degrees, STEM graduates,
will receive automatic long-term work visas should the gain employment within six months of graduation. Such reforms will undoubtedly assist American Competitiveness and national security concerns as the U.S. will remain technologically superior via the ability to attract the most highly skilled students from around the world.

**Bigger political threat lurks behind sequester impact debate**

August Cole

*Flashpoint Blog*

May 8, 2013

Anyone living in and around the Beltway can tell you that the post-2001 rise in defense spending has given the Washington area an historic economic boost. It felt, at times, like the dot-com boom during the 1990s Bay Area and it was visible everywhere from restaurants to car dealerships to real estate property showings.

More broadly, how the national economy ecosystem will change now that federal spending, particularly defense, is being pared back is still playing out. Reduced government spending is indeed taking a bite out of GDP.

For economists, politicians and industry, it’s an essential question. In particular, companies and lawmakers who want to preserve their favored defense programs, the threat of defense-cut driven economic devastation has become a handy political cudgel.

Yet, according to a report from George Mason University’s Mercatus Center, defense cuts in particular may not hurt the U.S. economy as badly as has been portrayed.

“Predictions that the sequester’s defense-spending cuts will have a dire economic impact should be viewed skeptically in light of the nation’s experience with much larger defense-spending drawdowns—including following World War II and the end of the Cold War—neither of which resulted in predicted economic declines,” wrote Robert Barro, a Harvard professor, and Veronique de Rugy, senior research fellow at the Mercatus Center.

Their research found that “over five years each $1 in federal defense-spending cuts will increase private spending by roughly $1.30.”

The focus on sequester’s economic impact is important for many reasons.

Lawmakers need to take a sounding to see how precarious their course might be after cutting federal spending without little discretion. More data, and reports like the Mercatus Center paper, are needed. Yet the fact that sequester took effect at all is the bigger, and strategic, issue.

A steep price has already been paid.

America’s competitive position in the world is tied to a functional, and somewhat predictable, political system. Business counts on it, both at home and abroad. Our allies also need to believe we are capable of making decisions as a country that are strategic in their aims and rooted in compromise. The twitchy politicking of the past year is even more frustrating because many of the policy measures taken have been done in the spirit of long-term benefits to the country yet they are carried out in a way that erodes confidence and encourages partisanship.

As lawmakers consider their agenda for the summer, tackling America’s big structural issues post-sequester should not fall by the wayside. This is the time to improve America’s competitive standing.

The economic benefit of a functional political system should be something that no politician needs to have explained to them.
Technological innovation is essential to a nation’s competitiveness in the global economy. Research and development (R&D) projects led by private companies often trigger this innovation. R&D has inspired private sector breakthroughs that have revolutionized the American economy in industries such as computers, medicine, and energy.

To be among the most competitive nations in the 21st century, the United States must encourage research and development projects through changes in tax policy and effective regulations.

A recent report by the American Energy Innovation Council (AEIC), leaders of research programs at U.S. energy companies listed our nation’s tax credit policy among the greatest hindrances to greater R&D success. They additionally cited support from foreign governments as a major motivation to perform research abroad rather than in the United States.

The two most frequent complaints about the R&D tax credit are its inconsistency and its low value. J. Michael McQuade of UTC told the AEIC that “we need a predictable tax credit.” Since its enactment in 1981, the R&D tax credit has expired eight times and has been renewed fourteen times. It was recently extended again (and retroactively applied to 2012), but is set to expire at the end of the year. The uncertainty surrounding the tax credit makes it incredibly difficult for private companies to set budgets, engage in new projects, and plan for future R&D. A permanent extension of the tax credit, proponents argue, may significantly increase its effectiveness and encourage further private sector research.

Researchers also argue that the R&D tax credit is valued too low to compete with similar policies abroad. In 2012, a study by the Information Technology & Innovation Foundation (ITIF) ranked the United States 27th globally in R&D tax incentive generosity. Developing nations such as India (ranked first), China, and Brazil are all ranked higher than the United States. Additionally, OECD nations such as Spain, Portugal, and France have more generous R&D tax incentives. ITIF notes that American tax credits cover from 14% to 20% of research expenditures, compared with a 200% super deduction for R&D in India.

Yet not everyone believes that more effective tax credit is the key to R&D success. One analyst, Michael Rashkin, argues that private companies must engage in R&D to remain globally competitive, and will do so regardless of whether or not they are provided a tax credit. Additionally he notes that over 80% of the credits are earned by large companies such as Apple, Google, and Microsoft who probably do not need the credit to perform research.

Tom Kavassalis of Xerox also argued against a more consistent tax credit. He told the AEIC that the tax credits quickly “become part of the baseline,” and do not promote further investment in research and development.

The claims made by Rashkin and Kavassalis may have some validity. A 2012 report by the National Science Foundation revealed the United States ranks ninth in 2009 R&D intensity, the R&D/GDP ratio, with an intensity of 2.88%. Half of the countries ranked ahead of the United States (including the top three- Israel, Finland and Sweden) all have less generous tax incentives according to the ITIF. Additionally, nations with the most generous tax credits (India, Portugal, Spain, and France) all have less R&D intensive economies. There is clearly not an obvious correlation between tax incentives and R&D intensity.

Tax incentives may encourage R&D and innovation, but it is not the only method for doing so. Moreover, it must not be our only tool for promoting re-
search. An effective policy will address R&D through a variety of strategic measures. Such a policy would include not only incentives, but also research grants and proper regulations. The R&D tax incentive may be part of the answer to spurring innovation, but it is certainly not the whole solution.

Oil Dependency: a Subtle but Serious Threat

William Joyce

Flashpoint Blog
June 4, 2013

Weapons of mass destruction, terrorism, and cyber crime are in the headlines as significant threats to our national security. However, over the next twenty to thirty years, America’s overwhelming dependence on oil presents subtler, although no less serious, threats to national security.

The U.S. is the largest consumer of oil in the world, burning through 18.83 million barrels per day. Even if the U.S. produced all petroleum products domestically, Americans would still feel the shocks from market volatility. Oil is a global market, and market prices prevail regardless of origin. Despite policies to improve vehicle efficiency, America remains dependent on oil. This dependency presents several threats to U.S. national security.

First, oil price volatility hampers American productivity and consumers. Economic vitality requires stable prices, as spikes in oil prices may
reduce output and wages while increasing inflation and interest rates. Most commonly, consumers feel these disruptions at the gas pump. The transportation sector alone consumes 13.223 million barrels of petroleum per day. Petroleum facilitates the functioning of these critical transportation networks, and small disruptions may lead to cascading price dumps. As volatile oil prices destabilize the economy, they jeopardize U.S. interests and national security.

Secondly, U.S. oil dependency distorts foreign policy. The U.S. imported 40% of its petroleum products in 2012. In order to ensure foreign oil security, the U.S. supports regimes it might not otherwise. Many oil-rich Islamist regimes in the Middle East receive de facto support from America in return for producing stable oil, despite conflicting ideologies and interests. Similarly, estimates show that extended military operations to guard oil supply lines cost the U.S. military $67.5-$83 billion per year. This dependency is costly and conflicts with the national security agenda.

Lastly, oil dependency undermines military preparedness and effectiveness. The Department of Defense consumed 117 million barrels of oil in 2011 in order to fuel the military’s vehicles, ships, and planes. The military must complete its missions, and without fuel options, it must endure oil price fluctuations. For every 25-cent increase per barrel of oil, the Department of Defense pays an additional $1 billion in fuel costs per year. Additional fuel costs means the military has to cut costs elsewhere, which have negative impacts on security and military preparedness.

Oil dependency is a long-term threat. The rising cost of oil dependence affects all aspects of American society and threatens national security. If the U.S. wishes to reduce these threats in the future, the U.S. must properly fund energy research and development to commercialize technologies that will break America's oil dependency. Only then can we say we have actually achieved energy security.

Climate Change and Instability in the Sahel

Evan Meltzer

Flashpoint Blog
June 10, 2013

Climate change is a real and pressing issue affecting the Sahel and Maghreb regions of North and West
Africa today. Weather pattern changes are causing desertification and prolonged drought in these regions. The Gulf of Guinea experienced an increase in water temperatures over recent decades, shifting rainclouds in the Sahel farther south. Consequently, between 1996 and 2006, Algeria lost 13,000 km² of its land to desertification, while Nigeria lost 3,500 km².

While a characteristic of the Sahel region is variable precipitation, in the second half of the 20th century, the region has experienced a dramatic decrease in average rainfall, as much as a 50% reduction. In addition, droughts occur now in two out of five years, which causes harvests to be highly uncertain. Detrimental effects from climate change further exacerbate the growing strife and instability of the region, acting as a “threat multiplier.” These effects include increased water scarcity, lack of food security, and increased desertification. These may significantly increase instability in weak or failing states by overstrecthing governments’ capacities.

Over the next twenty to thirty years, these conditions will fuel the growing threat of Islamic radicalization in the Sahel and Maghreb areas of Africa. This will constitute one of the most important dangers posed to both American and global security.

For example, sectarian violence today ravages Nigeria as Boko Haram – a localized jihadist group – threatens the country by seeking to overthrow the elected government and implementing Shari’a law nationwide. Colonel Sambo Dasuki, an advisor to Nigerian President Goodluck Jonathan, blames Boko Haram’s activities on climate change because of lack of employment opportunities.

Dr. Soji Adelaja of Michigan State University echoes Dasuki’s point, commenting that rising sea levels in the Niger Delta and desert expansion in northern Nigeria forced young workers out of traditional occupations. The disruption to individuals’ livelihoods because of drought and famine leads some to join terrorist groups to alleviate the hardships faced from unemployment.

Following recent regional unrest, this area now presents a unique opportunity to address these security threats. From the overthrow of Malian President Amadou Toumani in March 2012 to the capture of foreign workers in Algeria in early 2013, the region is a powder keg with a volatile mix of Islamic extremists and worsening environmental conditions.

Al Qaeda in the Islamic Maghreb (AQIM) operates deep within the Sahara Desert and has flourished amidst the growing political and economic instability of the region. Intelligence officials estimate that AQIM raised upwards of $100 million in recent years from drug trafficking and kidnappings. Using this funding, AQIM conducted over 900 bombings that caused over 7,500 casualties throughout the Maghreb since September 11, 2001.

Inaction from the United States directly threatens American security as likelihood for both terrorist attacks and possible American intervention increases. In order to combat this growing threat from North and West Africa, the United States should implement a multifaceted approach to address both the terrorist and climate aspects of the region.

First, the United States should encourage countries in the discussed region to include climate change in their respective national security strategies. According to The Global Security Defense Index, the majority of national security strategies of countries in the region do not define climate change as a threat. By doing so, it will increase regional awareness to the link between stability and security and the risks posed by climate change.

In addition, the United States should incorporate agencies such as NASA and the National Oceanic and Atmospheric Administration (NOAA) into the discussion of security strategy. These organizations
can use their resources to help address specific climate-related issues regarding the Maghreb and Sahel.

Second, the United States should invest in development programs that specifically target and moderate the consequences of climate change, such as agricultural productivity reform. Colonel Dasuki highlighted high youth unemployment in Nigeria as a source of increasing terrorism since other employment alternatives dried up.

Finally, in order to address the growing terrorist presence in the region, the American government should remain engaged in the Sahel and Maghreb by promoting counterterrorism operations as well as preventing AQIM and Boko Haram from targeting vulnerable populations. The United States remains in position to provide military and logistical support to European militaries actively involved, like the French in Mali. Furthermore, American policies should encourage local community leaders to combat the pressure to join terrorist organizations.

By emphasizing the importance of climate change in national security dialogues, investing in development programs, and engaging in counterterrorism operations, the United States will be able to mitigate the threat posed by increased terrorism in the Maghreb and Sahel.

**The Carbon Bubble: What We Know and Why You Should Care**

Rory Johnston

*Flashpoint Blog*  
June 11, 2013

Climate change is real and happening now. In order to address this, the international community has agreed to prevent average global temperatures from rising more than 2° C (relative to pre-industrial levels) by 2050. However, staying below this 2° C benchmark translates to a carbon budget, a total amount of CO₂ that can be released into the atmosphere before this benchmark is reached. This budget has been calculated by climate scientists to be approximately 886 billion tons (Gt) of CO₂ for the 2000-2050 period, with an estimated 321 GtCO₂ of this budget already used in the past decade.

Having already burned through more than a third of our carbon budget would be bad news if it ended there. However, while the Earth only has 565 GtCO₂ of its budget remaining, proven fossil fuel reserves represent a footprint of 2795 GtCO₂, almost five times that amount. This means that only about 20% of the proven fossil fuel reserves can be burned, leaving the remaining 80% as “unburnable stranded assets.” This problem is compounded because these fossil fuel reserves are entered into the market capitalization calculations of the fossil fuel industry. The result is that the world’s financial markets are carrying a “carbon bubble,” if world governments act to meet this carbon budget.

An economic bubble occurs when there is a divorce between an asset’s price and its inherent value. This is often due to speculation, where—be it Dutch tulips or American houses—people see an upward trend in prices and continue to buy said asset in the hopes of selling it for a future profit. This is self-propelling to the point where the asset’s value is primarily maintained through that speculation. When this fantasy price collapses, you see the bubble pop, and, like in 2008, wide-spread market damage and human suffering occurs.

What is different about the “carbon bubble” is that it is not a naturally occurring speculative phenomenon, but, rather, one created by the reality of a warming climate and the future infeasibility of burning hydrocarbons. Hydrocarbon firms are pegging their market value to the estimated future price of these reserves without taking into consideration that they may, in fact, be worthless.
This leaves us in with an unfortunate choice: do we want an increasingly warming planet, or a market crash that could dwarf the Great Recession?

The answer to this question is not clear, but it is increasingly unlikely that the international community will succeed in meeting its 2°C goal based on current projections. If we push the timeline out past 2050, or factor in a higher acceptable temperature rise, the carbon bubble shrinks. However, current reserves are not static geological features; future exploration and discovery efforts are virtual certainties, and this will continue to increase total global reserves, or, in the least, keep pace with reserve depletion. Additionally, since reserves are merely economically viable resources, advances in technology or increases in price will also increase the reserve-base.

One thing is certain—the world will eventually need to shift away from carbon-based energy to mitigate climate change. When that happens, there will be stranded hydrocarbon reserves represented as a major portion of some of the largest publically traded companies (and their derivatives) in the world. The collapse of these industries will result in massive economic damage and its inevitable human cost.

In order to address this, markets and energy firms need to begin factoring in the possibility of unburnable carbon. Last month, this question was raised at the annual shareholders meeting of Consol Energy, with 19.7% of the vote supporting a proposal requesting a plan of action from Consol regarding the potential of unburnable carbon. This significant minority position is a positive sign of a possible future change in investor attitude toward this risk.

It is also possible that carbon capture and sequester (CCS) technology might prove to mitigate some of this bubble, as this technology would allow these hydrocarbon reserves to be burned absent their natural carbon footprint. While far from economical at present, an external force (e.g. carbon tax or cap) would push increased research capital into the development of this technology. Firms have already spent billions of dollars on exploration, development, and concessions; building on and utilizing the technology to make use of these resources in a capped carbon-emission environment would mitigate losses and soften market ramifications. The fossil fuel industry is best positioned to bring these technological changes to market, but governments must act as first-movers to push the market to price climate-related externalities into future assessments.

Sooner or later, the world is going to run headlong into the carbon bubble or face the consequences of a changing climate. Governments need to understand what the carbon bubble is, the threat it poses, and how to mitigate its potential for market damage. The solutions to this problem are not going to come easily; indeed, it is quite possible that the world may simply have to push through this self-manufactured time bomb in order to reach a renewable economy. The bottom line is that the carbon bubble is coming and the coverage that it is receiving is not proportional to the immensity of the task before us—that needs to change.

Why I’m Done Talking About Energy Security

Andrew Holland

Flashpoint Blog
April 19, 2013

I am often asked to talk about energy security. Last week, I participated in a conference in which we were asked to comment on “U.S. Energy Security: How Do We Get There?” As I listened to the presenters at the conference, I realized that how you viewed the problem of ‘Energy Security’ depends on how you identify it. We all seem to have determined that energy security is a problem, but we each had different
understandings of what the term ‘energy security’ actually means! Of course, that means there were very different prescriptions for how to ‘solve’ the problems of ‘energy security.’

In the absence of a definition, everyone defines energy security differently – both speakers and listeners. It is something like the late Margaret Thatcher said about the politics of consensus: “it is something in which no one believes and to which no one objects.” Along those lines, I believe that ‘energy security’ has devolved into simply a buzzword: a phrase that everyone favors, but defines differently. Pundits, politicians, lobbyists, industry, and campaigners from across the political spectrum cry ‘energy security’ because it polls better than their preferred policies. I have done it as well. Listeners, then, are misled because, really, who could actually be against ‘energy security?’ It is like being against mom, America, and apple pie.

As the Years Roll On

API uses ‘energy security’ to argue that we need to open more land to drilling. Proponents of Keystone XL argue that we need a new pipeline from Canada because of ‘energy security.’ Environmentalists argue ‘energy security’ to tell us why we need to build more windmills and solar power.

We all once agreed what energy security meant: in 1973 and 1979, oil price spikes caused by OPEC embargoes led to oil price controls and lines at the gas pump. Going even further back, amateur historians know that the lack of oil was crippling for the German war machine in the Second World War and that the Royal Navy had to protect its access to oil in Persia. So, we think that energy security means the ability to win wars and prevent shortages of energy.

However, the truth is that America and the world largely solved these problems of ‘energy security’ in the 1970s and 1980s by diversifying the world’s sources of oil, creating deep and liquid financial markets, and creating Strategic Petroleum Reserves in all OECD countries. Meanwhile, our rhetoric and vocabulary about energy security has not changed since then. Our energy debates are stuck in the shortages of the 1970s and the optimistic growth and low prices of 1980s. But – the problems of 2013 are not the problems of 30 or 40 years ago!

Retire the Outdated Term

It is time to retire the term ‘energy security.’ I am going to stop using it, and I am calling for other pundits to do so as well. Instead, we should all be more precise about what we are actually concerned with.

Are you afraid that dependence on foreign oil makes it more likely that we’re funding terrorism? Then you should be arguing to get off oil completely, because – in a fungible market any consumption drives up prices.

Are you worried that the prices of gasoline or electricity are too high, and that price spikes are harming our pocketbooks? Don’t cry ‘energy security’ – instead talk about energy affordability.

Have you read your history books closely and are worried that our military won’t have access to energy, like Winston Churchill was around the turn of the last century when the Royal Navy switched from (British-produced) coal to petroleum from oil fields of Persia? Don’t be – unlike the world of the early 20th Century, there is no conceivable scenario in which the U.S. military is unable to access the oil it needs to fight and win America’s wars.

Do you think that we need more clean energy production from wind and solar? Don’t say we need it for ‘energy security’ – be truthful and say we need more wind and solar because they are cleaner, with fewer polluting emissions.

Conclusion: Be Specific About the Real Issue

We have talked about the concept of ‘energy security’ so much that it no longer means anything. All of us writers should retire the term: it has become what
George Orwell called a “dying metaphor” – a term which has “lost all evocative power and [is] merely used because they save people the trouble of inventing phrases for themselves.”

More importantly, we should call-out politicians and policymakers when they talk about energy security: we should ask them what they’re hiding – and what they’re really worried about.

There are some very important questions about energy today – but we are doing a disservice to always talk about them in the context of ‘energy security.’ Instead, let’s have real arguments about energy affordability, the effects of energy imports on trade deficits or geopolitics, or the pollution that producing and burning energy creates.

We should argue about how the military uses energy – but we should not let history cloud our views about it: we are not going to have to drive through Stalingrad to access that energy. Viewing everything through a prism of ‘energy security’ has given us an obscured conversation about energy. Let’s talk about the real problems and get away from the buzzwords.

America’s National Labs Critical to Energy Security

BGen. Stephen A. Cheney USMC (Ret.)

Flashpoint Blog
April 5, 2013

American leadership has always been backed up by its competitive position in the world – America has been a leader in higher education, creativity, and technological innovation. We put a man on the moon, created the global positioning system, and invented the internet. These achievements are the fruits of sustained long-term investment in R&D. However, in recent years the U.S. has failed to prioritize these investments, and risks losing its competitive edge. For example, an article appearing in Politico on April 3 looked at the threat that the sequester is presenting to America’s national laboratories.

America’s national labs are critical to driving innovation in the years to come, which will help solve many of the most vexing problems facing our country today such as threats from climate change and energy insecurity.

For example, Argonne National Lab (ANL) is working on advanced batteries that will lower the cost of electric vehicles and extend their range. These advanced energy storage technologies can also be used in conjunction with variable sources of renewable energy, smoothing power fluctuations. This will allow the American economy to transition away from climate destabilizing fossil fuels.

The National Renewable Energy Lab (NREL) is conducting research into making more efficient building designs, advances in solar and wind systems to lower their cost, and breakthrough vehicle technologies such as hydrogen and fuel cells.

While renewable energy will be vital in the years to come, over the long-term, the U.S. will need to develop new sources of clean baseload power.

For example, the Idaho National Lab (INL) has a storied history of contributing to the development of nuclear power in the United States, creating an entirely new commercial industry. The U.S. led in this field for a half-century, exporting nuclear technologies around the world. Today, INL is working on developing the next-generation nuclear reactors, which promise to improve safety and reduce nuclear waste.

Also, fusion energy will provide significant advantages over conventional nuclear fission – the promise of providing clean, safe and secure power, derived from
virtually inexhaustible fuel sources. Several national labs are working to develop fusion energy, including the Lawrence Livermore National Lab, the Oak Ridge National Lab, the Princeton Plasma Physics Lab and the Sandia National Lab.

Much of the progress emerging out of the national labs is the result of investments that will not be done by the private sector. The time horizons are too great. Therefore, trying to solve budget deficits by cutting funding for national labs is misguided. Short-term savings will be outweighed by the significant innovation that will not be achieved as a result of closing laboratories across the country. As Politico quoted Rep. Randy Hultgren (R-IL), “the national labs are the last thing the DOE should be cutting.”

**Hydrogen as an Energy Carrier: What It Is and Why It Matters**

Kareem Chin

*Flashpoint Blog*
June 21, 2013

What is hydrogen and why does it require significant R&D investment?

**Introduction to hydrogen and fuel cells**

Hydrogen is the lightest and most abundant element in the universe. It accounts for 74% of all nuclear matter and together with oxygen constitutes water molecules. Hydrogen can be produced through various methods such as **steam reforming**, **(photo-)electrolysis** and **thermolysis**. Unlike coal, crude oil or natural gas, it is not a primary energy source but an energy carrier, comparable to electricity. It can be converted into usable energy by means of combustion or, most commonly, an electrochemical process in fuel cells. A fuel cell is a device in which chemical energy from a fuel like hydrogen is directly converted into electricity through a chemical reaction with oxygen.

**What makes hydrogen so unique?**

For the U.S. to achieve its long-term air pollution, climate change and energy security goals, it is essential to develop next-generation energy sources that are clean and abundant. Hydrogen can help because its conversion into electricity does not emit greenhouse gases, but only heat and water as by-products, hydrogen is a unique **zero-emission** energy carrier. In a fuel cell, this process is 2-3 times more efficient than in an internal combustion engine. **Sustainable** energy sources able to produce hydrogen include fusion, solar, wind, and hydropower, as well as biomass and photosynthesis (green algae).

The currently popular fossil fuel driven Hybrid Electric Vehicles and Plug-in Hybrid Electric Vehicles are a good example of technological advancements on the market, but these vehicles still make use of internal combustion engines which emit greenhouse gases and depend on electricity that is primarily produced from fossil fuels. Hydrogen-driven Fuel Cell Electric Vehicles however, as the **figure** below shows, do have the potential of cutting U.S. greenhouse gas emissions to 80% below 1990 levels because of their ultraclean energy conversion process.

‘Projected greenhouse gases for different alternative vehicle scenarios over the 21st century for the U.S. light duty vehicle fleet, assuming that both the electrical grid and hydrogen production reduce their carbon footprints over time’ (BEV = battery electric vehicle; H2 ICE HEV = hydrogen internal combustion engine hybrid electric vehicle)’ Source: **H2Gen Innovations**

**Revolu[23]
provide the tactical advantage of reducing the weight burden for a standard 72-hour mission profile of 24 lbs. in batteries to only 9.5 lbs. in fuel cell power systems, a 60% reduction. This reduces physical stress and increases power flexibility of troops. The utilization of hydrogen can also significantly extend the reach of unmanned aerial, undersea and ground vehicles, while reducing noise and heat signatures, and enabling ‘silent watch’ operations.

For commercial application, hydrogen fueled vehicles have a driving range of 350 miles, whereas battery electric vehicles only reach up to 200 miles. Hydrogen fuel cells help overcome the hurdles that battery electric vehicles have: battery replacement and irreversible capacity loss. Furthermore, it introduces the revolutionary concept of peer-to-peer energy sharing because of the possibility of transferring to and from electricity. This is an energy system that allows society the vast possibilities of decentralized electricity redistribution. To provide an example: a hydrogen fueled car could be plugged into a home or office to function as a power station with an energy generation capacity of 20 kilowatts, to provide and sell premium electricity to the interactive grid. Instead of having cars merely occupy space, hydrogen fuel cell technology can turn them into profit centers. According to environmental scientist Amory Lovins, the U.S. hydrogen fueled ‘Hypercar’ fleet will ultimately total 3-6 terawatts, which is 5-10 times the total generating capacity of the national grid.

Hydrogen is a sustainable next-generation energy carrier with the option for unique zero-emission and highly efficient energy conversion. It has the potential to drastically improve military tactical capabilities and introduces revolutionary large-scale commercial applications that will enable us to vastly redistribute energy.

Major barriers to the cost-effective market entry of hydrogen technology include the high R&D and infrastructural change expenditure. The U.S. Department of Energy set-up a Hydrogen and Fuel Cells Program which works together with industry, academia, and national laboratories, as well as federal and international agencies to overcome such barriers. These joint-efforts are exemplary in achieving a higher public awareness of imminent energy issues and will bring us a step closer to transitioning our energy economies in a sustainable and clean way.

Why Oil Prices Will Remain High Despite the U.S. Oil Boom

Andrew Holland

Energy Trends Insider
May 2, 2013

The U.S. is experiencing a boom in the production of oil. Only since the beginning of 2011, oil production in the U.S. has gone up by 30%, from 5.5 million barrels per day (mbd) to 7.2 mbd. Just this week, the U.S. Geological Survey announced that the amount of technically recoverable oil in North Dakota was tripled from a previous estimate – so this boom is unlikely to fall away in the short term.

At the same time, U.S. and European demand for petroleum products are declining. The economic troubles in the Euro zone have dampened economic activity (and petroleum demand), while in America, economic growth has returned, but the consumption of petroleum products are down as consumers change habits and lifestyles to drive less. At the same time, the low price of natural gas, particularly in the United States due to the boom in shale gas production, has some analysts predicting that gas will increasingly act as a substitute for oil whenever possible.

Given all this – an increase in production of oil coupled with a decline in demand – an elementary Economics 101 class would say that prices should be in a steep decline. Over the past several months, there
have been a slew of articles predicting that oil prices are bound to drop.

However, while there was a dip in oil prices in April, prices for Brent Crude are back up above $100 per barrel. And, while there has been a persistent price spread between the American-based WTI and the global-based Brent (reflecting the U.S. oil boom, and infrastructure problems in getting it out), the price has stayed remarkably steady throughout the boom in the last two years.

**Limited Vision**

The problem is that our vision is limited only to what we see. The media is focusing on what is close to home – and by doing that we're missing the entirety of the global market for oil. Even though production of oil from new fields in the U.S. is booming, there is a consistent decline in production from old fields around the world, and OPEC members have not increased production. Meanwhile, though demand for oil is falling in the U.S., it continues to grow around the world.

For detailed charts on the total world supply of oil, see Lou Gagliardi’s excellent post, *2013 Crude Oil Outlook*. He makes the case visually better than I could: oil demand is declining within the OECD, but growing overall, while oil supply is failing to meet the demand.

We Americans are myopic: we only see what is directly in front of us. This does us a disservice when we talk about oil because the market for oil is essentially a global bathtub – more production in one area raises the total supply only so far. We have forgotten that the price of oil is more closely connected with geopolitics and the world economy than with what is happening in Texas or North Dakota.

**Insatiable Emerging Economy Demand**

In Lou’s post, he showed that sometime in 2013 or ’14 the total consumption of oil within the OECD will be surpassed by consumption of oil outside the developed country group.

The truth appears to be that demand for oil in the developing world – particularly (but not exclusively) in Asia – is effectively insatiable (at least over the medium term). These are fast growing economies with rising middle classes. For every new barrel or oil produced by the United States, there are refineries in China willing to buy it to satiate their country’s ever-growing demand.

While the story of China’s growth is well-told, it deserves to be told again. Since 2000, Chinese oil demand has grown at what Lou calls “a torrid 6.7% per annum rate.” A post by Brad Plumer in Wonkblog illustrates that China is using up oil faster than we can produce it. While there are limits to that growth, China’s immense population means that we are not there yet.

And, the story continues outside of China – India and Southeast Asian countries like Vietnam, Indonesia, and the Philippines have had lower growth rates than China, but they are showing signs of taking off. Behind them, but finally growing, is sub-Saharan Africa: a major unknown in future oil demand. As a region, Sub-Saharan Africa posted the world’s fastest growth rate in 2012.

So, even though Americans are driving less and European economic woes mean that there is less oil needed, the demand from the rest of the world is set to outstrip these concerns.

**Tight Global Control of Oil Supplies**

What then, about the ‘booming’ production of oil in the U.S.; certainly that should help to moderate prices? Unfortunately, the boom in the U.S. has not been matched by a boom around the world.

The boom has been great for American-based refiners, who can buy crude oil at reduced North American prices, and then turn around and sell gasoline or diesel at the higher world price.
It is also important for America’s balance of trade. For example, in 2010 the total value of oil imports was $680 billion – larger than the total trade deficit of $497 billion. Today, oil is a declining share of a declining deficit – and some are predicting that the next battle in Washington will be over allowing crude oil to be exported. Paying for oil from North Dakota and Texas instead of Nigeria and Saudi Arabia will keep American dollars at home – helping them to cycle through our domestic economy.

However, the American oil boom is not affecting prices because total world oil production is not matching America’s boom. There is one word that can explain that: OPEC. The oil cartel was set-up to restrict supplies of oil in order to keep prices high. While there have been several periods of failure in their 40 year history, they have been mostly successful.

Yesterday, the Saudi Oil Minister, speaking in Washington, indicated that the Kingdom had no plans to expand production, saying “We’re pleased to see production coming from so many other suppliers, and see no need to go beyond our 12.5 million b/d capacity.” Surely, if the Saudis applied some of the new technology being used in the United States, they could increase production – but that would actually reduce prices, an outcome they do not desire.

Recently, I have heard the argument several times that we are entering a period that is akin to the early 1980s in oil prices. At the time, the high prices of the 1970s had incentivized American drillers to get back to work in Texas, and a boom in production there caused a bottoming out of the price of oil. I don’t subscribe to this theory – mostly because in the 1980s, the Saudis had a geopolitical incentive to cut the price of oil: the USSR – then, as now, a major producer of oil. Saudi Arabia and its main ally, the United States, know that high oil prices were subsidizing the Soviet Union with much-needed hard currency. So, the Saudis opened their taps, and the rest is history.

Today, the geopolitical incentives go the other way. After the Arab Spring, the Saudis significantly increased the subsidies (in both direct and implicit grants) to its people. They know that they need high oil prices in order to keep their population happy.

### The Arctic’s Ticking Time Bomb

William Joyce

**Flashpoint Blog**

**June 20, 2013**

The Arctic is home to vast amounts of methane gas, trapped beneath a thick layer of permafrost. Every year these organic carbon reservoirs grow as the cold climate traps plants and animals below the topsoil and prevents decomposition. These Arctic reservoirs account for nearly half of all organic carbon stored within the planet’s soil.

Permafrost temperatures are rising at a much faster rate than the Arctic air temperatures, rising between 2.7 and 4.5 degrees in the last 30 years. As a result, permafrost layers are melting. A 3 degree Celsius increase in global temperatures could melt 30-85% of the top permafrost layers. If these top layers continue to melt, the vast carbon reservoirs might release into the atmosphere as either carbon or methane, upsetting the Arctic carbon balance and intensifying global climate change.

In the Arctic, an estimated 1,400 to 1,850 petagrams (one petagram is 2.2 trillion pounds) of organic carbon lays dormant just 10 feet below the frozen permafrost. In comparison, total global fossil fuel combustion has released 350 petagrams of carbon into the atmosphere since 1850. If the remaining 1,400 petagrams of organic carbon escaped the Arctic permafrost, the effect on climate would be catastrophic.

If climate change causes the Arctic to become dryer,
scientists expect the Arctic carbon to be released as carbon dioxide due to the increased availability of oxygen. If the climate becomes wetter, the lack of oxygen will cause anaerobic bacteria to break down the hydrocarbons into methane. In the short-term, the release of methane would have a substantially larger effect than carbon dioxide on global temperatures. Methane is 22 times more potent as a greenhouse gas than carbon in a 100-year time scale and 105 times more potent in a 20-year time scale. If just one percent of the Arctic organic carbon releases as methane, it will have an equivalent effect on the climate as the other 99% of the organic carbon released as carbon dioxide.

Our current climate models do not account for the thawing Arctic permafrost or the carbon reservoirs that could rapidly accelerate global climate change.

A NASA Earth Ventures Program named CARVE is testing the effects of climate warming on carbon reservoirs below the Arctic permafrost. Early results from CARVE show that the Arctic is warming two to three times quicker than mid-latitude regions. Between the last spring thaw and fall freeze, the team observed large episodic bursts of carbon dioxide and methane in Alaska and the Northern Slope. In July 2012, CARVE noticed methane levels in the Innoko Wilderness that were 650 parts per billion higher than normal, similar to levels found in large cities.

If large amounts of methane begin to escape, the powerful effects of climate change may damage the earth's delicate system. More methane will increase global temperatures, which will melt more permafrost, thus releasing more methane. The CARVE scientists do not believe the Arctic has reached the tipping point of no return, but they are unable to know for sure. Research certainly indicates that an irreversible permafrost tipping point exists, and crossing that threshold will create devastating consequences for the global climate.
More Action Needed to Reduce Nuclear Dangers

Terri S. Lodge

Flashpoint Blog

May 7, 2013

The horrible events in Boston have pushed terrorism back into the public’s consciousness once again. We are asking ourselves and our elected officials if we are doing all we can to protect ourselves against today’s threats.

As far as nuclear danger is concerned the answer is no.

The old concerns about the Cold War seem very far back in the rear view mirror. Talk of nuclear parity, the throw-weight of missiles and cherry picking reports for fights over Russian compliance are old history, even among the nuclear cognoscenti.

Today we worry about the threat of nuclear terrorism, the spread of nuclear know-how, proliferation of nuclear components – none of which can be countered by huge nuclear arsenals.

This year’s Administration’s budget request for nuclear weapons budget is up 17% - considering the tight budget environment we face this is big commitment to maintaining a safe and responsible nuclear stockpile.

Yet this comes at a cost for countering the real nuclear problems we face - funds to clean out of dangerous stocks of nuclear material around the world have been slashed.

The Administration is requesting millions for a new nuclear tipped cruise missile and refurbished weapons for the Europe. At the same time New START is over two years old and the President has not made a move to go beyond the relatively high US- Russian strategic levels in New START.

The Prague agenda may have been a dream but the Administration’s realistic nonproliferation and arms control agenda appears to have stalled out as well.

It’s time for the Administration to reinvigorate its effort and negotiate a new agreement that includes greater reductions in our already bloated nuclear arsenal.

This will demonstrate real world leadership and allow us to focus on more urgent threats.

Red Line Risks

Eric Harris Bernstein

Flashpoint Blog

April 16, 2013

In the fall of 2012, Israeli Prime Minister Binyamin Netanyahu lobbied the UN to draw a fissile red line with Iran: If Tehran completes the 20% enrichment phase of their path to a nuclear weapon, then the UN should approve a military strike on Iran’s nuclear facilities, he proposed. The UN ratified no such policy but in early March, news stories reported that Iran would divert significant portions of its 20% enriched Uranium to fuel plates, unsuitable for weaponiza-
tion. The events were interpreted to mean the red line threat had worked perfectly. But this interpretation either missed or ignored the fact that Iran’s diversion of 20% enriched Uranium had actually begun years prior to Netanyahu’s comments, and therefore do not represent a reaction to his threat. More importantly, media coverage failed to recognize or discuss the dangers of red line politics.

When a national leader issues an ultimatum, he or she stakes considerable personal and national credibility on the contingent that the provoker will cooperate; if the provoker ignores the threat, the issuer faces a tough choice: risk military, diplomatic, and economic resources in order to enact the promised response, or, suffer a blow to credibility and influence that would result from not following through on the initial threat.

The issue is particularly troubling as it applies to nuclear proliferation in Iran and North Korea. In the aftermath of disastrous wars in Iraq and Afghanistan, an attack on either nation would be extremely unpopular and politically risky in the U.S. and, although outgunned in a traditional sense, both Iran and North Korea could lash out regionally and cause turmoil — stirring terrorist and conventional allied responses in the Middle East and launching conventional attacks on Seoul, respectively — that would lead to devastating loss of life and prolonged conflict. As a result, any U.S. red line would likely be a bluff that, if called, would damage America’s credibility and ability to negotiate in good faith with either nation. Israel might be more willing to carry out an attack, but the regional instability brought on by such an attack would likely dwarf that which would result from an Iranian nuclear weapon in the first place.

A developing scenario in Syria forms an interesting case study. In a December 2012 press conference, President Obama warned Assad that if he uses chemical weapons, “there will be consequences and you will be held accountable”. Now, with reports of chemical attacks in Syria mounting, the president must choose between a politically and militarily nightmarish engagement in Syria and a painful loss of international credibility and influence. The red line he painted suddenly looks more like a corner.

So how do we proceed with regard to Iran and North Korea? Sanctions have failed to halt each nation’s nuclear development, but their progress has been slowed and the doors of diplomacy remain open. Conversely, a bold red line would antagonize peaceful talks and risk violence, resting all hope on the paradoxical belief that force can breed willful long-term cooperation; in ultimatum politics, the best case scenario is one in which the provoking party is made to feel dominated, engendering further contempt – a shaky place to rest your hope.

In poker one can prudently bluff to win, but in delicate matters of foreign affairs, the poker paradigm loses every time

East Coast Missile Defense Site: is it Necessary?

Chelsea Sanchez

Flashpoint Blog
June 13, 2013

The FY-14 House Armed Services Committee National Defense Authorization Act markup occurred Wednesday, June 5th 2013. During the markup, there was discussion on whether to mandate an East Coast missile defense site by 2018. Today, the House Appropriations Committee approved the bill, including 512.5 Billion Dollars in base spending and 85.8 Billion Dollars in war spending.

Some members of the House were skeptical as to whether the defense site was prudent. Referencing Vice Adm. James Syring, Director of the Missile Defense Agency, In a June 10 letter to Senator Armed Services Chairman Carl Levin, Syring wrote that
there is no military requirement to deploy an East Coast Missile Defense System. Instead of building a system that cannot do the job, Syring advocates investment in discrimination and sensor capabilities that would result in a more cost effective improvement to the missile defense system.

Expansion of ground based missile defense systems to the East Coast would not better defend the United States. Pentagon Officials state that the systems on the West Coast can adequately defend the continental United States from an attack by Iran or North Korea. However, The National Academy of Sciences released a report in September 2012 in support of an East Coast site, but only once a new missile defense system had been developed. The current systems are flawed, and would be of little defensive help.

More funding for discrimination and sensor capabilities would be worthwhile in that these functions are difficult tasks. For example, there have been 17 flight intercept tests since 1997, only 8 of which were successful. Since December 2002, there have been 9 intercept tests, only three of which were successful. The last successful intercept test occurred on December 5, 2008.

There are better ways to spend three billion dollars than on a rushed, cobbled together missile defense system that will do little to protect citizens of the East Coast. For more information on missile defense, read the ASP U.S. Missile Defense and European Security fact sheet, or listen to Frank Rose, Deputy Assistant Secretary for Space and Defense Policy, discuss U.S.-Russia missile defense cooperation.

SSBN(X): Ohio Ballistic Missile Nuclear Submarine Replacement Program, a Question of Numbers

Chris Smith

Flashpoint Blog

June 19, 2013

Recently, several observers have noted that the Navy’s Annual Long-Range Plan for Construction of Naval Vessels raises the prospect that the Navy will be unable to afford the 12 ballistic missile submarines (SSBN) that it intends to build to replace the Ohio class. On June 12 at the Peter Huessy Congressional Breakfast Series, General Kehler, commander of U.S. Strategic Command (USSTRATCOM), made clear that this would not be the case.

General Kehler stated that the Ohio class must be replaced due to what he said that the Navy describes as “metallurgy” issues wearing out the hulls of the submarines, making the likelihood of a life time extension project minimal. The Ohio class was built from the 1970s to 1990s and will begin being phased out in 2027 when the first of the class is slated to retire; it has already had its planned service life of 30 years extended to 42 years.

Stating that he was a firm believer in the nuclear triad approach to deterrence, General Kehler said that the U.S. must keep a “modern and capable portion of the deterrent (force) at sea.” Following this he made it clear that the Navy would have its 12 replacement SSBNs for the Ohio class.

He went on to say that hopefully more than 12 of the new class would be purchased, but that purchasing decisions will ultimately be made years from now. This statement makes sense in the context that with only 16 planned launch tubes per SSBN the class that replaces the Ohio, with only 12 submarines, will only field 80% of the missiles that the current force of Ohio’s field despite USSTRATCOM’s recommenda-
tion for the new class to have 20 launch tubes.

Still, General Kehler’s statements are somewhat surprising given the combination of the current budget environment and the Navy’s own statements in its Long-Range Plan. Administration budget requests released in February covering the U.S.’s strategic nuclear weapons programs from FY 13 to FY 17 appear not to include funds for R&D programs on new nuclear platform programs including the expected $5.5 billion for the Navy’s replacement submarine for the Ohio. The Plan makes clear that the run up time in terms of design and construction remove a great degree of flexibility from the procurement process.

In response to the current budget environment the Navy has already pushed the procurement of its first replacement submarine back by 2 years to sometime in 2021-2022. Statements by Ashton Carter, then Under Secretary of Defense for Acquisition, Technology, and Logistics in 2012 make it clear though, that in addition to budget concerns, that it might simply not have been possible to begin procurement as planned in 2019 due to the overly ambitious speed of the program. This will have the effect of the U.S. only being able to put 10 to 11 SSBNs to sea for deterrence duty from 2029 to 2041, the bear minimum that the Navy considers necessary.

With the Navy’s FY 13 budget only requesting $564.9 million for continued research and development on a replacement for the Ohio class it will be interesting to see if General Kehler and his successors at USSTRATCOM get their 12 new SSBNs or possibly more as he stated. It will be worthwhile to watch the upcoming national security budget and any comments from Admiral Terry Benedict, Director of Strategic Systems Programs, especially as he is scheduled to speak on the topic at the June 26 Peter Huessy Congressional Breakfast.

As changes are made to the U.S.’s nuclear forces, especially with President Obama’s announcement today in Berlin to seek cuts to currently deployed nuclear weapons by a third, putting them below Cold War levels, it will be important to observe what the U.S.’s overall nuclear posture will be moving forwards. As the Administration seeks a more streamlined nuclear force in a negotiated agreement with Russia, USSTRATCOM may find itself having to consider which nuclear platforms it really wishes to continue to support and deploy.
Public Diplomacy and Strategic Communications

Engagement: What does it Mean for Public Diplomacy?

Matthew Wallin
Flashpoint Blog
June 11, 2013

In recent years, diplomatic circles have been relying on the term “engagement” to describe various communication and public diplomacy activities with foreign publics. The term is used almost universally in government, the military, academia, corporations and think tanks to describe a range of practices designed to influence or persuade foreign audiences.

Exploring the sudden shift to “engagement” as a preferred term by these circles, Dr. Nick Cull wrote in 2009:

The term engagement has much to commend it. It is not the term public diplomacy. It is already used in slightly different ways in the worlds of marketing and the military and can therefore be assumed to fall reassuringly on the ears of both those constituencies. It has already gained currency among NGOs and other practitioners of international communication.

But missing from the discourse about engagement and its attractiveness as a term is a substantial discussion of exactly what it means. Since “engagement” is used so commonly without explanations of what it actually entails, it appears to have become little more than a buzzword developed to encompass various activities that are otherwise difficult to succinctly describe.

Let’s look at a few examples of how the term engagement has been used.

When presenting statistics about social media activities undertaken by the State Department’s Center for Strategic Counterterrorism Communications, Ambassador Alberto Fernandez described the number of “engagements” the CSCC’s digital outreach team had made that year as in the thousands. Explaining what an engagement is, Fernandez stated that engagements “consist of written text posted to online forums, Facebook, or the comments sections of media Web sites.” So does each post the CSCC makes in a forum count as an “engagement?” Does each post on Facebook count as an engagement? If so, this appears to set a low bar for what is considered engagement.

In another case, the military uses the term to describe personal relationships and building partner capacity. However, engagement doesn’t always imply benign activities either—as when the military uses the word “engage,” it is often in the context of destroying a target.

If anything, using the term engagement can sometimes provide the user with a perceived ability to forgo one of the most difficult parts of public diplomacy—that is demonstrating metrics which indicate whether or not one’s efforts are succeeding at influencing the target audience. In other words, the user of “engagement” may feel as though they needn’t actually explain the effects of their activities because they
are “engaging” by nature of the word.

This is why analyzing the content of engagement is vital. Is a forum post engaging? Is a billboard engaging? Is a TV advertisement engaging? This can be difficult to determine, and cannot be assumed.

What practitioners and policymakers should understand is that core of public diplomacy is not really about undefined “engagement”—it is about building relationships.

By focusing on relationship-building, and eliminating engagement from the PD lexicon, practitioners and policymakers may begin to better employ the thinking that is required for better public diplomacy. Rather than speaking about PD in abstract terms, emphasizing relationship-building forces those participating in the PD debate to consider the types of activities that are necessary to gain influence. Rather than counting one-off twitter postings as engagement, practitioners should focus on substantive, comprehensive and continuing dialogue.

One of the biggest problems in public diplomacy is that few understand what it is, and the terminology itself doesn’t help. Soft power, public diplomacy, and engagement all need to be explained in order to be understood. These terms have no immediate recognition like war, peace, freedom or competition. For this reason, perhaps “building relationships” should be used more often by those exploring or explaining the subject.

In the end, “building relationships” gets to the core of how public diplomacy should be geared, and serves to remind practitioners of the types of efforts needed to exert non-coercive influence.

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Greasing the Wheels: Canadian Public Diplomacy

Katrina Trost

Flashpoint Blog

June 27, 2013

Tuesday, President Obama gave remarks at Georgetown University on climate change. He outlined several climate change plans, including comments on the controversial Keystone XL Pipeline. A month prior to his speech, Canadian Prime Minister Stephen Harper visited the US in an effort to build popular support for Canadian energy partnership. This campaign included visits to US institutions and think tanks, and an expansive ad campaign across the metropolitan DC area.

Canada’s public advertising campaign is an example of a traditional public diplomacy advocacy effort, as it seeks to promote specific Canadian policy objectives by presenting an argument. Canada aims to convince American policy makers that its northern neighbor is a better alternative to overseas energy suppliers—not only are they more “environmentally responsible”, but they are also a more secure and stable political alliance. This campaign specifically seeks to frame Canadian energy sources as a national security issue for the United States.

Joao Peixe reported that “The Conservative government has launched a public relations advertising offensive on American lawmakers ahead of Prime Minister Stephen Harper’s trip…selling Canada as an environmental leader in hopes of winning U.S. political support for the Keystone XL oil sands pipeline.”

Canadian supporters of increased oil exports include lawmakers, oil companies and Natural Resources for Canada. The American target audience includes Congress members, White House administration of-
Officials and DC area power brokers. As Prime Minister Harper met with the Council on Foreign Relations and other officials in New York, Canadian Natural Resources Minister Joe Oliver met with administration officials in Washington.

The Christian Science monitor reported the campaign was aimed at White House officials in particular, but ads placed elsewhere hint to a broader intended audience. Advertisements for the new Canadian government website were placed in sources such as Politico, The Hill, the Washington Post, The New Republic, CQ Weekly, and Roll Call. These publications are usual reads for lobbyists and officials on Capitol Hill, and are clearly meant for opinion leaders.

Additional advertisements were placed on DC Metro area bus stops and metro centers. These ads highlight Canadian and American friendship, emphasizing their relationship as a “model for the world” and their common values of democracy and free markets. Campaign ads effectively frame energy as a national security issue and display Canada as a “reliable source of fuel.” These ads are obviously seen by powerful commuters, who Canada hopes will pressure pipeline friendly legislation.

As the campaign comes to an end, the question of its efficacy arises. President Obama finally spoke about Keystone Tuesday, quickly stating the pipeline would only move forward if it was a carbon neutral project before moving on with other topics. With this phrasing, the administration now must calculate differences between pipeline and rail transport for oil from Alberta, and the effectiveness of Canadian advertising is called into question.

In this case, the goals of this campaign are short term but carry long term implications. It specifically works to frame the pipeline as a matter of national security, but the administration instead focused on environmental implications. While the pipeline is not completely ruled out, the debate now centers around carbon emissions rather than national security needs.

As a result, this particular campaign failed in its goal of establishing Canadian oil as a “secure” source for America.

Disinformation in Public Diplomacy

Christian Mull

Flashpoint Blog

June 13, 2013

Today, the term propaganda carries with it a negative connotation. However, it was originally a totally impartial and neutral term. Traditionally, propaganda is the information used to directly influence a target audience and comes in three different forms; black, grey and white. Black propaganda is completely covert—it is specifically designed to conceal the true author of the material, often purporting it to be from the opposing side. Grey propaganda, however, has no clearly identified origin, while white propaganda has an openly identified real source.

One element of black propaganda is the dissemination of falsely attributed material, such as letters, speeches, art, currency, literary works, and music. These forgeries are sometimes effective because of their ability to manipulate the perspective of the target audience. Forgery campaigns are also sometimes seen as valuable because their influence often carries on even after the forgery itself has already been refuted.

Operation INFEKTION, a primary example of grey propaganda, was a disinformation campaign run by the Soviet Union through the 1980’s that claimed the United States created HIV/AIDS at Fort Detrick, Maryland as part of a biological weapons development experiment. In 1983 the Indian daily newspaper Patriot first published a letter from an anonymous “well-known American scientist and anthropologist” who claimed that the Centers for Disease Control had
been involved in gathering highly deadly viruses from Asia and Latin America for use in biological weapons. Even though this claim was entirely unfounded and was quickly refuted, the operation still had a profound effect on the reputation of the United States abroad.

For instance, after its initial release, Operation INFEKTION took on a life of its own, particularly in Africa where the story was altered slightly and redeployed. In 1988, a Nigerian newspaper published a story claiming that AIDS was the result of American testing of a contaminated Polio vaccine during the 1960’s. Operation INFEKTION, like many forgery campaigns, continues to have an effect on the U.S.’s reputation to this day. To put it in perspective, a 2005 study conducted in the United States by the RAND Corporation and Oregon State University discovered that over a quarter of African Americans thought AIDS was created in a U.S. government laboratory.

In order for a propaganda campaign to enjoy success, the target audience must be willing to believe the information presented to them. During the Cold War, there was a general culture of distrust surrounding secret government facilities and programs. Operation INFEKTION purposefully played on U.S. government’s lack of credibility in this area. The accusation that the U.S. military manufactured AIDS seemed plausible to the audience and they were therefore willing to believe it.

While forgery campaigns may sometimes be a successful method of subversion, this does not mean that the U.S. should employ such practices as part of its public diplomacy arsenal. As ASP’s Matthew Wallin argues in The New Public Diplomacy Imperative, the United States should focus its efforts on an entirely truthful narrative. The possible blowback resulting from an exposed U.S.-led forgery campaign would greatly exceed any benefit that it could hope to gain.

In the end, U.S. public diplomacy practitioners should consider the effects of disinformation activities so they can be prepared to combat them with credible facts before they can cause too much damage. Having open lines of dialogue and communication and building trust relationships will help diminish the likelihood that a forgery campaign, such as Operation INFEKTION, will be able to find a foothold in the future. This consistent, truthful and active communication gives the Unites States a more credible platform from which it can more easily refute future disinformation campaigns.

**War of the Soft Powers**

Matthew Wallin

**Flashpoint Blog**

April 29, 2013

In *Foreign Policy*, Joseph Nye penned an article discussing China and Russia’s desire to increase their soft power. As originator of the term, Nye explains that neither China nor Russia understands exactly how to do this.

Though Nye is correct in identifying China and Russia’s difficulty with soft power, he neglects to get down to the core issue on why this is difficult.

As soft power is the ability to attract rather than coerce or pay-off, the ability to grow and use soft power is a bit more nebulous. Unlike hard power, soft power is not something that can simply be bought, constructed or traded like a tangible object. Rather, soft power results from the collective attributes of a nation, through action, history, culture and rhetoric. It cannot be applied like a fragrance to freshen a rotten product.

Despite the ebb and flow of American Soft power since the turn of the century, it remains overall fairly strong. Nye contends that “much of America’s soft power is produced by civil society – everything from universities and foundations to Hollywood and pop culture – not from the government.”
While this is arguably true, I would not remove government as a major variable in the soft power equation. Much of what Hollywood, academia, and civil society are able to do is enabled directly by our principles of government.

Certainly, what can only be described as dysfunction in the American government right now—especially in regards to the fiscal situation—has an eroding effect on U.S. soft power. Though internal bickering may result in an inability to pass a budget, no amount of cooperation gives Congress the ability pass a measure to requisition more soft power, or contract a company to design it. But it can pass legislation that frees it to grow on its own.

Rather than trying to “use” more soft power, Russia and China must first act to earn it. Moral leadership, technological leadership, financial leadership, and foreign policy leadership and setting standards for individual rights are all factors that can help to increase soft power. In the case of Russia and China, making more deliberate efforts to resolve issues on the international scene could make a difference. Russia should distance itself from its support of the Assad regime in Syria. China should pursue diplomacy to resolve disputes in the South China Sea. Both countries should work to increase freedom of the individual within their borders. That’s how you increase your soft power.

For America, technological and scientific leadership have long been a strong factor in its soft power reserve. Yet we are at risk of losing this. For example, recent cuts in fusion energy research—one of America’s most challenging, yet promising research fields—may cause this country to lag behind. Explaining the harm this can cause, ASP’s Nick Cunningham and Theodore MacDonald recently wrote in AOL Energy:

“As other countries invest more heavily in fusion power, America’s leadership in this field will soon come to an end. Ceding a new high-tech industry to competitors will result in a decline in America’s competitive edge, and its best and brightest scientists will be lured by more advanced facilities abroad.”

If America wants to maintain its competitive edge in soft power, it needs to take the action necessary to do it. That means continuing to make those scientific breakthroughs that so many admire this nation for. That means continuing to uphold the principles enshrined in our founding documents.

Thus, it is in our interest to attract the best and brightest from overseas. Historically, those minds have contributed greatly to all aspects of American society. And is it their contribution to building this country through their intellect and hard work in a framework of economic and cultural freedom that forms the basis of American soft power.

Are we in danger of losing our soft power edge to Russia and China? At this point, the answer is no. Should we be frightened by their efforts to augment and enhance their soft power? The answer is also no. Soft power is not a zero-sum game—one country cannot attack and weaken another’s soft power. The only way America risks losing its soft power edge is by pursuing negative actions and neglecting the very things that make it so strong.

**Can Russia Export Soft Power?**

Matthew Wallin

Flashpoint Blog

May 31, 2013

The question of Russian soft power arises against the background of the post-Soviet era, coupled with a decline in Russian hard power and the regrowth nationalist elements within the country. Noting that some have balked at the idea, Jill Doherty contended that to an extent, Vladimir Putin holds his own amount of soft power. There is some credibility to this argument, even in light of the questionable human practices under Putin’s leadership. In her comments, Osipova con-
tended that Russia views soft power differently than the conventional definition coined by Joseph Nye.

I have argued before that Russia needs to “earn” soft power before it can be strategically utilized. But this does not appear to be the perception within Russia. Rather than seeing soft power as something that grows organically, Osipova’s presentation lent credence to the perception that Russia views it as something that can, in a sense, be constructed and deployed. Many of Russia’s efforts in public diplomacy in recent years involve a type of advocacy, operating under the principle that by telling Russia’s side of the story better, that people will find its policies more agreeable.

This is similar to some American sentiments during the post 9/11 period, when a belief emerged in the United States that if America just “told its story better,” that it could ease some of the hatreds it faced in certain parts of the world. This however represents an oversimplification of public diplomacy, and neglects to incorporate the important aspects of listening and relationship building. Outlets like Russia Today and Voice of Russia Radio paint an unrealistically rosy picture of Russia and are a perfect example of this advocacy mentality, and are considered pure propaganda by many in the U.S.

And while many view soft power as an entirely “positive” concept, some soft power institutions can have a negative effect on perceptions of a government. For instance, throughout the Cold War, numerous ballet dancers defected from the Soviet Union to the West while on tour. It is a tradition of flight that continues to this day.

Overall, however, Russia’s view that soft power as something that can be physically exported has been demonstrated in its actions. While normally I might argue heavily against this because it leads many to misinterpret Nye’s original definition, I believe there is some credence to the concept.

A country’s culture, through methods of food, music, performance and more, is one element of soft power that can physically be exported and sent around the world. Industrial products like cars and technology can also influence audience perception of a country. But of course, the degree of influence these elements exert on foreign perceptions or actions is dependent on a variety of other factors. Plus, in order to have a positive effect, the product has to be attractive to begin with.

Looking farther back into Russia’s soft power history, one should also analyze the Soviet Union’s policy of exporting the Revolution. During the post-war period, and into the Cold War, this was enabled largely by one simple and affordable export that anyone could use with minimal training and maintenance: the AK-47. Enabling revolutions and supporting Soviet allies around the world, the AK-47 became a form of Soviet soft power in the form of a hard power export.

The amount of goodwill that generated towards the Soviet Union is certainly debatable, but no one can deny that this hard power export was instrumental in supporting the Soviet policy objectives of opposing Western interests in conflicts and countries around the world. The attraction to this physical foreign export has been so strong, that it appears today on the flag of Mozambique.

Recognizing the soft power of physical exports in relation to the amount of influence they exert, we should also analyze how Russia has contributed, intentionally or unintentionally, to the events of the Arab Spring. More specifically, the climate change related 2010 Russian Wildfires contributed to a 40% increase in world food prices which undoubtedly increased the likelihood of protests in the Arab Spring countries. What could this realization mean for influence?

Certainly, many in the West look characterize Russia’s actions regarding the Arab Spring through the lens of its reactions to the military events in Libya, and its support for the Assad Regime in Syria. Yet if Russia’s strategic goal is to preserve the sovereignty of these nations and perhaps maintain the status-quo,
one might wonder if Russia could have contributed to its strategic goals of status-quo stability by other means. Could Russia have stopped or otherwise hampered the Arab Spring in its tracks if it was physically capable of supplementing or manipulating its food exports in a way that decreased upheaval in these countries? Though this answer may not be entirely clear, it would be interesting to see if anyone in Russia is thinking along these lines.

**NATIONAL SECURITY STRATEGY**

Leave Soldiering to the Professional Soldiers

BGen. Stephen A. Cheney

Flashpoint Blog

June 4, 2013

Many years ago, I had a public disagreement with Representative Charles Rangel at a Council on Foreign Relations event about the draft. And his bottom line, like much of what you have heard from Gen McChrystal and others, was we needed to reinstate a draft in order to make sure the burden of serving our nation was equitably shared.

They could not be more wrong.

Our military is for winning wars, not to share a burden.

We have the best military in the world today because we have selected the best to serve and made them meet very demanding requirements to enlist. Those in the military today are certainly NOT representa-
tive of our general public — they are, by any measure, significantly better. 99% are high school graduates with a diploma. 100% of them have met stringent height and weight standards. And that’s what you want going into combat — the best force possible.

We don’t want to have to lessen our standards to join in order to have a military that reflects our lax society. In 1973 our Army had 33,094 deserters; in 2010 it was 1,202. The all-volunteer military has proven itself in spades, and we have a fantastic Department of Defense — the envy of the world.

The national service paradigm some pine for is a myth. I was happy to serve my nation for over 34 years. And I was well rewarded and compensated. I got (and still do) all the recognition I ever needed or deserved. I wasn’t jealous or envious of those who didn’t serve. Our government has its hands full now with an overextended budget — where are we ever going to get funding for a national service initiative?

And for those who see a disconnect between our military and society — you must have missed the 500,000 motorcycles in DC last month for rolling thunder, or the thousands of events for our fallen comrades all over the country on Memorial Day.

Leave the soldiering to our professional soldiers; continue to thank our veterans — who indeed sacrifice significantly; and be grateful we no longer have the draft.

India and Australia: An Emerging Partnership in the Indian Ocean?

Colin Geraghty

Flashpoint Blog

June 17, 2013

India’s traditional strategic outlook, dominated since Independence and Partition by a focus on continental challenges, is now undergoing a significant shift as it adjusts to a newly insistent gaze that looks out to India’s long coasts and the vast maritime expanses beyond. The expanding naval dimension of India’s foreign policy is growing ever clearer, most notably in the Ocean that bears its name, throughout which New Delhi intends to assert a strong presence, while insisting on the legitimacy of this emerging policy.

Drawn to the openness of the seas, viewed as a means to broaden the scope of its external action, while seeking in the same movement to hermetically insulate itself from any disruption originating from abroad (political or economic), India has not yet put to rest a central ambivalence in its perception of the Indian Ocean. Regardless, there can be no doubt as to its determination to become a major player in a region where it has observed with discomfort the growing Chinese footprint, which has led Indian leaders to consider with an increasing sense of urgency the state of New Delhi’s own naval capacities.

Australia exhibits a similar discomfort with China’s inroads into the Indian Ocean, and shares with India a desire to play an active role in the region. Despite this commonality of perceptions and of intentions, the two countries’ ascent in the area differs both in scope and in the means they rely on. Such divergences have contributed to the absence, to date, of meaningful cooperation between India and Australia in the Indian Ocean, to say nothing of an enduring, strategic relationship. Moreover, the reality of a Canberra New Delhi axis remains limited considering the different visions the two protagonists have of it. On the Indian side, the exchanges with Australia are unbalanced due to the vision of the Indian Ocean as a strategic extension of the peninsula. On the Australian side, the subtle balance between strong economic and trade relations with Beijing and reaffirmed political and military relations with Washington justify a new “front” strategy in which India appears to be just one actor among others.

Yet conditions may be evolving to favor the emer-
gence of a new partnership, as Canberra and New Delhi both reassess the importance of the region and subsequently position themselves against any hegemonic enterprise, real, perceived, or hypothetical. Like India, Australia has significantly retooled and upgraded its posture to better project influence in a region in the throes of deep geopolitical shifts. Like India, Australia now views the Indian Ocean as vital both for its security and for commerce. Like India, finally, Australia now invokes the expansion of China’s naval presence and of the number of agreements linking China to various countries in the region to justify these new initiatives.

The article, “India and Australia: An Emerging Partnership in the Indian Ocean?” was co-written with Barthelemy Courmont and published in the Summer 2013 issue of the Korean Journal of Defense Analysis (volume 25 number 2).

Bringing Russia in from the Cold

Robert Fojtik

Flashpoint Blog

May 2, 2013

U.S. relations with Russia have been in sharp decline since Vladimir Putin came to power in 2001 and the unipolar world of the post-Cold War became increasingly complex.

Since then, conflicting Russian policy objectives have created an approach to bilateral relations with the United States that can at times be pragmatic but is more often focused on maintaining a projection of Russian power in the country’s near-abroad and the global stage. Human rights practices have been abysmal under Mr. Putin, and the United States has struggled to find constructive ways to spur reforms and promote the rule of law. Even with a concerted “reset” effort over the course of President Obama’s first administration, relations with Russia have continued to deteriorate. As the President’s second term is now well under way, the question remains: how will the United States find ways to bring Russia into the international fold in order to tackle wide-ranging issues affecting global security?

The most recent blow to U.S.-Russian relations came a few weeks ago, when the Administration finalized a list of eighteen Russians forbidden from traveling or having financial assets in the United States as required by the so-called Magnitsky Act. Despite Congress’s best efforts to highlight human rights abuses in Russia in this most recent piece of legislation, the Act does little to address the root cause of Russia’s disregard for the rule of law; instead, it increases the likelihood of hostility between our two countries and makes constructive cooperation on a number of national security issues more difficult to continue. Too much of the United States’ policy towards Russia has been aimed at punishing the country for not being Western enough, when the goal should be making Russia a team player in the international order.

As part of this punitive tendency in relations with Russia, the Magnitsky Act was passed to replace outdated Cold-War-era legislation which singled out Russia for its abuse of human rights. Unfortunately, the Act may do little to combat these abuses while complicating bilateral cooperation. Following over a decade of efforts to accede to the WTO, Russia was finally granted membership in August 2012 as one of the largest economies outside the organization and at the urging of the U.S. Administration. Even as Russia entered the global trade regime, the United States was not be able to fully benefit from the associated changes in tariffs until the repeal of the Jackson-Vanik Amendment, a 1974 law preventing the extension of Permanent Normal Trade Relations (PNTR) to the USSR because of its refusal to allow Jews to leave the prejudiced Soviet system. Until December of last year, the law had survived the dissolution of the state it was designed to punish, being applied to the new Russian Federation for the last decade despite there being no prohibitions on emigration since Gorbachev’s per-
In the same Bill extending PNTR to Russia, Congress passed the Magnitsky Act, satisfying Congressional desire to appear as tough as ever on Russian human rights abuses. The law requires the Administration to identify those involved in the 2009 prison death of whistleblower Sergei Magnitsky and apply travel and financial restrictions on them. The outcome of this legislative slap on Russia may well extend beyond the finite list of banned Russians, with implications for our broader bilateral relationship, or more likely, it will turn out to be an inconsequential bump in the already potted road to real partnership with Russia.

To be sure, the U.S. has an interest in improving the legal environment and human rights regime in Russia, but there are several problems with linking trade and human rights abuses in Russia. The least of these unfortunate linkages has been negating the positive feelings the repeal of Jackson-Vanik should have created. As purely symbolic efforts go, Congress could have demonstrated to Russia that, despite our difference of opinion on many issues, human rights included, mutual prosperity and economic ties are areas in which our countries have shared interests. Surely this was behind the Administration’s push for Russian membership in the WTO; by backing Russian inclusion in international organizations, the U.S. hopes to increase dialogue and reinforce international norms in Russia, including those that relate to human rights and rule of law. Existing fora for highlighting human rights offenses in Russia, such as the yearly State Department report, OSCE, and Council of Europe, present a more productive way for the U.S. and its like-minded allies to keep pressure on rights abusers in Russia, and around the globe, in a way that does not single out any country and can be couched in multilateral terms. The United States should pursue initiatives that bring openness, opportunity, and international engagement to Russia. Promoting Russian membership in international organizations, sharing governance best practices, and engaging in joint efforts, such as the recently expanded Afghanistan Helicopter Maintenance Trust Fund, are but a few ways the U.S. can achieve its goal of making it easier for Russian leaders to respect their citizens’ rights and to prod their government into being a good partner.

Thankfully, Presidents Obama and Putin seem to be moving past the drama of the Magnitsky Act and have scheduled personal meetings on the sidelines of the June G-8 meeting in Northern Ireland and the September bilateral summit in Russia. This will give the two leaders the opportunity to discuss the deteriorating situation in Syria, as well as the ongoing debate over missile defense in Europe. These are areas in which Russia is a deciding factor in resolving conflict, and they present the opportunity for Russia to exert its global influence in a positive way. To cement cooperative agreements on either front would be a big win for the bilateral relationship and American national security, and increased economic interconnectedness will make both negotiation processes more amicable.

Russia’s legal development, economic health, and ability to contribute as a global partner are all intricately linked, and U.S. policymakers are wise to remember this fact. As the only other country to possess comparable numbers of nuclear weapons and as a neighbor to several regions of critical importance to American national security interests, Russia is and will continue to be an indispensable partner on antiterrorism efforts, combating extremism, and nonproliferation. Human rights abuses will continue to be rampant in Russia and across the Former Soviet Union, and the U.S. needs to remain vigilant in promoting transparency and rule of law. Washington must strike a flexible balance between enacting efficacious cooperation and maintaining a leading role in promoting human rights as we continue to rely on Moscow for intelligence sharing, transit routes to Afghanistan, and a powerful voice on nonproliferation — all efforts that keep Americans safe at home and abroad.
The lasting impact of the Magnitsky Act on our ability to strike that balance is yet to be seen, but it is safe to say that its impact on human rights practices in Russia will be negligible.

**Strategy for Defense Savings:**
**Reduce Number of 4-Star Generals**

Wes Reichart

*Flashpoint Blog*

*June 5, 2013*

As the Pentagon looks to conduct more efficient and effective business, without inviting additional national security threats, one key target of cuts could be the plethora of Four-Star command positions in the armed forces.

Several key actors are already looking for ways to cut these positions. Seth Robson of *Stars and Stripes* recently published an article, entitled, “Dempsey: Military ready to trim numbers, perks of top brass,” detailing Chairman of the Joint Chiefs of Staff General Martin Dempsey’s plan to eliminate 144 generals and admirals as well as the generous perks that accompany their positions. Similar suggestions in a recent report by Sen. Tom Coburn (R-OK) claim a reduction of 200 high level officer positions across the armed forces could save the Pentagon $800 million over the next decade.

General Dempsey and Dept. of Defense leaders could focus their cuts on the high command, specifically Four-Star Generals and Admirals. The notion that each new crisis requires the creation of a Four-Star command position must be curbed. Redundancy among high level staff does not provide benefit; rather such an arrangement leads to extremely wasteful inefficiencies such as a “stove-piped” bureaucracies and a host of coordination problems.

An overabundance of high level officers not only hampers operational efficiency, but it is also extremely costly. Four-Star generals command high salaries ranging from $191,000 to $235,000 per year dependent upon experience. Furthermore, these officers receive immense perks including excessive military spending on lavish homes, personal jets, aides and a pension program in which total retirement pay can differ by approximately $1 million between a retired Three-Star and a retired Four-Star. (A full military pay scale matrix can be found [here](#).)

Inefficient costs pile up as more officers join the Four-Star ranks. U.S. Armed Forces are currently commanded by thirty-six active duty Four-Star Generals, approximately ten more than provided for by the standard language of the [U.S. Legal Code (Title 10 Sect. 525)](#). These “extra” Four-Star Generals are the result of a culture within the Pentagon that facilitates the usage of legal code exemptions to bolster the high level officer corps.

A reduction in the number of high level command positions will help provide great savings at minimal operational costs. Only senior command positions for which supreme powers are an absolute necessity could receive a Four-star ranking. Other strategic operations can be carried out by lower ranking generals. Reform of the Armed Forces command structure is necessary to achieve such objectives.

In the short-term, legislators and Pentagon officials must amend and/or repeal exemption clauses in the U.S. legal code with regards to the promotion of additional Four-Star officers. The code must become more stringent on the Secretary of Defense’s autonomous power to promote and create new command positions. Moreover, a provision that requires the de-motion of any Four-Star General after sixty days of inactivity must be enforced across the board rather than selectively.

Medium-term action could include the offer of early retirement packages to the longest serving Four-Stars
provided they are not a member of the Joint Chiefs of Staff or a supreme branch commander. These offers may initially cause appropriation over-runs but will provide for great savings in the long term as the pension program is reformed. Also, the Department of Defense must devise a more flexible command and responsibility structure to strategically deal with crises that arise. The new arrangement could eliminate unneeded Four-Star positions and create a fluid process of command adaptation to a variety of emerging threats.

In the long-term, officials must implement the new command structure and allow unnecessary positions to disappear as the general or admiral in question retires. With budget reductions likely to persist, the Pentagon must continue to keep the number of high level officer positions, staffs and benefits low. A new range of hybrid and asymmetric threats require that valuable resources are heavily dedicated to strategic, operational, and tactical security imperatives rather than defense administration.

Like the large conventional armies that preceded them, overstocked military leadership is a thing of the past and could face the same cuts.

Dangerous Bedfellows in the Crime-Terrorism Nexus

Ollie Engebretson

Flashpoint Blog

June 13, 2013

The nature of asymmetric threats to U.S. security is changing, and so must our counteractive approach.

Convergence, the intersection of normally distinct types of illicit organizations, has become a growing concern in the global fight against terrorism—a concern Adm. James Stavridis has voiced well. Transnational criminal organizations (TCOs) and foreign terrorist organizations (FTOs) have approached a new or perhaps previously unrecognized level of interaction.

The collaboration between Dawood Ibrahim’s D-Company and Al-Qaeda for smuggling purposes is a telling example of this crime-terror fusion. The terrorist group Revolutionary Armed Forces of Colombia (FARC) has also engaged in narcotics trafficking and kidnapping for ransom—a technique favored by North Africa-based FTO Al-Qaeda in the Maghreb.

The latter examples illustrate an additional form of convergence where TCOs and FTOs begin to emulate the other's techniques, blurring the line between terrorism and criminal activity. Terrorism has always been in essence “criminal,” but the willingness of terrorists and criminal organizations to collaborate or expand their modus operandi opens up a dangerous array of possibilities.

Convergence represents immediate risks for obvious reasons, as it gives FTOs access to black-market financial and smuggling networks. However the long-term structural effects are equally threatening.

In the summary of a dialogue on the crime-terror pipeline hosted by the Department of State and Defense, Scott Helfstein of the Combating Terrorism Center at West Point outlines a very basic, yet destructive, supply and demand economic relationship between criminal organizations and terrorists.

Criminal organizations provide finances and materials to meet terrorist group demands, while FTOs simultaneously disrupt governments and provide the chaotic and destabilized environments in which criminal networks flourish. The two sides feed into each other, not in an ideological sense but operationally, working symbiotically to tear down the institutions that economies desperately need to grow.

Is convergence really as pressing a problem as some suggest, though?
Helfstein conducted an empirical study that certainly implies such. Highlighted in a recent Department of Defense report on transnational crime, his model examines the number of known linkages between individual persons of interests—terrorists, criminals, etc.

Beginning with 40 individuals, he worked outwards by two degrees, creating a web of connections totaling 2,739 people. Out of those nearly three thousand, only 53 were part of internal networks not connected to the larger web, and 46% of the terrorists examined were linked to non-terrorist activities.

This study doesn’t prove that terrorists and criminal organizations are necessarily collaborating or abandoning their original activities, but it does show that the connections and associations exist, regardless of whether or not these organizations have chosen to take advantage of them.

As global counter-terrorism and law enforcement efforts continue to constrict terrorist and criminal networks, continued convergence only seems a logical progression for the sake of their survival.

The U.S. must develop strategies to stay ahead of it.

What policy options does the U.S. have?

As Helfstein pointed out in his analysis, a majority of the connections were long, meaning that individuals were linked to one another through 10 to 14 people. The high number of lengthy connections means that the web has few hubs—powerful, highly-connected individuals holding much of the network together.

Therefore rather than targeting high-profile “king-pins,” as has been the traditional U.S. approach, attack the framework. Track suspicious financial behavior by connecting financial intelligence agencies across the globe, creating our very own transnational network. Conversely the international community must bolster counter-terrorism institutions within the African Union that disrupt illicit activities but suffer from corruption.

Inter-agency cooperation is also key. Gretchen Peters of George Mason University, in the same DoD report mentioned earlier, suggested “inter-agency teams” composed of military officials, diplomats, and other specialists to keep the focus on national security goals and not agency interests.

America’s longstanding War on Drugs and War on Terror have generated extensive strategies to accomplish their specific goals, and we need to capitalize on these resources. The fusion centers for sharing intelligence between local and federal levels that the Department of Homeland Security set up are important, but it should not stop there.

Cross-agency training must be a common practice, so that counter-terrorism agencies tracking cells can take advantage of the strategies that DEA agents use to monitor Mexican cartels.

Even illicit economies globalize, and U.S. national security policies need to adapt to the implications of a world-wide criminal network.
Warning Signs in the Taliban Push for Diplomacy

Ollie Engebretson

Flashpoint Blog

June 25, 2013

U.S. officials have taken a cautious yet hopeful approach to the Taliban’s request last week to engage in peace talks with the U.S. and Afghan governments, but perhaps not cautious enough.

This past Tuesday, the Taliban opened an office in Doha, Qatar with the stated intention of using it as a base for diplomatic negotiations during the Afghanistan troop withdrawal and peace process.

While talks between the Taliban and U.S. have occurred in the past, none had the contextual backdrop of an official Taliban office and the looming 2014 troop withdrawal—circumstances that Afghan President Hamid Karzai understands all too well.

In a declarative move and infuriating Karzai, the Taliban flew their flag and installed a sign reading “Islamic Emirate of Afghanistan,” the official name of the Afghan state when they held power.

The Taliban subsequently chose to cancel any talks with U.S. officials as well.

While these disagreements may seem like political gamesmanship, they indicate a danger lurking in the future of any negotiations with the Taliban.

Per agreement, the Taliban office had to remain a political bureau for peace talks and could not evolve into an embassy used to compete with the Karzai government. However the Doha bureau seems to embody just that—an embassy for a government in exile.

As Max Fisher of the Washington Post points out, the Taliban have made little effort to at least ostensibly move beyond their claim to represent the legitimate government of Afghanistan. The office even lies nestled amongst recognized embassies. Taliban spokesmen at the first press conference stated that the purpose of the office was to meet with foreign diplomats and interact with the press—fairly consular activities. Not once did they mention the Afghan government.

Karzai immediately rejected any planned negotiations after the antagonizing display by the Taliban at the Doha office, and the U.S. has since struggled to salvage the peace talks.

Nonetheless the Taliban’s move to initiate these talks themselves and seemingly seek a peaceful stability for Afghanistan raises the question of why now? What has changed?

Many have pointed to the fast-approaching withdrawal of coalition forces in 2014. The looming troop departure has certainly influenced Taliban strategic timing, whether they wish to sincerely participate in the existing political system or simply rally international support for an opposition regime.

Coinciding with the withdrawal, however, is the end of President Karzai’s final term. This leaves a considerable power vacuum, both politically and militarily, in a fragile and untested system. Long-term motives
aside, Taliban officials’ undoubtedly opened the office and engaged the U.S. with the beginning of this transition period in mind.

Despite an apparent earnestness to embrace diplomacy, Taliban actions have suggested that little has changed in their approach to the Afghan government.

The very nature of the Qatar office’s opening press conference demonstrated that they still see themselves as the true government of Afghanistan.

Moreover, Taliban officials have declared that they still will not abandon military attacks, *killing four Americans during a mortar attack on Bagram Air Base* hours after they announced their desire to engage the U.S. diplomatically.

Last night the Taliban affirmed this commitment to violence, carrying out an *attack on the presidential palace in Kabul and the CIA headquarters*.

Given their ambiguous motives, U.S. officials must approach these already deteriorating Taliban negotiations with extreme caution. While constructive talks may still be salvageable, the U.S. should not fuel the political recognition the Taliban gained through this past week’s fanfare.

Sec. Kerry rightly stated that *if peace talks don’t being soon, they may have to close the office in Doha*. The Taliban cannot be allowed to use this as a political shield while they carry out business as usual and use terrorist tactics to target Americans and Afghans.

Ending the insurgency and the Taliban’s ties with al-Qaeda must remain the U.S. and Afghan governments’ top two priorities, and current Taliban aims do not seem to align with those ends.

Taliban spokesmen did verbally commit to no longer allow “*anyone to cause a threat to the security of countries from the soil of Afghanistan*,” but that falls far short of actually severing ties with al-Qaeda.

The Taliban have expressed interest in pursuing legal avenues to achieve their “objective,” but given their decision to continue fighting and the embassy-like qualities of the Doha office, that objective seemingly remains to abolish the current regime and reestablish Taliban control over Afghanistan.

Any decision to engage the Taliban diplomatically without a clearer indication that they have reoriented their violent methods and recognize the Afghan constitution runs the risk that the Taliban will simply use such negotiations to further their insurgent ambitions, and at the political and security expense of the U.S.

**Cyber Theft and Vulnerabilities to the U.S. Defense Industrial Base**

BGen. John Adams

*Flashpoint Blog*

*May 29, 2013*

The United States defense industrial base is a vital part of the U.S. force structure that is increasingly vulnerable and under threat. Not only must U.S. defense industrial firms – including companies of all shapes and sizes in communities across the nation – contend with shrinking and uncertain budgets, but they also face a range of vulnerabilities including extensive cyber intrusion. As the *Washington Post* recently *reported*, some of the most advanced U.S. weapons designs have been “compromised” by hackers in China. These *systems* include the F-35 Joint Strike Fighter, the U.S. Navy’s Aegis Air and Missile Defense system, and U.S. unmanned drone technology. The ability of China and other nations to illicitly obtain this sort of information puts the U.S. global military edge at risk, and potentially gives these countries the ability to undermine or defeat U.S. systems.

These recent revelations do not constitute an isolated threat to the ability of the United States to design
and produce the best military systems in the world.

As Guardian Six Consulting recently documented in a report prepared for the Alliance for American Manufacturing, the U.S. defense industrial base faces a wide array of vulnerabilities, largely because many of our most important defense supply chains are no longer sourced domestically. China and other nations now control key supply chains upon which the United States depends to supply U.S. troops. To make matters worse, below the level of the big prime contractors, the United States has very little awareness of which companies (and which countries) supply inputs and subcomponents. This creates the risk of single points of failure deep within U.S. supply chains. For instance, a vital input for HELLFIRE missile propellant is only manufactured by a single Chinese firm. Zero domestic production of this input takes place today.

Efforts to preserve and strengthen the U.S. defense industrial base are already underway, including the Defense Department’s “Sector-by-Sector, Tier-by-Tier” (S2T2) approach, but more must be done. It is not enough for the U.S. military to be ready now in the current global security environment. We must be ready to fight on the future battlefield in circumstances that will likely be very different. We must ensure a strong, flexible, and secure U.S. defense industrial base.

Brig. Gen. John Adams is President of Guardian Six Consulting, LLC and is a member of the Consensus for American Security.

Crafting a New Policy for the Crisis in Egypt (No, Not the Political One)

Ollie Engerbretson

Flashpoint Blog

July 16, 2013

The political crisis that has erupted in Egypt over the past two weeks requires a reorientation of U.S. foreign policy, the first step being to acknowledge that the true crisis exists in the country's imminent economic collapse.

The U.S. has vital security interests vested in the stability of Egypt as a regional power and close ally. Not only has Egypt helped to ensure Arab-Israeli peace through the Camp David Accords, but the country also ensures the security of the Suez Canal and helps lead regional counter-terrorism initiatives. As the largest Arab country in the world, Egypt also represents a vital counterbalance to Iranian regional influence.

The crisis unfolding inherently jeopardizes these interests, especially if violence escalates into sectarian conflicts, and it requires immediate internal action to prevent further bloodshed and a collapse of the Egyptian security structure. However the economic woes plaguing the country pose a pressing threat to the long term structural well-being of the nation.

Much of the debate has focused on who lost Egypt or why the Egypt policy failed, yet this is a distracting exercise in foreign policy theory and political rhetoric. From the perspective of crafting a forward-thinking and interest-based policy towards Egypt, U.S. officials should refocus efforts on Egypt's economic plight.

Many analysts highlight the economy as the unifying grievance amongst the protesters that brought down the Morsi administration. In fact a Pew poll released
this past May indicated that a majority of Egyptians would prefer a strong economy over a good democracy.

The cycle seems inescapable—an unstable political system causes the economy to sour and investors to flee yet the economy cannot recover without a stable government. Given the instability of the Egyptian political framework, perhaps a viable solution must fix the economy first.

The economic conditions in Egypt are dire.

The country suffers from stagflation, with 2.2% growth in real GDP over 2012 and a staggering 9.8% inflation rate and skyrocketing unemployment, which jumped from 9.2% in 2011 to 12.3% in 2012.

With foreign investors causing a net capital outflow and tourism almost non-existent, the demand for the Egyptian pound has plummeted. In order to prop up the value of the currency and keep import prices low, the central bank has largely depleted its foreign exchange reserves from $36 billion in 2011 to around $16 billion currently. This leaves the government with few reserves to purchase foreign wheat and fuel, and Egypt has less than two months of wheat stocks to produce the subsidized bread on which so many Egyptians depend.

Egypt operates on an outdated rentier framework, with a bloated public sector and unsustainable food and petrol subsidies that suffocate the economy, but no resources to sustain it.

The system has grown increasingly dependent on foreign aid, and while the recent contributions from the Gulf States might delay the inevitable, the economy cannot survive much longer. The deficit has doubled over the past year and public debt is now 80% of the country's GDP.

The U.S. needs to work with regional partners and craft a policy that prevents the Egyptian economy from imploding in the short run while simultaneously setting up safeguards that push Egypt out of this unsustainable framework in the long run.

Negotiations with Morsi for a $4.8 billion IMF loan fell apart over conditional reform requirements such as subsidy cuts and increasing tax revenues—highly unpopular among the Egyptian population. While these reforms are crucial to Egypt's long term growth, changes are unlikely given the current political circumstances.

However U.S. economic engagement can take a more indirect and nuanced form. Egypt needs to reverse the outflow of capital, and the U.S. can facilitate this process by engaging some of the high-profile investors that have fled the market.

Additionally, the U.S. can engage the Egyptian diaspora in America and globally to encourage them to take advantage of Egypt's incredible economic prospects while strengthening informal ties with the American market.

Sen. Chris Coons (D.-DE) in fact released a plan with similar objectives for economic engagement in Sub-Saharan Africa, offering useful parallels. In particular he advocated working directly with financial institutions to facilitate foreign and local investment using American expertise.

The U.S. can adopt a similar approach in Egypt, which would allow financial experts to deal directly with Egyptian banks and investment firms in order to develop fast-acting growth strategies. This should not, however, give foreigners the green light to devour undervalued Egyptian industries, as much of the focus should be on Egyptian expats and global businesses.

The Egyptian subsidy framework and bloated public sector cannot survive, and nor can any politician who attempts to reform them, until a sufficient private sector exists to offer fallback. This private sector, cultivated with both Egyptian and American investors, would protect both the U.S.’s and Egypt’s long-term interests.
Looking at the lessons since Black Hawk Down

Matt Freear

Flashpoint Blog
June 13, 2013

This October sees the twentieth anniversary of events that came to be known as Black Hawk Down, in which eighteen US military personnel and hundreds of Somalis died. Over a thousand Somalis were injured, hundreds of them civilians, though estimates vary greatly. It so horrified Americans at the time it led to the early withdrawal of US forces from Somalia and the collapse of the UN mission.

Today, Somalia appears to have the chance to rise from the ashes of incessant violence, state failure and humanitarian catastrophe. The US is among a number of countries that are seriously re-engaging in what was thought to be a hopeless cause for a long time after those tragic events in Mogadishu.

Central to this story of phoenix rising is the African Union peacemaking mission, AMISOM, that has pushed Islamist insurgents from virtually all the major urban centers of Somalia, leading to political, economic and social gains that are tangible and undeniable.

There is something about AMISOM that has meant it has been more successful than better-equipped, better-trained American forces have been in comparable counter-insurgency operations in recent times. My recent article for Stability: the International Journal of Security and Development, goes some way towards identifying why it has worked, particularly in relation to peace operations planned for Mali.

So great are the achievements of the six-year old African Union intervention, backed by the United Nations, that some have grasped at the “Somalia model” as an off-the-shelf peace making solution to tackle the unfolding crisis in Mali. There are many useful lessons to be learned but the Somali story must be remembered for the unique history of the conflict and bespoke peace-making solutions attempted. It must be remembered honestly as one of painfully won gains, dogged determination and adaptation to circumstances specific to a country that had hit rock bottom as a functioning state.

Principal among those lessons is one of strategic perseverance over the long term, and the US can be proud for believing from the start. Initially, international opinion was set against the undermanned, underequipped African force that was besieged in the confines of the capital’s airport for the first years of its deployment. Even when it doggedly fought its way block-by-block through downtown Mogadishu it took some time to turn around perceptions of the African force and create any agenda for hope for the war-torn country.

“Strategic” because AMISOM needed all three parts of a delicate jigsaw to sustain the use of force to force the insurgents back and get where it is today: military resource, political backing and financial support. The skilled military resolve of the soldiers who prosecuted the bloody urban combat taking casualties in large numbers along the way; the political resolve of those countries contributing troops, more-or-less united under the African Union banner; together with the just-in-time finances from western backers.

Without all three elements persisting over time the mission would have failed. And, it was only in that unprecedented combination, the African force kept the consent of Somalis, key African stakeholders and the wider international community, albeit with a high degree of fragility.

But what stands out clearest from the success of the African force in Somalia is it is just that; African. The successes of the determined force are solidly built on the journey they have taken on the streets of Mogadishu by themselves: trust slowly earned, Somali cultural understood, political lessons learned, military
skills enhanced and vital equipment procured over five years of intense fighting.

In contrast, in Mali, the international community appears to have had its hand forced, changing plans to respond with a French-led military effort, then looking to a West African force, and is now focused on a UN peacekeeping solution, MINUSMA. It continues to stubbornly push for elections next month.

Even on last year’s plan for Mali, where a political process would preface an intervention by an African force, there were remarkable ambitions. Not only was the plan based on expected progress in such thorny issues as dealing with Azawad secession, historical under-development of the north and a weak central government, but also re-building the Mali army. It remains unclear as to how a majoritarian vote will bring settlement to these underlying issues.

The political cross currents in both Somalia and Mali are forecast to be turbulent at best for many years to come. Perhaps the political protagonists and peace builders in these countries will look back at the patience and determination of those AMISOM soldiers and mirror the military gains by identifying uniquely African – or should I say uniquely Somali and Mali – ways forward for these fragile countries.

The Potential Rise of Sarin Manufacturing Among Non-State Actors

Chris Smith

Flashpoint Blog

June 5, 2013

There is an increasing concern today about the chance that Syria’s chemical stocks could fall into the hands to non-state actors as the civil war there continues. Possibilities as worrying as future attacks on military forces to terror attacks against neighboring countries and communities are being suggested should these chemical stocks fall into the wrong hands.

Even if these stocks are controlled, the possible existence of the weapons systems themselves poses real problem in the potential aftermath of the Syrian civil war. An incident in the summer of 2004 in Iraq where militants appear to have unknowingly used an old binary shell, a chemical weapon delivery system, as an IED against American troops and released sarin gas in the process aptly demonstrates this.

More worrying however are signs that non-state actors might be beginning to manufacture sarin weapons as opposed to trying to acquire them from pre-existing stocks. In the last week there have been two separate reports of al-Qaeda linked groups being captured with sarin.

One report involves members of a Syrian group, al-Nusra Front, being captured in Turkey with approximately 4.5 pounds of sarin. This has been reported by multiple news outlets in Turkey, though the Turkish government claims that while the individuals in question had chemical weapons related materials with them the materials did not include sarin. This would make sense if the components to make sarin were present but had not yet been mixed.

It is suspected that the group was likely targeting US forces at Incirlik Air Base in Adana and/or the population of the city of Gaziantep.

While questions remain about where the sarin might have been obtained, a more troubling report came out of Iraq as well. The capture of an al-Qaeda cell that was actively manufacturing sarin for use in terror attacks within Iraq.

The use of sarin by non-state actors in unfortunately not a new development as the 1994 and 1995 terror attacks in Japan by Aum Shinrikyo demonstrate. What is concerning is the potential that non-state actors may begin increasingly looking towards manu-
facturing sarin as when there is little opportunity of acquiring it from pre-existing stocks.

Sarin should be given special consideration as its manufacture involves the simple mixing of two chemicals (methylphosphonyl difluoride and isopropyl alcohol) with relatively little skill required. Thus it may be prudent to begin giving increased concern not just to the pre-existing stocks of sarin in places like Syria, but to the small scale manufacture of sarin in increasingly destabilized regions.

To be clear the stocks that Syria has of sarin and other chemical weapons are a clear and present concern and must be observed to ensure their tight control. The chemical weapons stocks of Syria, in addition to the weapons systems to deploy them, offer those who would use them the ability to carry out whole sale destruction, while non-state actors who do not have access to an advanced military industrial complex will inherently be limited in the scale of their production and capabilities.

Thus, there is a difference in the types of threats and how they must be examined and watched for. Syria's large stocks of chemical weapons and the systems to deploy them represent something of a problem from a military intelligence perspective while this new activity of manufacturing sarin by non-state actors on this small scale will require a more nuanced investigative approach similar to traditional law enforcement.

While the world must continue to remain vigilant in regards to pre-existing chemical weapons stocks and their security from non-state actors, the manufacture of sarin by non-state actors presents a new national security threat that will need to be approached with new tools.
converted to chemical weapons. However, the potential of non-state actors gaining access to relatively large quantities of these chemicals is quite real.

While there will always be the possibility of industrial chemicals being used maliciously, there is much more that the US government and the international community can do.

The current monitoring requirements under the Chemical Weapons Convention in the US for chemicals that could be used to synthesize sarin through two or more steps are surprisingly lacking. Facilities that produce or purchase such Schedule 2 chemicals are not required to report the chemicals in cases where quantities do not exceed “1 metric ton”!

Other US monitoring requirements leave much to be desired. One chemical that can be used to synthesize methylphosphonyl difluoride is monitored by the Department of Homeland Security (DHS), methylphosphonothioic dichloride, through its list of interested chemicals. However, many others are not including a much more readily convertible chemical, methylphosphonyl dichloride, which falls under Environmental Protection Agency supervision regarding the reporting of hazardous quantities in excess of 100 pounds.

Sarin’s lethality cannot be understated. One and a half grams of vaporized sarin will incapacitate and kill most individuals in a confined environment, assumed to be 200 cubic meters, in roughly a minute. 100 pounds of methylphosphonyl dichloride, even with only a 10% synthetic yield of sarin through a two step process would produce enough sarin to carry out almost 3,200 such attacks.

Both at home and abroad, access to the precursors of methylphosphonyl difluoride should be limited and/or have their monitoring requirements greatly increased. The availability of precursor chemicals like methylphosphonic dichloride that can readily be bought on chemical web sites should be of great concern to lawmakers in the US and around the world.

American law makers or the appropriate regulatory agencies should consider greater scrutiny of chemicals like methylphosphonic dichloride that can easily be used to create chemical weapons, perhaps by considering increases to DHS’s list of chemicals of interest and changing monitoring thresholds. The international community should consider augmenting the list of precursor chemicals covered by the Chemical Weapons Convention by greatly increasing the monitoring requirements of chemicals covered under Schedule 2.

ABOUT THE EDITOR:

Wes Reichart is Junior at the College of William and Mary and currently serves as the Government Relations Intern at the American Security Project. He is double majoring in Government and Economics and has expertise in the union of American Competitiveness issues with national security imperatives. Wes has additional experience in legal issues surrounding National Security such as legal responses to terrorism, international legal precedence on security matters, and the legality of U.S. national security measures.
Further Reading

American Competitiveness

The Defense Industrial Base

Climate and Energy

Advanced Biofuels and National Security
Fusion Power – A 10 Year Plan to Energy Security
The Geopolitical Implications of U.S. Natural Gas Exports
What is Energy Independence?
Cause and Effect – US Gasoline Prices
The Global Security Defense Index on Climate Change: Preliminary Results
Protecting the Homeland – The Rising Costs of Inaction on Climate Change
International Progress on Fusion Energy – How American Leadership is Slipping

Nuclear Security

Shipping Container Security

Public Diplomacy and Strategic Communications

The Challenges of the Internet and Social Media in Public Diplomacy
The U.S. State Department’s American Spaces Program

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American Security Quarterly

**Volume 2**

1st Issue: January 2013
2nd Issue: April 2013

**Volume 1**

4th Issue: October 2012
3rd Issue: July 2012
2nd Issue: April 2012
1st Issue: January 2012
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