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# **RISEING LEADERS CLASS OF 2022**

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## **ON THE RISE: PERSPECTIVES ON FOREIGN POLICY**

Edited by Aspen Strategy Group Staff



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# Fire from the Gods: Safely Promoting Nuclear Energy

**April Arnold, Nathan Dial, and Akif Irfan**

In Greek mythology, the titan Prometheus stole fire from the gods and passed it to humanity as an improvement in civilization, but in doing so earned the wrath of Zeus. In recent months, the weaponization of Russian energy supplies in conjunction with its invasion of Ukraine has driven an unprecedented global energy crisis that could cause European blackouts in a bleak winter. Meanwhile, Russia has occupied Zaporizhzhia, the largest nuclear power plant in Europe, threatens to use nuclear weapons, and may even have targeted key European energy infrastructure in an attack on the Nord Stream pipeline in September 2022. Promoting nuclear energy adoption could be a key solution to addressing the energy security of Europe. However, as in the Promethean narrative, the profound potential to society offered by emissions-free reliable nuclear energy also raises the specter of nuclear weapons proliferation and reintroduces questions about the safety of nuclear power reactors during peacetime and conflicts.

For the past seventy years, the North Atlantic Treaty Organization (NATO) has alleviated the fear of nuclear war with the Russian Federation through its Article 5 deterrence policy, where an attack on any NATO ally necessitates a response from the entire alliance. However, the Ukraine war illustrates how Russian warfare has extended beyond the traditional battlefield and crippled portions of the alliance. While Russia has not violated the territorial integrity of NATO, reliance on Russian energy has made some allied states vulnerable to the weaponization of energy supplies and undercut the alliance's use of economic sanctions.

The lack of viable energy alternatives to Russian fossil fuels puts NATO in the conundrum of choosing between external security aims and internal energy concerns. The key to energy diversity will be decoupling nuclear weapons policy from nuclear energy development. As NATO moves deeper into the twenty-first century, the alliance must develop an energy portfolio resilient to violations of the rules-based international order, whether that violation is an invasion of a non-NATO country or noncompliance in international forums such as the Nuclear Nonproliferation Treaty Review Conference.

## **NATO's Recent Blindspot—Not Viewing Nuclear Energy as Critical to Climate and Energy Security**

NATO is the primary political-military forum that brings Europe and North America together daily. Since 1991, NATO has evolved from a sixteen-nation defensive alliance designed to quell Soviet aggression into a dynamic thirty-two-nation security provider. The post-Cold War expansion includes not only membership expansion, but scope. NATO has released three strategic concepts post-Cold War, in [1999](#), [2010](#), and [2022](#), which serve as the alliance's guiding light.<sup>1</sup> In 2010, NATO added climate change and energy security into the alliance's areas of responsibility, but failed to establish a nuclear energy policy.

The oversight is most apparent within the 2022 Strategic Concept and the [NATO 2030 Review](#) released in 2021.<sup>2</sup> Both documents articulate the institution's desire to build member-state resilience by strengthening each nation's civil preparedness and homeland security capacity. The 2022 Strategic Concept goes one step further, highlighting that each NATO ally needs to build systems that defend against attacks on its energy infrastructure. NATO reaffirmed in its September 2022 [response](#) to the Nord Stream attacks that "any deliberate attack against allies' critical infrastructure would be met with a united and determined response."<sup>3</sup> The documents encourage nations to pursue renewable energy and limit greenhouse gases. However, the reports do not explore nuclear power's role as a key part of a nation's energy portfolio. The blind spot highlights a gap in NATO's energy independence and resilience policy objectives. The

alliance's lack of nuclear energy policy potentially contributed to the Russian invasion of Ukraine. By enabling the Kremlin to believe Europe relied on Russian energy, Putin may have believed that Europe would not dare to stand up to his aggression in the region for fear of freezing their own populations.

In the 2022 strategic plan, NATO calls on its members to combat authoritarian actors who threaten the alliance's interests, values, and democratic way of life by bolstering systems to defend each nation's infrastructure. However, NATO does not codify what constitutes a sufficient improvement. Eight NATO members are currently [amongst the world's fifteen](#) highest nuclear power-generating countries, positioning the alliance well to extend leadership in this sector.<sup>4</sup> We see diversifying a country's national energy sector as a critical component for national defense moving forward and believe that nuclear energy can play a key role in achieving energy security and climate goals.

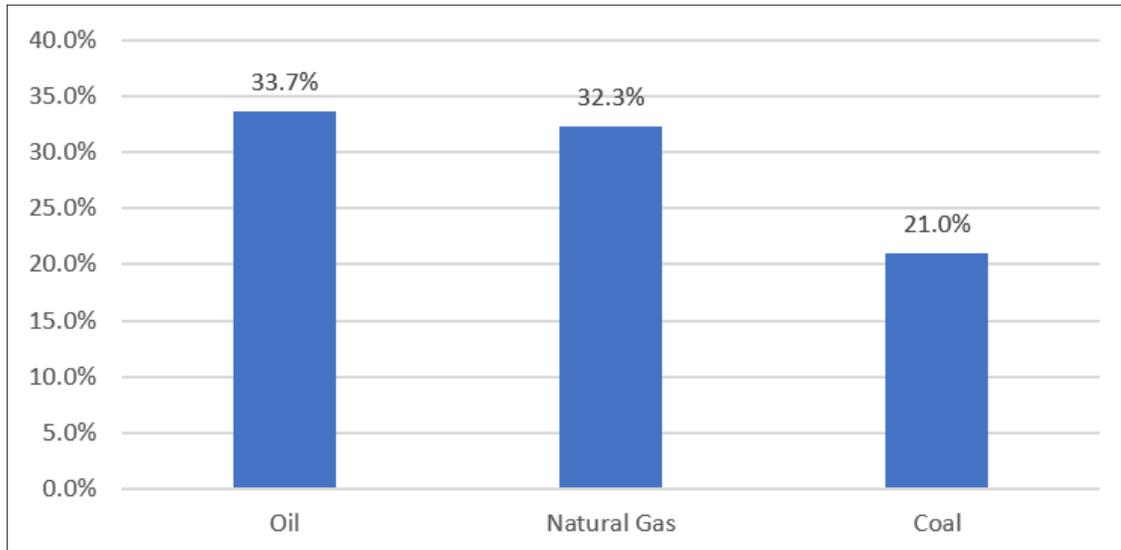
## **A Necessary Renaissance**

The Russian invasion of Ukraine has highlighted the strategic importance of securing Europe's energy supply. In 2021, oil, natural gas, and coal supplied over two-thirds of European energy, much of which was imported.<sup>5</sup> Crucially, over the same period, Russian supplies provided for approximately one-third of European oil and natural gas consumption and over one-fifth of European coal consumption.<sup>6</sup> Curtailments of Russian energy supplies into the European and global markets have caused significant economic hardship and pose a major risk to European economies.

While renewable energy will play an important role in addressing energy security and climate concerns over the longer term, it cannot be relied upon as the sole near-term solution for several reasons. One issue is urgency: despite decades of investment and concerted policy efforts across Europe to support the energy transition away from fossil fuels, [renewable sources of energy](#)—including wind, solar, and biofuels—reflected less than 15% of European energy consumption in 2021.<sup>7</sup> Another is reliability: wind and solar are intermittent sources of energy that require conditions such as wind and sunlight. Currently, battery technology is not sufficiently advanced to economically store renewable energy at scale. As a result, other energy sources—including fossil fuels—are often still necessary to address intermittent renewable supply.

Similarly, simply diversifying fossil fuel imports away from Russia may not be feasible as a short-term fix due to global supply constraints and infrastructure issues—particularly in the case of natural gas. The world uses natural gas for power generation, heating, and industrial uses. However, to be economically transported outside of a pipeline network, it must be cooled to the point that it becomes liquified natural gas (LNG). In 2021, Europe imported [17.8 billion cubic feet a day](#) (bcf/d) of natural gas from Russia, primarily via pipelines.<sup>8</sup> Substituting this volume from alternative sources will require overseas imports in liquified form. While the EU's total LNG import capacity is estimated to be [15.2 bcf/d](#), the distribution of these regasification facilities is uneven.<sup>9</sup> A lack of integration in the natural gas pipeline networks across the continent connecting regasification facilities to downstream markets means that while increased LNG imports will be a crucial part of the overall solution of addressing European energy security, it may not be a viable option for some countries seeking to replace Russian volumes.

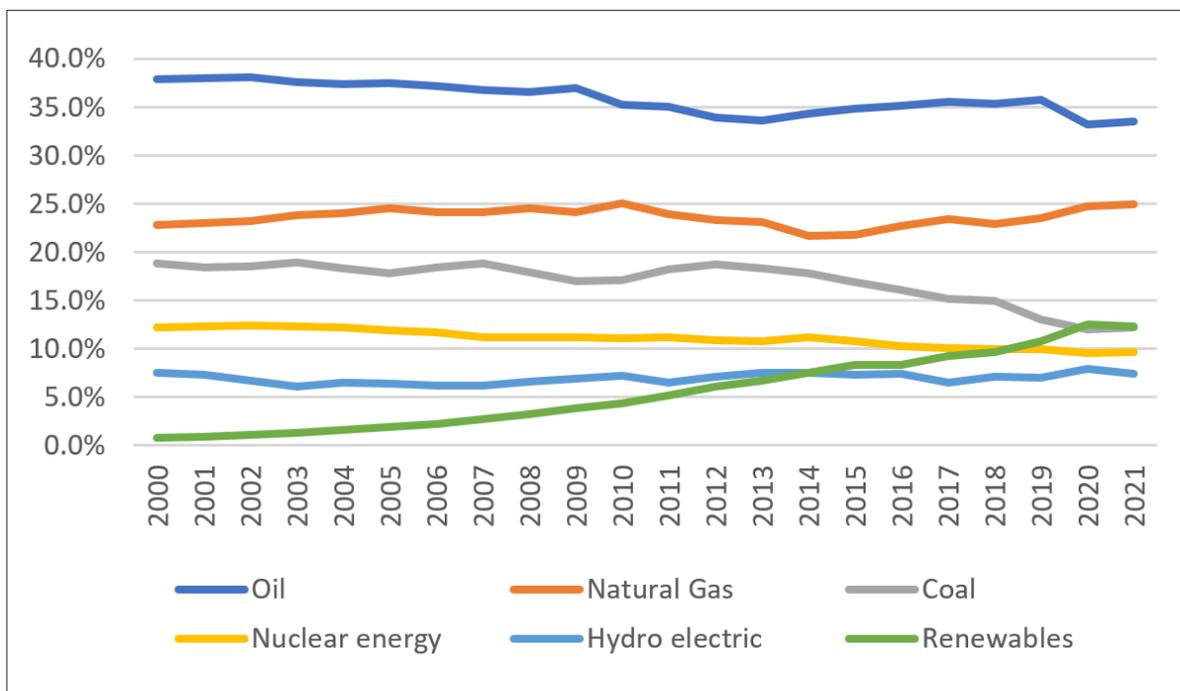
**Figure 1: Russian Imports as a Share of European Demand Pre-Conflict (2021 Average)**



This figure demonstrates Russian imports as a share of European demand in 2021. In this figure, Europe is defined as European members of the OECD plus Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Gibraltar, Latvia, Lithuania, Malta, Montenegro, North Macedonia, Romania, Serbia, and Ukraine. Oil reflects imports of Russian crude oil and refined products.

Source: BP Statistical Review of World Energy 2022 71st Edition

**Figure 2: Share of Fuel in European Energy Consumption Over Time (2000-2021)**



This figure compares the consumption of various energy sources in Europe between 2000 and 2021. The types of energy compared are oil, natural gas, coal, nuclear energy, hydro electric, and renewables (which includes solar, wind, and biofuels combined). In this figure, Europe is defined as European members of the OECD plus Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Gibraltar, Latvia, Lithuania, Malta, Montenegro, North Macedonia, Romania, Serbia, and Ukraine.

Source: BP Statistical Review of World Energy 2022 71st Edition

Unlike wind and solar, nuclear energy is available 24/7, regardless of weather or season. And unlike fossil fuels, no greenhouse gases are emitted during the operation of nuclear power plants. As a result of these characteristics, the International Energy Agency (IEA) estimates in its net zero emissions by 2050 scenario that nuclear power generation must double between 2022 and 2050 to achieve climate goals.<sup>10</sup> However, due to various factors, including perceived safety considerations, nuclear energy generation in Europe has declined since 2004 and **fell by 21.4%** through 2021.<sup>11</sup> The decline is not consistent with global trends where nuclear energy generation has increased to record levels despite several years of curtailed consumption following the 2011 Fukushima nuclear disaster.

Taking decisive action to keep nuclear plants open, developing new facilities, and exploring opportunities to distribute electricity generated at these facilities can play a key role in addressing Europe's energy crisis both in the short and long term. At the end of 2021, the average age of the nuclear power capacity in Europe was thirty-eight years old with many reactors approaching the end of their operating licenses.<sup>12</sup> By comparison, the average age of nuclear power capacity across China is only five years old.<sup>13</sup> Lifetime extensions on European—and global—facilities can help delay closures which may account for a reduction of nearly 40% of global capacity by 2030, even though many facilities can technically operate safely for decades longer.<sup>14</sup> In the case of Germany—which has had over thirty operating nuclear power plants over recent decades—urgent action is needed to extend the operations of the last three operating plants which Berlin planned to phase out by the end of 2022.<sup>15</sup>

Longer term, the construction of new facilities utilizing small modular reactors and integrating nuclear energy with other transition industries—such as using electricity from nuclear power to produce hydrogen—may help reverse the declines in nuclear energy generation in Europe.<sup>16</sup> However, even with full government support, new nuclear energy facilities may take years to construct.<sup>17</sup> As a result, urgent clarity on government policy outlook may help to facilitate a greater role for nuclear energy in addressing Europe's energy crisis while also making progress on longer-term climate goals.

## **Playing with Fire**

China and Russia are capitalizing on nuclear interest. According to the International Energy Agency's 2022 report on nuclear energy, "of the thirty-one reactors that began construction since the beginning of 2017, all but four are of Russian or Chinese design."<sup>18</sup> The lack of Western competitiveness in nuclear energy affords China and Russia the ability to challenge and potentially reshape previously established nuclear safety and security regulatory standards.<sup>19</sup> To cede any ground in nuclear energy development and manufacturing could mean a long-term loss of Western competitiveness to at least one country, Russia, that has shown a willingness to waiver on nuclear safety and security norms for unlawful political aims.

Following Russia's actions in Ukraine and Iran's recent blitz towards increased uranium enrichment, leaders in Brussels should reflect on what a nuclear renaissance without NATO at the forefront could mean. Russia's remarks on nuclear weapons use, and its actions in the Zaporizhzhia and Chernobyl nuclear power plants are a glimpse into that future. The absence of nuclear energy research and development among NATO allies is concerning and provides grounds for developing the critical technology beyond military use to keep pace with nuclear powers outside the transatlantic region.

To effectively increase the use of nuclear energy, NATO allies must navigate the inextricable link between nuclear energy and nuclear weapons via policy aims that tackle not just a shift in infrastructure, but public perception and mindset as well. While academics have illustrated an overestimation in the pipeline from civilian nuclear programs to weapons programs, public perception is that nuclear energy comes with a significant safety risk.<sup>20</sup> According to a YouGov poll conducted before Russia's invasion, European and American public opinion split when responding to the question of whether nuclear energy is unsafe, with 44% saying yes and 56% saying no.<sup>21</sup> The divide highlights the educational challenge NATO members face. Therefore, providing allied citizens an education on the safe use of nuclear power is paramount to increasing public confidence.

As we are seeing now, security does not only include military protection of physical territory and infrastructure. Allowing Western competitiveness in nuclear energy to lapse could put the world in a precarious situation. Additionally,

NATO strategists should develop a campaign explaining the benefits of nuclear power, as a safe and reliable way to make progress on climate goals.

## **NATO's Role as a Coordination Mechanism for Nuclear Policy Amongst Members**

NATO has continually expanded its sphere of influence, scope, and definition of defense to address new challenges for its members. Over the past two years, NATO has ventured into cyber security and economic sanctions. In 2021, the alliance created a civilian-military Defense Innovation Accelerator for the North Atlantic (DIANA) to boost the alliance's ability to harness civilian technological innovations and compete with artificial intelligence advancements in China.<sup>22</sup> Additionally, since the start of the war in Ukraine, NATO coordinated economic sanctions against Russia and established a process to provide Ukraine with military weapons and interoperability support.<sup>23</sup> Moving forward, NATO should facilitate energy security among its members by encouraging the development of nuclear energy along with infrastructure that could support the transmission and exchange of electricity generated from nuclear facilities amongst allies.

Since NATO's 2014 Wales Summit, a large point of contention within the alliance from the United States' perspective has been the lack of countries meeting the targets of 2% of GDP on defense spending and 20% of their annual defense budget on major new equipment.<sup>24</sup> Although the Ukraine War has increased the number of countries meeting the targets, the tension of what constitutes a nation contributing its fair share is as old as the alliance itself and will undoubtedly resurface.<sup>25</sup> NATO should expand the definition of defense spending to account for allies taking steps to increase their energy security and resilience. The shift will incentivize NATO members to contribute to transatlantic security by developing a robust energy portfolio that can withstand coercive measures by non-NATO countries, namely near-peer rivals Russia and China.

## **Conclusion**

The current war in Ukraine highlights how security in the twenty-first century goes beyond territorial integrity on the battlefield and into new arenas like energy. While NATO's initial purpose was to "keep the Americans in, the Russians out, and the Germans down," the institution has and will continue to evolve because security challenges are increasingly complex.<sup>26</sup> While NATO's Article 5 guarantee has resisted Russian aggression in member lands, its ability to fully implement its policy objectives without military force depends on the alliance's ability to develop and defend critical infrastructure.

NATO has already identified energy security as a key area of cooperation, but the resistance of some allies to expand the use of nuclear energy has hampered the alliance's collective ability to respond to Russia's aggression in Ukraine. As the world deals with a historic energy crisis and seeks to address climate change, NATO increasing the availability and use of nuclear energy is essential to reduce greenhouse gases in the long term and provide consistent energy to allied nations in the short term. Increasing nuclear energy generation will also make the alliance less dependent on Russian fossil fuels and, therefore, resistant to the Kremlin's aggression in the region.

Moving forward, NATO must approach energy security with the same intensity it pursues territorial defense. Today, rivals Russia and China have energy and economic footholds on sizable portions of the alliance that can limit NATO's ability to project power worldwide. While NATO is the strongest military alliance in the world, it must shift its efforts beyond the battlefield and into the energy and economic arenas to reach its full potential.

*Disclosures: The views and opinions expressed in this paper are those of the authors only as of December 2022, and are for informational purposes only and do not constitute any investment advice or recommendation by Goldman Sachs. We have relied upon and assumed (without independent verification) the accuracy and completeness of such information and neither agree nor disagree with the content herein.*

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# Operationalizing an Economic Security Alliance

**Mike Chieco and Brian Mongeau**

*“[Germany] must put an end to the self-deception that we ever received cheap gas from Russia...  
We paid Moscow's gas supply with security and independence.”*

- German Foreign Minister Annalena Baerbock<sup>1</sup>

Recent crises in Eastern Europe and East Asia are forcing a re-evaluation of the assumptions underpinning Western economic and national security. For the first time in nearly thirty years, a nation's national security and economic stability are being explicitly linked together by malicious actors, exploiting the very progress that economic liberalization brought.

Decades of globalization and a quasi-unipolar world created a mesh of interdependencies that were built on a common foundation of economic liberalism. That foundation is now being exploited to extract leverage and threaten the security of the Western order.

The tools and institutions that the United States, and other Western countries, can bring to bear are insufficient to meet the challenges of this modern landscape. The United States' offensive capability of choice in dealing with economic warfare—retaliatory sanctions—is limited in its scope and sustainability. Its defensive tools of unilateral economic support via explicit purchases are too small to make a sustainable difference.

Since 1945, economic institutions designed to support the liberal rules-based international order formed and disbanded in response to geopolitical developments—institutions are not immovable objects in the global landscape. Economic institutions created in the immediate post-war era changed after Bretton Woods and new institutions were created again in the aftermath of the fall of the Soviet Union. The constant throughout was not individual institutions, but the rules-based order they served. Institutions *should, and must*, adapt and be created in response to new challenges as the vehicles of a long-term strategy's operationalization.

While the economic institutions underlying the neoliberal 1990s and early 2000s era serve economic purposes well, they fail to effectively respond to the combined political and security-related economic challenges of today. A new institution is needed to address increasing economic predations by countries that are designed to undermine other nations' politics and security.

An economic security alliance (ESA), a loose monetary analogue of NATO, should be created to counter geoeconomic predation and ensure economic stability for all countries. Unlike existing institutions, the ESA would be specifically designed to respond to economic aggression with political or security aims, rather than economic considerations. The World Trade Organization (WTO) is well-suited to respond to the latter, but no existing international body is able to effectively do the former.

To be successful, three key principles must be enshrined in the founding of an ESA. First, it must be defensive by design. Second, it must be limited in scope to national economic security. Finally, the ESA needs to be geographically and economically diverse, but accepting of the inherent ideological trade-offs.

This article will not address the specific issue of what would constitute the equivalent of NATO's Article 5 for an ESA, nor the ESA's response to such an action. Others have written extensively on that topic and this article aims to be complementary to that thinking. Instead, this article argues for how such an ESA should be organized for success to both serve as a deterrence force against economic aggression and to respond most effectively should the “Article 5” be invoked.

## Defensive by Design

The primary Cold War achievement of NATO was to serve as a stabilizing presence that prevented a large-scale war in Europe. The ESA must achieve the same through stabilizing the global economic order.

To do this, the ESA must accomplish two key tasks. First, stability should be its primary mandate. Coercive economic actions seek to destabilize and manipulate countries through painful economic actions. To counter this, the ESA must act as a defensive stabilizing force rather than a counter punching army that flows through the Fulda Gap. Second, the ESA must always be willing and capable of stepping in as an economic partner of last resort to maintain a market. The ESA must also establish credible economic collective actions with clear trigger lines for usage. While not limitless, the commitments must be of sufficient size to be a credible market maker of last resort. Article 5-like guarantees will ensure that the deterrence is predictable and effective when used.

China's manipulation of the Philippines in 2012 over a maritime territorial dispute highlights how the ESA could be used to ensure defensive economic stabilization. Recognizing the power of its market, Beijing blocked imports of bananas—the second-highest value Philippine export crop—and slowed other agricultural imports from the island nation, costing Philippine farmers \$760,000 and suggesting likely further intimidation.<sup>2</sup> Thirty percent of total Philippine agricultural exports went to China, resulting in highly concentrated costs and increased fears of further import bans for an industry core to the Philippines' economy. The intimidation also produced global fears of Beijing-initiated economic aggression in vital trade regions. The Philippine government ultimately acceded to China's unsubstantiated, expansionist, and regionally destabilizing territorial claims. Showing the clear link between the dispute and its coercive trade policies, Beijing dropped the banana import ban, along with the other hints of intimidation, in return.<sup>3</sup>

With the ESA in place, allied countries would have stepped in together to purchase bananas from the Philippines to stabilize the market and reduce pressure to acquiesce to Chinese expansionism. While the United States did increase fruit purchases, Washington's efforts were far from sufficient; collective action from aligned partners was needed.<sup>4</sup> An ESA that can provide this collective action and offset concentrated costs through defensive actions will enhance global security and enable member-states to effectively push back against economic coercion without ceding national security goals.

## Scoped for Security

The ESA needs to be tightly scoped to be effective. Defending member nations from all manner of negative economic consequences will devolve the organization into an untenable isolationist trade pact. Instead, the ESA should instead adopt a minimalist approach—focusing only on economic coercion critical to maintaining member states' security.

Security in this sense means not only traditional defense industries, but the fundamentals needed to maintain society. Maintaining the supply and trade of the fundamentals of feeding, watering, and energizing member countries should be a core objective of the organization. For smaller economies, where individual industries can comprise a significant and concentrated element of Gross Domestic Product, an additional option should exist for a country to declare specific industries security critical.

The Western response to Russia's weaponization of energy is the most obvious example of the type of collective action that an ESA would formalize to enable scaling. In response to "energy blackmail," the U.S. promised to send 15 billion cubic meters (bcm) of liquified natural gas (LNG) to Europe after Russia cut the European Union off from imports accounting for 40% of the continent's 2021 natural gas supply. Despite concerns that the LNG industry would be unresponsive, the U.S. shipped 39bcm of LNG to Europe through June 2022—a 14.7% increase in just six months compared to the *entire* previous year.<sup>5</sup> The result of U.S.-EU energy cooperation is a significantly improved security situation that enables European populations to defend against the naked aggression of Russia.

The downsides of this collaboration also clearly demonstrate the need for a larger and unified global organization to effectively and equitably scale such responses. Though Europe's security is protected, the trade-off is that large

parts of the developing world accustomed to U.S. LNG have seen American LNG imports decline—and thus a reduction in their perceived security. It is no wonder that India continues to buy Russian energy, offsetting the objectives of international sanctions against Moscow, when Delhi saw its U.S. LNG year-over-year imports fall by 51% in the first half of 2022.

The current international system encourages ad hoc actions that can prove effective in achieving short-term goals, but produce costs and collateral damage that inhibit larger security-focused objectives and produce blowback. A broad-based ESA will ensure that more nations collaborate on narrow security actions, generating tailored goals while maintaining more sustainable security benefits to member states in need.

## **Geographically, Ideologically, and Economically Diverse**

To be successful, policymakers must recognize that they cannot replicate the neat political ideologies of NATO. To combat coercive economic actions that largely take advantage of high regional trade concentrations, the organization must be geographically and economically diverse in order to build a strong enough “safety net” for affected countries.

That is not to say that the ESA has no animating principle, only that this animating principle needs to be different from the existing institutional structure. The ESA alliance must ensure that member countries are committed to a rules-based international order that provides global security through mutual economic defense. Only by existing under a “big tent” that aligns with the rules-based order and transcends geographic, ideological, and economic divisions can the ESA have the capacity to absorb and counteract economic coercion.

China’s trade relations with the Association of Southeast Asian Nations (ASEAN) are a case in point on the need for a big tent alliance to counter regional economic aggression. China is ASEAN’s leading trade partner and its fourth-largest source of foreign direct investment (FDI), accounting for 18% of the bloc’s total trade and 5.5% of FDI, respectively.<sup>6</sup> This dynamic provides Beijing tremendous economic power to manipulate developing ASEAN member states to advance *regional* geopolitical objectives that generate increased *global* insecurity—most notably, along the Nine Dash Line. No region would be better served by the diversified geographic nature of the ESA. Yet, to get this geographical diversification, other member states must accept the inevitable ideological diversification. Major ASEAN developing economies have troubling authoritarian tendencies that would not be tolerated under traditional ideological guidelines for major alliances such as these.

A message focused on a purely democratic versus authoritarian competition will alienate countries vital to international economic security, such as ASEAN states, producing greater instability. An alliance focused on a message of economic security, however, will ensure global stability by bringing many more vital nations into the fold of collective security.

## **Conclusion**

Establishing the ESA undoubtedly faces critical vulnerabilities on both domestic and international levels. Internationally, it may be viewed as another attempt at American soft-hegemony and coercion. Domestically, it will likely be met with calls of global fascism, socialism, and more. Even when the ESA is established, standard problems inherent in collective action will exist.

Despite these political challenges, the ESA is undoubtedly needed. Security has always been intertwined with economics, but at no point in history has the global nature of trade so actively shaped the security landscape. Globalization has brought tremendous progress and wealth, but it also produced entanglements and blowback from manipulation of unprecedented global economic liberalism. The ESA balances the realities of this post-Cold War international order with objectives that still enable growth-oriented economies and partnerships. To counter increasingly aggressive economic coercion pursued by revisionist powers, like-minded countries must join in collective defense of their economic systems and the rules-based order that enables the world to thrive.

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# An Overdue Awakening? Corporate America After Russia's Invasion of Ukraine

**Mike Chieco, Mary Brooks, and Alma Caballero**

*The corporate response to Russia's invasion of Ukraine signals a profound shift in the relationship between American business and the United States government—one corporations have yet to grasp.*

Corporate America's retreat from Russia after the 2022 invasion of Ukraine was astounding. The financial sanctions targeted at the Russian economy would not, on their own, have forced out most American companies. And yet, within weeks they had chosen a side, halting or transferring their business operations and leaving the country. Some companies—particularly technology firms—went even further: investing millions into keeping Ukraine's infrastructure online, defending its systems, and giving aid to its people.

Not since perhaps the second World War, it seemed, had business and government been so in step on a major foreign policy issue.

However, many companies have since made it clear that they believe this remarkable alignment was a one-off: the security of their Russia-based employees, the legal and social risks of continuing to operate in-country, and the clear moral lines of this case made it relatively easy—though not cost-free—to stand with the Western liberal order. As Jeffrey Sonnenfeld of Yale's School of Management aptly summarized: “[Ukraine] was a rare unity of patriotic mission, personal values, genuine concern for world peace, and corporate self-interest.”<sup>1</sup>

It is undeniable that the outbreak of war in eastern Europe presented a unique set of circumstances. But corporate leadership may soon find that the legacy of Russia's invasion of Ukraine is more enduring than they might have preferred: less an aberration, and more an inflection point in the relationship between American business and American government.

Simply put, in a world that is being rapidly transformed by renewed superpower competition and the accelerating decoupling of global supply chains, the retreat from Russia is likely only the start of a series of larger and more difficult decisions that loom over the horizon for corporate America. Potential for conflict over Taiwan and the escalation of transnational challenges such as pandemics and climate change, among other issues, will all require bold, novel corporate leadership and a renewed commitment to government-corporate cooperation. To succeed in the transition to this new era, businesses will need to examine their assumptions about what it means to be an “American” company, decide what their values and red lines are, and prepare themselves to make some tremendously complex geopolitical decisions.

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The current conception of American multinational corporations as global actors—able to float above the fray of nation-state politics, receptive to the local laws and customs of their immediate jurisdiction, and responsible first and foremost to the interests of their shareholders—is a relatively recent phenomenon.

For much of U.S. history, American corporations viewed themselves on the international stage as American actors: in business not just for the shareholders, but for the good of the country. Patriotic corporations—with leaders coming as often through the ranks of public service or the military as the ranks of a company—partnered with the government to develop a wide range of technologies from the jet engine to the internet and worked in concert with the government

to advance national security interests abroad. Indeed, one of the fathers of enterprise, Henry Ford, articulated in 1920 that American workers should demand that, “After we give the day’s work to our employer, he in turn will use it to the advantage and service of society.”

Of course, the tight connection between government and industry—whether in the past, or today—is hardly an unalloyed good. Corporate America’s coziness with the national security apparatus was at the heart of President Dwight D. Eisenhower’s 1961 warning about the perils of the “military-industrial complex.” Yet it is worth noting two distinct truths about the prior earlier relationship between business and government in American history: first, that contributing to national security was more often seen as mainstream corporate ethos—fully within the set of corporate responsibility—and second, that this alignment brought major advantages in terms of economic and scientific success to America as a whole, particularly during times of national crisis.

However, in the post-Cold War era, several forces radically reshaped how corporations view their own role in society. One of the most significant is the wave of globalization that has served to partially decouple the multinational American corporation from America, allowing corporations to conceive of themselves as transnational actors without a specific geopolitical home or allegiance. Secondly, the rapid adoption of Milton Friedman’s shareholder primacy doctrine has simultaneously laser focused the companies’ energies on the enrichment of their owners above all else. Companies frequently make the case that their responsibility is primarily to shareholders, individual customers secondarily, and the nation not at all.

These and other factors have contributed to the decline of the sense of shared responsibility for American welfare in the boardroom over the past several decades. Instead of a collaborative partner, the American government has often become a resource from which boardrooms can extract value: namely, an increasingly favorable regulatory environment to encourage investment and minimize tax liabilities. For its part, the government has ceded large swaths of its prior mission to the private sector, often at the behest of the voters. These trends combined with a perception of the government as poisoned by politics, hobbled by bureaucracy, or rife with incompetence and red tape has atrophied the muscle of public-private cooperation to work towards a shared goal.

Yet to some extent, the growing drift between the public and private sectors was mitigated by the geopolitical environment. For much of these past thirty years, the broad arc of American foreign policy and the aims of corporations largely aligned. The existence of a unipolar world and the shared political aim to open markets across the globe and enact the Washington Consensus enabled American corporations to focus on shareholder maximization with minimal geopolitical consequence. In other words, the post-Cold War peace-dividend became a shareholder dividend.

But today, in what arguably has become a *post post*-Cold War order, nationalism is increasing. The United States and China are in a phase of “strategic competition”—a competition that is playing out not only in military and political spheres but in the economic, social, and technological spheres as well, as governments increasingly act defensively to disadvantage their rivals. Both trends are increasing the decoupling of north and south, east and west. Covid-19 further accelerated the process: when Covid-related shortages led to an unraveling of just-in-time supply chains, countries naturally preferred their own citizens. Together, these trends were siloing companies along national lines in a way that was unexpected in a globalized and interdependent world.

Into this context, Ukraine dropped with a thud—a manifestation of the changing geopolitical environment and a catalyst to drive it ever forward. American companies didn’t refuse to take a side—they embraced the opportunity. Whether fast food or fashion brands, American multinational companies spoke the language of U.S. and Western values. If anyone didn’t believe that the era of decoupling was here, the Americans clearly did. Other countries can’t help but take notice.

A more nationalist, divided world is hardly desirable. But it appears increasingly likely that as companies are caught in the crosshairs, they will be compelled to take a side in peacetime as well as in war. Yet, for the most part—as evidenced by their accounting for their own actions in Russia—neither companies nor the U.S. government is adequately preparing for this longer-term shift.

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So how can American corporations reckon with this new geopolitical environment while simultaneously delivering for consumers and shareholders? Waiting for a crisis is inviting catastrophe: the idea that they can return to “business as usual” cannot be taken for granted. Instead, business must proactively prepare to meet the challenges of a changing world order.

First, American corporations should recognize that not having an opinion is increasingly not an option. The world has changed, and they will be often be forced to choose a geopolitical “side” —whether by legal or economic means (such as sanctions or export bans), social means (like citizen-driven campaigns), or even coercive means (such as government diktat). Today, many American corporations desire to avoid the expression of values that can indicate a geopolitical preference for one group or another. The middle ground for such equivocation is rapidly shrinking. Choices will have to be made—with the recognition that not taking a side may only serve to reduce their legitimacy in the eyes of the American government and people.

Second, corporations will have to decide what their underlying values and positions will be—better phrased as a set of values—will be. Otherwise, they risk being caught flat-footed at a moment of crisis. Companies will have to decide for themselves what their mission and “red lines” are, what they believe their obligations are, and whether there are moments in which they would break with the U.S. government. Arguably, American multinationals should recognize that the American system of governance, values, and leadership that has incubated them and made possible their global success needs to be nurtured and defended both at home and abroad. A re-grounding in the patriotic mission of a corporation is a recognition not that the government is supreme, but that the needs of the nation must sometimes come above those of the shareholder.

Finally, corporations must work with their investors and owners alike to make sure they have the capability to execute on the decisions they may be called upon to make. Part of this will require a cultural shift within the corporation to allow permission for other values to sometimes rise above shareholder value. Without deliberate coordination between executives and investors to change the incentive structure internally, the organizational inertia of focusing on shareholder value above all else will prevail. Part of this process will require companies to think about the longer-term impacts of decisions—and to reevaluate operational decisions, business relationships, and supply chains alike to ensure that they do not lock themselves into dangerous dependencies.

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None of these steps suggests that corporations should become subordinate to or captured by the United States government. Corporate autonomy is fundamental to American innovation: it underpins our market economy and is fundamentally different from the managed or command economy of authoritarian states. Similarly, corporations can act as a useful check on immoral or illegal actions and a strong supplement to governmental capabilities. Both business and government should have different tools to leverage their different roles in society.

The challenge comes when the two are rowing in opposite directions. Ukraine was a singular moment of reckoning, but it will not be a one-off. American corporations and policymakers should think now about how to shape the transition into a new world that will require increased cooperation. How they do so and rise to meet the current moment will resonate far beyond the bottom line: it will fundamentally shape American national security and the United States’ ability to uphold its values, ensure prosperity and equity at home and abroad, and act effectively on the international stage in the face of what is promising to be a highly challenging decade.

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# Investing in Defense: How an In-Q-Tel for DoD Can Help America Win the New Technology Race

**Geo Saba**

The Soviets shook the world in 1957 when they launched a beachball-sized satellite into space. This “Sputnik moment” showed America it was falling behind its Cold War rival, so in response, President Dwight D. Eisenhower created the Defense Advanced Research Projects Agency (DARPA). By investing in technology, America not only landed men on the moon, but won the Space Race and eventually the Cold War.

Today, however, as Walter Copan and Andrei Iancu argue, we are facing a new Sputnik moment that “is harder to see. It is not about just one critical technology, but many, and several are much harder to visualize than a rocket soaring into the sky.”<sup>1</sup> China plans to invest one-and-a-half trillion dollars in paradigm-shifting, emerging technologies, and the Chinese Communist Party’s (CCP) authoritarian state-capitalism and growing ambitions have re-awakened Washington.<sup>2</sup> Eric Schmidt’s Special Competitive Studies Project recently reported that “the United States could lose the competition [with China] if dramatic action is not taken across a broad range of public policy arenas to invest in U.S. technology advantages, strengthen the techno-industrial base, and deploy disruptive technologies democratically and responsibly.”<sup>3</sup> Congress recently passed the bipartisan CHIPS and Science Act<sup>4</sup> and the Inflation Reduction Act.<sup>5</sup> But we must do more.

The Department of Defense (DoD) should partner with a not-for-profit venture capital firm: an In-Q-Tel (IQT) for DoD.<sup>6</sup> Doing so will catalyze additional venture funding to grow the defense startup base, make it easier for startups to work with DoD, and create the opportunity to earn a return on the money DoD deploys. At first, the firm should have a budget of \$75 million and report directly to the Deputy Secretary in the Office of the Secretary of Defense. This follows the original DIUx reporting structure developed under the late Secretary of Defense Ash Carter. By remaining outside the walls of the Pentagon, it can more easily avoid the bureaucratic gravity that has hamstrung similar initiatives. Because it will make equity investments and reinvest returns, it could ultimately be free from the notoriously unpredictable congressional appropriations cycles that could hamper its success and stability.

Although DARPA has led to incredible inventions like the internet and GPS, an IQT for DoD will better drive research from the lab to the battlefield.<sup>7</sup> While Americans and the DoD have benefited from these investments, the taxpayer didn’t receive a return on its investment. The ability to earn a return on investment also helps incentivize and attract a strong venture team and help put the firm on a path to self-sustainment over the long run.

And while DARPA has yielded some valuable products, it has struggled to deliver on a consistent basis. We hear often about their successful development of the internet and stealth technology, but less about examples like the failed “Future Combat Systems”: a DAPRA-backed program within the Army that wasted millions of dollars of investment and resulted in a cancelled program.<sup>8</sup> Additionally, technology cycles are moving faster today, but DARPA still focuses on technologies decades out, making it harder for it to transition technology out of the lab and into the market quickly enough. The former head of Air Force contracting General Cameron Holt recently said that China is “about five to six times faster than us in acquisition” and that we will “lose” if we don’t increase the speed in our acquisition process.<sup>9</sup> An IQT for DoD can help accelerate the process of bringing new technologies to market faster.

An IQT for DoD will also help early-stage startups overcome the infamous “valley of death.” Former Under Secretary of Defense for Policy Michèle Flournoy describes what startups experience: “So you’ve done a great prototype... And

then they say, ‘Well, the next time we can actually insert you into the program and for a production contract is...two and a half years from now.’...And so they get pressure from their investors to forget the national security side, just go commercial.”<sup>10</sup> Startups can’t wait for a drawn-out process and need a steady stream of funding from DoD.

If DoD were to invest in a startup, it would send an important signal to other venture capital firms about that company’s potential and open the door to additional investments. In *The Kill Chain*, Christian Brose explains why billions of venture funding sit on the sidelines: “More of that money does not flow into the defense sector because most venture capitalists have come to believe that defense is a lousy investment.”<sup>11</sup> DoD investing in a startup would validate DoD’s purchase intent, and because the firm would be run by professional investors, sitting outside of the Pentagon, it validates the company’s financial potential. For example, the Small Business Innovation Research (SBIR) program provides less than \$3 billion a year to spur innovation in defense, but the venture industry has more than \$400 billion under management, making it higher leverage. This helps explain why every dollar the Central Intelligence Agency’s (CIA) IQT invests in a startup leads to an additional \$18 in private investment.<sup>12</sup> Additionally, SBIR is limited in what it can do to help startups at the Phase 1 and II levels—the exact stage that an IQT for DoD would be well suited to help with.

By following the IQT model at the CIA, DoD could appeal to and work with new founders and companies. Most importantly, IQT says that 50% of its investments led to the U.S. government adopting new technologies.<sup>13</sup> This is in part because IQT helps companies secure real contracts, not just SBIR grants, and works with other venture capital firms to help startups receive funding.

While challenges still exist, important initiatives such as the Defense Innovation Unit (DIU) have begun to improve the process. DIU has a decent transition rate of 50%, meaning half of the time, it has been able to help a company’s prototype turn into a successful DoD contract. Despite this success, moving it within the Pentagon’s bureaucracy was a mistake because it stifled innovation and flexibility. It also spends the bulk of its budget of \$42 million on administrative and personnel costs instead of making equity investments in startups. Despite its challenges, DIU is an important piece of the puzzle, but it alone is not enough.

Not only will Congress need to authorize and fund the IQT for DoD, but also Pentagon leadership pushing for its success is essential. The Army Venture Capital Corporation (AVCC), for example, which gave the Army authorities to make investments, flopped because the Army wanted nothing to do with it. It also had a fee structure that was double the industry standard, which de-incentivized taking risks. For IQT at DoD to succeed, it will require the top brass at DoD to embrace this idea and learn from why AVCC failed.

Some will argue that an IQT for DoD will be redundant to existing institutions that already exist. Do we really need another one? Yes. None of the other many entities are DoD-wide ventures that sit outside of the DoD chain of command that can make equity investments with a focus of seeing successful returns in the long run and shipped products.

So which firm should DoD partner with? Gilman Louie, the first CEO of IQT, recently created a new fund called America’s Frontier Fund to act like an IQT across the U.S. government. This is an important effort and has tremendous potential to help facilitate the investment we need in technologies of the future. Other good candidates exist, like Marque Ventures, which focuses solely on investing in defense startups. DoD should have a fair and open process for deciding who to work with and should explore the possibility of partnering with multiple firms.

The U.S. cannot risk falling technologically behind the CCP’s surveillance state and must ensure that our military is the most technologically capable, especially in an era where AI and quantum computing are as paradigm shifting as nuclear weapons and space satellites. Past attempts of solving this problem failed because they lived within the Pentagon bureaucracy, were tied to the unreliable congressional appropriations process, could not bring technology out of the lab quickly enough, and could not make equity investments in startups. An IQT for DoD will ensure the twenty-first century is an American one, and that the technology of the future is developed in a free and open society, for a free and open world. This is our Sputnik, and the moment is now.

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- <sup>5</sup> A \$369 billion investment in clean energy technology.
- <sup>6</sup> IQT has been successful for the CIA and should serve as a model for DoD. IQT was created in 1999 and has now made over 500 investments ranging from \$500,000 to \$3 million, with all returns sent back to the fund for future investments. It has amassed almost \$1 billion in assets and seventy percent of its portfolio companies had never worked with the government before.
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# To Win the Technology Competition, the United States Must Invite and Empower

**Eric Volmar and Steph Guerra**

Can the United States win long-duration technological competitions with authoritarian states? In the decades following the Cold War, the answer seemed unequivocally clear: the American approach of empowering individuals unlocks unrivaled innovation.<sup>1</sup> Now, some wonder again whether democratic societies can counter the pace of technological progress made by states that fuse political and industrial capabilities.<sup>2</sup> By many measures, skillful integration of authoritarian political power with industry can be a powerful strategy for economic and technological advancement.<sup>3</sup> This approach rests on a strategy to **coerce** and **control** innovation processes. Efforts to coerce and control include dictating capital flows,<sup>4</sup> crowning national champions,<sup>5</sup> forcing technology transfers,<sup>6</sup> and controlling business performance.<sup>7</sup> Through these practices, modern authoritarian states have made considerable advances in critical technology areas such as artificial intelligence,<sup>8</sup> biotechnology,<sup>9</sup> quantum,<sup>10</sup> advanced manufacturing,<sup>11</sup> and others. For the United States and its partners, the uncomfortable reality is that authoritarian strategies can amplify technological progress in powerful ways.<sup>12</sup>

In response, the United States must remember that the American approach to empower its people provides asymmetric technological advantages that cannot be imitated by authoritarian states. While some global powers coerce and control their people, the United States is fundamentally positioned to **invite** and **empower**.

We argue that the United States can achieve renewed technological advantages over authoritarian powers by embracing the quintessentially American approach of civil empowerment. A strategy of civil empowerment is possible through the values of diversity, civic participation, openness, and competition. In this article, we highlight how the United States previously achieved technological advantages through civil empowerment and identify ways that the United States can once again embrace this approach.

Inviting civil society into national technological development and achievement has been an American approach since the foundation of the scientific research enterprise. Consider key technological achievements in the last century. The Manhattan Project needed the participation of academic, scientific, industrial, and political communities for an unprecedented national security achievement. The race to put an American on the moon required vast contributions across the next generation of American society. More recently, Operation Warp Speed required the rapid cooperation of private research laboratories, government agencies, and businesses to develop and produce vaccines at scale.<sup>13</sup> The United States' signature scientific achievements rarely happen in isolation but rather require extensive contributions from individuals empowered to think and act anew. These and other massive projects represent what is best about democratic achievement. Unfortunately, these examples share another commonality: they were instigated by crisis.<sup>14</sup> Thus, the United States must generate similarly ambitious, open, collaborative initiatives in a proactive manner, not a reactive one. Understanding how and why inviting and empowering is a unique tenet of American society can help us to do more of it.

Four core values directly feed into the United States' ability to invite and empower its people to achieve technological development: **openness**, **civic participation**, **diversity**, and **competition**. These values supercharge innovation and are part of what has made the United States unique in world history. But principles require investment. The United States can and should do more to foster the values which underlie civil empowerment.

**Openness** as an American value contrasts with how many global competitors operate. Openness includes sharing resources, tools, and ideas between the public and private sector. Some argue that openness is a necessary step to

solving some of society’s most pressing scientific challenges.<sup>15</sup> There are places across our federal research enterprise that take this fundamental value as a core component of their innovation lifecycle. NASA uses crowdsourcing as an approach and found that outsiders identified solutions to some of the organization’s most vexing technical problems, including a groundbreaking method to forecast solar events.<sup>16</sup> Additional examples abound, especially in the decade since the passage of the America COMPETES Reauthorization Act of 2010, which provided authority to every federal agency to carry out prize and challenge competitions. These competitions directly engage non-federal individuals and entities “to stimulate innovation that has the potential to advance the mission of the respective agency.”<sup>17</sup> Similarly, an “open topic” approach to soliciting ideas from technology companies enabled the Air Force to create contracts with over 1,000 small businesses that had never worked with the Air Force before.<sup>18</sup> Research on the process demonstrates that these companies tended to be more innovative, as measured by patent novelty, and more effective, as measured by follow-on contracts and private capital investment.<sup>19</sup> Those successes prompted a 2022 congressional mandate that each of the military services offer annual open topic solicitations. Looking toward the future, a strategic approach based on the value of openness may revitalize prize and challenge competitions and other alternative crowdsourced funding approaches to explore critical technologies.

The American value of **civic participation** is manifest as individuals engage in local and national interests for the public good. New programs harness this value by providing opportunities to participate across the private sector, the public sector, and academia through fellowships, details, advisory committees, and sabbaticals. For example, the U.S. Digital Service provides consulting services to federal agencies from industry professionals committed to short-term “tours of civic service.”<sup>20</sup> Likewise, the Defense Science Board, the Defense Innovation Board, and others include former senior military and government officials who partner with academic and industry leaders to bring private sector expertise to address the Department of Defense on its most salient technological challenges.<sup>21</sup> At the Defense Innovation Unit, the talent matching program Gig Eagle connects military reservists with specific areas of civic expertise to urgent technology needs of the Department.<sup>22</sup> In both basic research and manufacturing, public-private laboratories, regional professional networks, and other partnerships each provide shared resources for industry, academia, and government. One novel organization, Manufacturing USA, promotes private and public advancements through a network of regional institutes focused on advancing the development and commercialization of emerging manufacturing technologies.<sup>23</sup> Increased civic participation could include expanded use of flexible hiring authorities, growth of federal fellowship programs specifically targeted at technologists, and additional opportunities for time-limited tours of duty for civil servants to work in the private sector.

The United States’ competitive innovation advantage is strengthened by the **diversity** of its people. Diversity in talent, experience, and creativity helps drive novelty in innovation ecosystems.<sup>24</sup> Even disciplines as diverse as epidemiology and scientific policy converge on the concept that diversity enhances innovation outcomes.<sup>25</sup> The enlivening effects of diversity on innovation are on display across the government. For example, recent Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) funding programs invite the talent and insights of underrepresented groups, including women-owned businesses, Historically Black Colleges and Universities graduates, and veterans,<sup>26</sup> leading to technological concepts not previously considered in government organizations.<sup>27</sup> The Department of Energy (DOE) increased access to diverse perspectives through the “Inclusive Energy Innovation Prize,” for which 80% of the applicants had never applied to DOE programs before, including many from historically underserved communities.<sup>28</sup> Beyond diversity in grantees for federal funding programs, the federal government has also committed to a strategic plan to advance diversity, equity, inclusion, and accessibility across the federal workforce, providing a systemic approach to enhancing the diversity of ideas we can harness.<sup>29</sup> Solving complex technological problems requires new ways of thinking, and strengthening diversity in innovation programs is an efficient and effective way to spur novel thinking.

Lastly, **competition** spurs American innovation through market-based institutions with powerful incentives.<sup>30</sup> Because free markets reward performance, firms have persistent motivation to stay ahead of competitors or risk technological obsolescence.<sup>31</sup> This is also true for nations.<sup>32</sup> Fast-paced technology innovation often requires large infusions of capital, and the United States features the largest, most liquid, and most efficient capital markets in the world.<sup>33</sup> Financial intermediaries—venture capital, private equity, public equity, banks, and others—provide the fuel for competitive technology development. The United States government has the opportunity to harness this national advantage by partnering with private capital providers where incentives and interests align. For example, the Small

Business Administration's (SBA) Small Business Investment Company program provides access to billions of dollars annually to investors who can then convert the funds into long-term equity investments in American small businesses,<sup>34</sup> which have included Intel, Apple, and Tesla in their early stages. The U.S. government can expand its use of financial tools from the Small Business Administration and other departments and agencies to partner with private capital providers and technology companies. Areas of shared interest could include advanced manufacturing, technology infrastructure development, deep technology, or supply chain resilience for both economic prosperity and national security. The American spirit of competition—and the world's premier financial institutions that emerged because of it—provides the United States with an unmatched ability to advance critical technologies by inviting and empowering capital markets and innovators.

There is power in inviting and empowering the American people through the values of openness, civic participation, diversity, and competition. Pockets of success exist through multiple government programs that invite and empower the private sector, but these programs represent the exception to norms in our current approach to technology competition. Many in the American private sector, particularly capital providers, are eager to participate in national interests,<sup>35</sup> but the United States government has not done enough to invite and empower its people.<sup>36</sup>

Reinvigorating a strategy of civil empowerment is essential to how the United States will compete technologically against authoritarian powers. This strategy of inviting and empowering promotes creativity, opens collaboration between the private and public sectors, and accelerates the development and adoption of critical technologies. While global competitors coerce and control their people to achieve technological superiority, the United States has an unmatched ability to invite and empower. The United States has previously achieved technological advantages over authoritarian powers through civil empowerment, and the nation's own history provides a blueprint for how to renew competitive advantages in the strategic competitions ahead.

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*The views expressed are those of the author and do not reflect the official guidance or position of the United States (U.S.) Government, Department of Defense, United States Air Force or United States Space Force.*

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# Strengthening Black Representation in National Security

**Yanique Campbell, Nathan Dial, Kyle Hutzler, and Kenya James**

A diverse national security workforce is a national security imperative. Despite heightened efforts to address diversity in national security, gaps in attraction, retention, and promotion remain pronounced. As each of the four co-authors reflects on our journeys thus far, it is striking that each is a beneficiary of a program designed to recruit and cultivate diverse leaders.

Our successes should be as much a cause for celebrating the programs as a cause for concern about our continuing reliance on it to make up for the gaps in mainstream recruitment and talent development. Each of us looks ahead to the next stage of our careers with concern that progress in diversifying the national security workforce is stalling.

## **Underproducing Black Talent**

Our decisions to pursue careers in national security were highly circumstantial, reinforcing how uncommon this path is for peers of color, who are no less talented. Many young people from minority backgrounds would likely be interested in national security career paths if engaged earlier and more concertedly. Some are discouraged from pursuing important entry-level opportunities due to pervasive underpaid internships that privilege applicants from wealthier backgrounds.

In a new analysis based on data from the U.S. Department of Education's Integrated Postsecondary Education Data System, we estimate that the United States underproduces 1,500 Black national security professionals from the country's colleges and universities yearly. This estimate is derived from figures estimating Black Americans' share of all college graduates at 8.9% and their share of graduates with national security-related degrees at 4.7%. (We define national security-related degrees as international relations and national security studies, area studies, or foreign languages.)

While Historically Black Colleges and Universities (HBCUs) produce a disproportionate share of Black STEM talent, they underproduce national security graduates, accounting for only 2% of Black national security graduates compared to 11% of Black degrees earned overall in 2020. Underproduction at HBCUs is partially the product of an absence of national security degree offerings: 15% produced a mere one national security graduate in 2020, as compared to 40% of non-HBCUs. (Notably, three-quarters of the HBCUs captured have an ROTC program, nearly twice the proportion of non-HBCUs, suggesting an opportunity for national security agencies beyond the Department of Defense to increase their engagement.)

HBCUs alone cannot close the gap; indeed, if they graduated Black students with national security degrees in the same proportion as Black students overall, it would only close 15% of the difference. Several non-HBCUs are notable for suffering a gap between their share of overall versus Black national security degree holders. The ten institutions with the largest underrepresentation gaps account for 10.7% of all national security graduates, but only 4.2% of Black national security graduates, a gap of 2.5 times.<sup>1</sup> Other factors, such as entrance testing, also have a disparate impact on Black Americans' ability to enter the national security workforce and as such, they merit closer scrutiny. The State Department has noticed this trend and as a result, recently reformed the role of the Foreign Service Exam.

## **Failing to Promote, Retain, and Look Elsewhere**

Upon entering the national security workforce, minorities continue to face barriers in career development. Even without intentional bias, the lack of mentors causes minorities to feel isolated or misunderstood. Highlighting that barriers to advancement persist for minorities at multiple levels, a Department of the Air Force Inspector General report found that 40% of surveyed Black enlisted men and women, officers, and civilians do not trust the chain of command to address racism, bias, and unequal opportunities. The most alarming disparity is that Black enlisted service members are twice as likely to be involuntarily discharged for misconduct as compared to White enlisted service members.<sup>2</sup>

Their assignments can also be career-limiting. In the State Department, African Americans have disproportionately served in Sub-Saharan Africa.<sup>3</sup> A Government Accountability Office study of State Department promotion rates from 2002-2018 found that White employees enjoyed promotion rates 1.1 to 4.4 percentage points higher than racial or ethnic minorities, depending upon the level. This was the case even when controlling for factors such as time in grade, hardship assignments, veteran status, or graduation from an elite college.<sup>4</sup> In the military, a similar dynamic exists with respect to over-representation in support versus combat functions with higher senior promotion potential.<sup>5</sup>

The inevitable result is a struggle to retain talent. Despite high-profile appointments over the past two decades, progress in growing the broader Black national security workforce has stagnated. From 2002-2018, the share of Black Foreign Service Officers increased just one percentage point to 7%, trailing the current 13% Black share of the U.S. population overall.<sup>6</sup>

Even as we seek to grow the early career pipeline, we shouldn't fail to ignore the large pool of qualified mid- and senior-career professionals who have left the national security workforce or others without prior experience who wish to serve. Increasing opportunities for these professionals would benefit all races, but we believe they would help Black Americans in particular.

Think tanks are one of the few established mid-career rebound opportunities, effectively serving as a "government in waiting" while sustaining and deepening practitioners' knowledge and networks. Here the gaps in employment for Black national security professionals are no less pronounced. The important and seldom acknowledged role of fundraising in think tank operations is a structural disadvantage against many mid- and senior-career Black Americans, whose networks are often less robust.

## **Calls to Action**

While our experiences as Black and Afro-Caribbean Americans inform this paper, we acknowledge the challenges encountered by other racial and ethnic minorities and support efforts for full inclusion no less fervently. Making a concerted effort to attract, recruit, and retain a diverse array of national security professionals should pay dividends for the United States' foreign policy in multiple forms. Abroad, a younger and more diverse national security force will reflect shifts in the world's balance of power and enable the United States to better engage a wider range of countries. At home, it will directly connect the work of maintaining our national security to a broader range of domestic policy issues and communities. Our direct experiences with and profound historical awareness of human rights violations and institutionalized racism are particularly relevant in an era of global democratic backsliding. Having a variety of races and ethnicities within national security ranks at all levels will bolster the credibility of the United States in defending democracy, human rights, and the rule of law.

Multiple stakeholders, including educational institutions, non-governmental organizations, and the federal government, have the opportunity to strengthen diversity in national security at all stages of the talent pipeline. Investment in diverse talent must begin well before university by ensuring equitable access to language and world studies courses in middle and high schools. Similarly, non-governmental organizations, such as local World Affairs Councils, can redouble their efforts to engage diverse communities through programs such as Model UN. Think

tanks should endeavor to increase the transparency of the racial composition of their staff, improve outreach to underrepresented communities, adopt more standardized early career internship and full-time hiring processes, and increase paid opportunities.

The federal government has already undertaken various initiatives to advance diversity within the State Department and Department of Defense, among other agencies. Most recently, in June 2021, President Joe Biden signed [Executive Order \(EO\) 14305](#) to advance diversity, equity, inclusion, and accessibility (DEIA) in the federal workforce.<sup>7</sup> EO 14305 requires each institution to review, explain, and articulate a plan to improve its DEIA efforts within one year. The opportunity for improved data collection allows for more evidence-based approaches to hiring, promotion, development, and retention barriers.

The federal government can improve attraction and broaden the pipeline in a number of additional ways. First, it can ensure that all national security internships are paid, as a proposed bipartisan bill requires for the State Department.<sup>8</sup> Next, it can further strengthen recruitment collaborations with Historically Black Colleges and Universities and pursue non-traditional partnerships, such as those with Black Greek Organizations (BGOs). The Biden administration already sees the value in partnering with BGOs via [the strategic alliance memorandum](#) signed in June 2022 with the U.S. Small Business Administration.<sup>9</sup> The partnership is the first of its kind and shows the power and reach of BGOs within the Black community.

Minority communities would particularly stand to gain from more mid-career entry points, including efforts to encourage the return of diverse alumni to public service. The federal government can further cultivate an already promising talent pool at the city diplomacy level, whose practitioners are often more diverse than at the federal level. With respect to retention, the federal government could bolster the importance of keeping talented staff in personnel evaluations and incentivize managers. Agencies can more uniformly adopt best practices in formal mentorship programs.

Institutions should clearly articulate the expectations for mentors and mentees within their organization to aid the individual level. The expectation of mentorship removes the barrier for minorities to ask for guidance from more senior ranks and encourages senior leaders to invest in minorities at lower levels. Providing expectations sets the standard that mentorship is an expectation for leaders and creates the scope for the mentee and mentor relationship. As a result, the organization can track who does and does not have a mentor and evaluate which leaders are investing in advancing younger workers. In all, transparency and tracking of mentorship provides a foundation for institutions to ensure that Black national security professionals who enter an organization have the greatest opportunity to gain the requisite guidance to reach their full potential.

Above all, what is needed are clear, ambitious goals for a truly diverse national security community and an enduring, bipartisan commitment to realize them. The United States' greatest potential comparative advantage lies in its diversity. It is time we turn that potential energy into positive kinetic use.

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<sup>1</sup> Conversely, the ten institutions that outperform on Black representation graduate 14% of Black national security graduates, while graduating only 6.9% of national security graduates overall. At the institutional level, George Washington University and American University produced the most Black national security graduates in 2020, according to the U.S. Department of Education data.

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# Military Manning on Tap: Rethinking Military Personnel Management to Maintain Job Market Competitiveness

Justin Chock and Dahlia d'Arge

At the end of a long day, two U.S. military officers walk into the officer's club bar to unwind over drinks. Venting about reduced manpower at work, the conversation turns to the military's recent manning problems. In 2022, only the Marine Corps met its recruitment goal, and while retention of current personnel remains high in some services, dissatisfaction with the service experience persists as two decades of war come to an end.<sup>1</sup> Unfortunately, low recruitment and declining retention directly endanger the military's readiness and the nation's security. As one deputy assistant secretary of defense testified, the lack of recruits "constitutes an unprecedented mission gap and is reason for concern."<sup>2</sup> These two officers share in that concern, having witnessed peers leave the military in droves either out of enticement by civilian employment or dissatisfaction with their increasingly peacetime military careers.

Dissatisfaction aside, our two officers recognize that military service differs significantly from most civilian employment. The American public demands military members be ready to fight and die for the nation's security without regard for job benefits or any semblance of work-life balance. But while our volunteer force is composed of people who committed to this duty, they now find themselves in primarily peacetime roles burdened by bureaucratic tedium that dissociates them from the higher calling of service. The tension of maintaining a force ready to fight our nation's wars during peacetime is not new, but it creates an opening for the civilian sector to draw talent away from our recruitment pool and current force. It is critical for the military services to compete effectively against the draw of the civilian sector in order to retain the right people for its mission, both now and into the future.

Toward that end, our two officers order their first round and embark on a bar top analysis to answer this question: What is causing this military manning shortfall and what can be done to solve the problem?

## Objective and Operating Environment

These officers, trained in the military planning process, begin their analysis by identifying the objective: winning the hearts and minds of young Americans who are either considering military service or who are currently in the military, but are considering leaving for a civilian career. Two specific generational groups compose this target demographic: Millennials (personnel in junior and mid-career ranks) and Generation Z (personnel either new to, or not yet in, the military). The military wins this objective by persuading these young Americans that the sacrifices demanded by service are adequately balanced with the benefits of serving.

Similar to previous generations, Millennials and Gen Z desire the American dream, but this dream looks different from those of past generations.<sup>3</sup> They seek jobs that enable work-life balance and are less willing to work for an employer who isn't able to achieve some semblance of that.<sup>4</sup> They value rapid upward progression through an organization as well as the opportunity to develop themselves personally and professionally within that career path.<sup>5</sup> Our two officers—Millennials by generation—feel the same yearning for these factors within their own careers. Although these aspects are by no means universal or all-inclusive, they still conflict with a military structure built to meet the needs of past generations who held a different understanding of work-life balance, financial stability, and what constitutes a meaningful career.

The current information environment also substantially differs from that experienced by previous generations. Our two officers can check their LinkedIn inboxes at any time to find direct messages from military veteran recruiters offering civilian jobs with six-figure salaries, flexible work arrangements, and rapid promotion potential. Whether through professional networks, advertisements, or social media, military members today are bombarded daily with the civilian career possibilities available to them in the American economy. The military is thus in constant, direct competition with civilian employers bidding for the same target demographic.

## Capabilities and Competitors

Our officers next examine and contrast the capabilities of the military and of the civilian sector who are operating within this environment and competing to recruit and retain the target demographic. They together note that the military offers world-class benefits, including:

- Career stability relative to the civilian workforce
- Pay benchmarked at the 70th percentile of equivalent civilian pay (with additional bonuses)<sup>6</sup>
- The opportunity to retire at middle age
- Post-service GI Bill and in-service educational programs
- Tax benefits (both state and federal)
- Consistent healthcare, housing, and support for families

But the officers also agree that the military's most important strength is the uniqueness of the profession. There are few other careers where one can live out their "Top Gun" dreams while answering the call to serve.

But one of the officers, playing devil's advocate, argues, "The civilian sector can offer many of those same benefits, but also caters to the specific priorities sought by Millennials and Gen Z." Some of these competitors and their offers include:

- Institutions of higher education that provide scholarships and new career potential
- Large corporations with larger salaries, autonomy, and flexibility
- Defense contractors offering defense-related jobs with private-sector benefits
- Small start-ups and non-profit organizations offering a sense of meaning and career flexibility
- Civilian roles within the public sector offering direct impacts on government policy and some career autonomy (to include the ability to easily leave for new positions, which boosts upward mobility).<sup>7</sup>

The officer concludes by noting that, while military jobs are unique, financial and work-life balance concerns can outweigh the call to serve, especially if serving itself begins losing meaning. Not everyone wants to be or can be Maverick.

## Courses of Action

With empty glasses, our two officers order another round and grab a nearby cocktail napkin to scribble down solutions to the problems identified. Our officers propose the following changes to help the military compete effectively with its competitors for Millennial and Gen Z talent.

First, reform the "Up or Out" promotion system to allow greater individual control of professional timelines. This change would allow personnel flexibility; they can stay in positions longer for either family stability or development, or they can be promoted faster based on merit. This change helps retain military members who are drawn to the civilian sector by a need for greater stability or a greater challenge.

Second, increase funding for unit training and for military members to return to the professional schools within their occupational specialties while reducing the bureaucratic burdens imposed by garrison tasks and mandatory training. Peacetime military life can be tedious, especially if units are not able to train frequently and are instead

bogged down by administrative tasks. By keeping personnel engaged with the jobs that enticed them to join, we can increase readiness while also helping with the retention of talented, dedicated members.

Third, reform transitions in and out of service and across services to become faster, more intentional, and more supportive of flexible talent management. Military members could leave service after five years, work in a related civilian industry for another five years, and return to the military while bringing with them the knowledge gained in the civilian sector. Making this change requires a more cohesive personnel system, support for the pursuit of civilian opportunities, and a perspective of a military career beyond a binary choice between staying in for twenty-plus years or leaving after five to ten years.

With these thoughts written down, the two officers order their next round filled with the hope that they'll one day see a military that adopts these recommendations.

## **A Parting Toast**

But others nearby overhear the two officers' conversation and chime in.

From down the bar, a senior officer says, "The military spent millions of dollars researching solutions and recently implemented big adjustments to its personnel management systems. Be patient." Unfortunately, there is no time for patience. Slowly developed personnel management updates are not enough to keep our peers from leaving and they fail to compete on the same level as the civilian sector. These peers will become the senior leaders of the future, and we need strong leaders to fight future wars. You cannot surge quality leadership.

The bartender, a veteran, comments, "Military members know what they are getting into when they sign the dotted line; if they can't handle the tough lifestyle then they need to leave." The prioritization of work-life balance is here to stay with future generations of American workers. While military members are willing to sacrifice their work-life balance as well as their lives when the nation calls for it, efforts should be made to protect some semblance of work-life balance where feasible to compete with the civilian sector. A peacetime military asking for wartime-level sacrifices will find few personnel willing to needlessly give up a well-rounded life simply to wait-in-place for the possibility of utilization.

Finally, a disgruntled junior officer at the next table asks, "Why do you care? Nothing is going to change." While things may not change much during our time in service, we still have a duty to try to improve the force. Applying the same analytical techniques we use to plan operations, we can develop solutions to these long-term strategic issues. We love our service to our nation and we want to take every opportunity we have to work towards its improvement. This publication is a unique opportunity to give voice to concerns usually only spoken over drinks in bars and to hopefully inspire further discussion and analysis.

And toward that end, we raise a glass.

*Disclaimer: The views expressed in this paper are those of the authors and do not reflect the official policy or position of the Department of the Army, the Department of the Navy, the Department of Defense, nor the U.S. government.*

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# Lessons Learned Nine Months Into the Humanitarian Response to Russia's Invasion of Ukraine

**Nolan Mayhew**

Close tracking of the military conflict unfolding in Ukraine has obfuscated one of Russia's critical operational plans across Ukraine. For Vladimir Putin, targeting Ukrainian agricultural production, seizing nearly twenty percent of Ukraine's grain silos<sup>1</sup>, pausing over one-third of Ukraine's planting season, and continuing to block a large majority of as many as seventy-five million tons<sup>2</sup> of grain that could be ready for export at the port of Odesa by the completion of the fall 2022 harvest are components of his war plan. The Russian Federation's continuing threats<sup>3</sup> on the Black Sea grain corridor negotiated by the United Nations and the government of Turkey compel interdiction and creativity by the United States' humanitarian response agencies, the United Nations, and the broader global community. Public and private sector generosity supporting the humanitarian aid response in Ukraine has been abundant, but non-governmental organizations (NGOs), the American government, and multinational agencies have experienced growing pains translating humanitarian operational plans into a flexible, effective humanitarian response plan, to address not only the acute humanitarian response to the crisis in Ukraine, but also the global south and other regions largely reliant on Ukrainian grain exports. The U.N. World Food Programme estimates that fifty million people across forty-five nations are on the brink of famine today.<sup>4</sup> Global risk compels the United States to lead the globe's humanitarian response as the world's great convener of free nation-states, the world's most sophisticated global economy, and the nation-state with vital national interests invested in preventing instability in the global south, and arming and aiding the people of Ukraine against Russian aggression.

Within the United States government, the humanitarian response to the Ukraine crisis has fallen primarily to two federal agency offices: the United States Agency for International Development's Bureau of Humanitarian Assistance (USAID's BHA), and the Department of State's Bureau of Population, Refugees, and Migration.<sup>5</sup> These two agencies have been inundated by requests stemming from the most significant, large-scale humanitarian challenge driven by war since their inception. At a little over nine months into the conflict, these two agencies, particularly USAID's BHA, have faced significant staffing challenges and logistical difficulty obligating vast sums of money obligated by Congress. Close examination of the United States' response reveals that a majority of U.S. taxpayer dollars, approximately seventy percent<sup>6</sup>, has been obligated to the United Nations. USAID leadership, in response to congressional concerns, has conceded, "There is no question that BHA staffing, and associated CO [contracting officer] support, has not kept pace with the growth in humanitarian budgets."

Regarding the war raging today in Ukraine, the United Nations' vast resources weigh against a spirit of indifference generated by the forceful presence of Russia and China on the U.N. Security Council. Russia is also a pervasive force on the Economic and Social Council (one of fifty-four members), which has oversight of United Nations programming. Geopolitical clouding has decreased the U.N.'s reach and resources in Ukraine today; U.N. Secretary-General Guterres's diplomatic missions to Moscow have proven successful in brokering the grain export deal, but their continued posture of neutrality slows the response, particularly in Ukraine, where over eight million people are suffering acutely and are in desperate need of food, medicine, and shelter.<sup>7</sup> Furthermore, hundreds of millions of U.S. taxpayer dollars appropriated for USAID have been funneled into U.N. agencies where the Russian Federation has a presence on the agency's executive committee. These agencies include: the United Nations Development Program, the World Health Organization, the World Food Program, UNICEF, U.N. Women, and the International Organization for Migration. Strategic

modifications with complementary logistical actions to increase the speed and efficiency of the response in Ukraine are necessary today to effectively allocate significant investments in humanitarian assistance for Ukraine. These modifications must first onboard new partners beyond the United Nations to shoulder increasing responsibilities for humanitarian response.

Humanitarian actions firmly within our nation's remit must move with the effectiveness and expediency of the world's greatest superpower, with the responsibility and efficiency demanded by an accountable democracy. The most significant proposal of humanitarian aid in modern U.S. history must be accompanied by a user-friendly infrastructure that can quickly and responsively deliver support. To date, the only two multinational aid organizations outside of local Ukrainian NGOs and U.N. agencies that have received USAID funding are the International Federation of the Red Cross (IFRC), and Catholic Relief Services (CRS). Hundreds of volunteers from Samaritan's Purse<sup>8</sup>, World Central Kitchen<sup>9</sup>, Save our Allies<sup>10</sup>, and others are already feeding Ukrainians, treating the wounded, and evacuating the most vulnerable out of the warzone without government funding. Prioritizing financial support and seeking feedback from on-the-ground organizations with access, placement, and expertise is necessary. Beyond the NGOs operating in the country, hundreds more are ready to support the humanitarian response to this conflict, from acute aid to development assistance to war crimes investigators. Capable NGOs should not be forced to wait for a determination or technical grant application assistance until nine months following the conflict or later. To this date, USAID has not provided a public solicitation for NGOs interested in partnering with the agency to provide acute humanitarian aid.<sup>11</sup> This low-hanging fruit is perhaps a downstream effect of the larger workforce issues impacting USAID's response.

USAID is to exercise flexible hiring authorities to either onboard or reassign contracting officers tasked with negotiating agreements and executing funds for humanitarian response. USAID employment data reveals USAID has less than five full-time personnel assigned to its Bureau of Humanitarian Affairs response, an agency vested with nearly \$10 billion in newly appropriated funds. USAID recently hired two additional contractors to support its BHA operations, but by comparison, the USAID Africa bureau has fifty-four contracting officers; the Asia bureau has twenty-eight. Reassignment of personnel and flexible hiring authorities are actions within USAID's remit. The agency recognizes longstanding problems, and via its rulemaking authority, authorized the rapid onboarding of new contracting officers beyond conventional General Services Administration hiring practices.<sup>12</sup> While unfamiliar with these authorities, inspired USAID leadership, flush with a difficult triumvirate of its largest windfall of congressional appropriations, public interest in the accountability and expenditure of aid dollars, and a wide-ranging hunger conflict, with 282 million people facing significant hunger challenges in sub-Saharan Africa, demand exercise of these flexible authorities to the maximum extent possible.<sup>13</sup>

Actions within the U.S. government's remit beyond USAID and the State Department are available today. On March 10, following the Russian invasion of Ukraine, Congress approved \$100 million in Food for Peace grants administered by the United States Agency for International Development, and in May approved nearly \$5 billion dollars in aid marked specifically for international food aid. As of November 2022, the Biden administration has not allocated or delivered any of the \$100 million approved in the March Ukraine congressional supplemental.

One barrier to accelerating the delivery of food aid is that Cargo Preference for Food Aid requirements compel fifty percent of Title II food aid shipments (by tonnage) to be carried on U.S. flagged vessels, staffed by crews in which at least seventy-five percent of the sailors are U.S. citizens—this law went on the books in 1954 and it comes at a cost. According to a report,<sup>14</sup> this law increased shipping costs by an average of \$52.6 million per fiscal year between 2013 and 2018 (on average). USAID stated in a fact sheet<sup>15</sup> that eliminating the mandatory cargo preference reimbursements will reduce the deficit by an estimated \$50 million per year. Last July, *The Wall Street Journal* reported that the average price to ship a forty-foot container has more than quadrupled from a year ago.<sup>16</sup> Sustained high shipping will have a substantial impact on the transportation costs for U.S. assistance to Ukraine. Concerns are shared today in the Biden administration; U.S. Secretary of Agriculture Tom Vilsack said that the cost of shipping the food commodities overseas is often higher than the actual costs for the grain and other products themselves right now.<sup>17</sup>

Vessel availability is another significant issue. Presently, the United States only has four<sup>18</sup> flagged bulk cargo vessels used to transport food aid, compared to 12,633 vessels on the open ocean. At current market rates, Congress's approved food aid translates to three million metric tons of food aid<sup>19</sup>, but the collective carrying capacity of these vessels is a little over 70,000 metric tons. If cargo preference isn't waived in the near term, it will take over three years to deliver this food aid, even when the global demand is so acute. Persistent inflation and supply chain disruptions have both increased the costs of shipping food assistance and limited the availability of vessels. USAID has yet to obligate any of the original \$100 million granted for food assistance to Ukraine. Immediate executive action invoking a Cargo Preference Waiver will accelerate the delivery of food aid and lower costs of transportation, which are currently expected to exceed the total cost of the executing food aid.

The civil servants overseeing the most complex, challenging humanitarian operation of the twenty-first century warrant significant commendation; the fine-tuning recommended above reflects great admiration for the quiet professionals working in U.S. and international aid organizations. Their heroism compels the humanitarian bureaucracy to remain an enduring, yet iterative organization. Without creative action, Russia will leverage a global food shortage, ongoing crimes against humanity, and continued weaponization of the global food supply for sanctions relief that will refuel the war machine in Moscow in the near term, and potentially drive an unfavorable political settlement that denies Ukraine sovereignty and emboldens the free world's enemies.

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# Foreign Policy Through Code

Joel Todoroff

Between 2010 and 2012, the Arab Spring swept the Middle East and North Africa. People mobilized, often through cell phones and social media, to protest and demand government change.<sup>1</sup> Governments pushed back. Egypt, Libya, and Syria cut off internet access to their populations.<sup>2</sup> Tunisia wrote malware to steal social media passwords and delete Facebook accounts belonging to organizers and protestors.<sup>3</sup> Less than a decade later, mass protests broke out in Hong Kong, and again technology enabled mass mobilization. There, afraid of the Chinese government cutting off internet access or monitoring protests via the telecommunications network, protestors used Bluetooth to create local ad hoc networks to organize and pass information.<sup>4</sup> The fear was not unfounded: China censors internet traffic and uses technology as a tool of domestic repression.<sup>5</sup>

In February 2022, Russia invaded Ukraine. In the leadup to the attack, Microsoft quickly detected Russian malware designed to wipe Ukrainian government systems, notified the Ukrainian government, and released information to help identify and mitigate the malware.<sup>6</sup> It also took steps to limit Russian online propaganda.<sup>7</sup> At the same time, Google pushed updates to help refugees, provide civilians with air raid alerts, and disabled Google Maps features that Russia could have used to track Ukrainian forces.<sup>8</sup>

These examples illustrate that technology, often controlled by private companies, increasingly enables or constrains political activities. Protestors and activists use technology to organize; authoritarian regimes use it to censor, to identify dissidents, or even to track ethnic minorities.<sup>9</sup> But the behavior of both individuals and governments is shaped by the capabilities or constraints of technology itself. Government officials can easily censor a message transmitted between two parties if they can read it, but have a much harder time if the message is encrypted. If the technical functionality exists, people's phones can alert them of incoming missiles or air raids, otherwise a government will rely on sirens or other tools.

The Russian invasion stands out due to the open and concerted efforts companies made to support Ukraine. This response was both unique and admirable—but it was not, in general, a hard business decision. Russia was put under international sanctions, serious thinkers agreed that the invasion was unprovoked and unjustified, and many companies had limited business interests in Russia to begin with. There was little downside risk to siding with Ukraine. But it is not clear how industry would respond without this alignment of interests. What if a company did extensive business with the invading country? Or if the legitimacy of the invasion were in serious dispute?

What if there were a mechanism to link technological enabling or constraining functions to the pursuit of foreign policy or human rights, even without such a unique convergence of interests? Google, for example, could have phones delete location information associated with political protests, similar to a recent policy change regarding location data for individuals visiting reproductive care facilities.<sup>10</sup> Messaging applications could have built-in functionality to use Bluetooth or other protocols that can sidestep government monitoring capabilities or internet shutdowns. Operating systems or browsers could come with tools that ease secure and anonymous internet browsing that can avoid filtering and censorship.

Scholars have noted that the ability to act online is determined in part by code itself: an Apple user with a .me email address can send an email to a Gmail account, but they cannot send an iMessage to Google Chat or Whatsapp.

This is not because of a law, regulation, or sanction, but because the code behind email lets users from .me and .gmail communicate directly with one another, whereas the code behind iMessage does not—users must use another medium, such as SMS (text messages). But technical architecture—code—can and does change in ways that impact politics.

Other countries have recognized this. China’s push for facial recognition systems designed to identify ethnic minorities comes to mind.<sup>11</sup> Similarly, Russia introduced draft legislation to ban protocols that hide the destination of internet traffic, something that could interfere with the System for Operative Investigative Activities (SORM), the censorship and surveillance system they compel telecom companies to install.<sup>12</sup>

Government activity in this space need not be limited to authoritarian regimes. Liberal democracies should develop formal mechanisms to play a role in these changes, engaging with private industry to further foreign policy aims, not through a traditional exercise of state power, but through the private sector creation or modification of technical architecture. Moreover, there should be mechanisms to incentivize—though not compel—this engagement. This could come in any number of forms, from indemnifying the company against potential market loss to providing access to capital at preferential rates.

The logic is simple: there is a limited universe of tools that liberal democracies can use to shape foreign domestic affairs. Existing tools include sanctions and providing, or withholding, foreign aid. But what preexisting tool of statecraft will limit the effectiveness of a foreign law enforcement officer to identify protestors? Or give an oppressed minority the ability to evade censors and tell the world about atrocities being committed against them? In at least some instances, changes in technology platforms will enable or constrain activity in foreign countries more directly than the alternatives, and without taking aggressive or escalatory steps. Moreover, depending on the platform or code in question, it may be possible to implement changes incredibly quickly. Of course, working with a private company to effectuate technical changes will not always be viable or desirable, but in some instances a formal mechanism to do so—and incentivize cooperation—could be uniquely valuable, both for its effects and for its speed.

The proposal undoubtedly comes with risks. If companies are seen as tools of Western foreign policy, they could be barred from doing business in both autocratic regimes and developing democracies that fear Western influence. In particularly volatile situations, companies, or their assets, may even be subject to more direct retaliation. For example, Russia declared that U.S. commercial satellites may be a legitimate target for military strikes given that they aid the Ukrainian war effort.<sup>13</sup> It is not implausible that, even outside of armed conflict, a company that changes its platform to interfere with a foreign government’s activities will be subjected to cyberattacks or other direct retaliatory measures.

These are real, and compelling, concerns. Decisions by the government to work with the private sector in this way should not be taken lightly, and there should be a process to ensure not only the legitimacy of the aims, but also to assess the potential blowback on private industry. But it would be a mistake not to take account of the role and power of private industry in affecting foreign policy. And fears of a backlash are likely overstated—authoritarian regimes already believe Western businesses are suspect. In fact, a clear articulation of the mechanisms by which governments will work with, and incentivize, private industry may help show a delineation between industry and government. As Western businesses engage abroad, such a partnership could be directly contrasted with practice and legal regimes in places like Russia and China where it is clear that the government exploits industry to further authoritarian aims.<sup>14</sup>

Moreover, it would be a mistake to assume companies will not unilaterally engage in behaviors impacting foreign affairs—private industry choices have broad ramifications. The private sector response to the Russian invasion of Ukraine is one example of this. Another is the messaging application Signal’s introduction of code that claims to hinder the operation of an investigative tool (Cellebrite) used by law enforcement entities around the world.<sup>15</sup> So too are Apple’s and Tesla’s decisions to open data centers in China.<sup>16</sup> Realistically, companies have no choice but to take actions that enable or constrain government activities—the private sector is at the center of everything from the movement of data across the internet<sup>17</sup> to critical infrastructure.<sup>18</sup> It is hard to imagine private industry decisions in such spaces *not* having an impact on governments.

These are not all exact analogies: some are policies, not examples of code enabling or constraining. But they speak to the larger point that private companies can directly influence what was once understood as a domain owned by

nation-states: foreign policy and foreign affairs. Their policy and code can enable or constrain foreign governments. Their platforms can facilitate democratic values or, in some cases, enable repression. And companies already realize this. They are making decisions that intersect with government policy interests. But we lack established mechanisms to guide and incentivize these behaviors.

In the late 1990s, Lawrence Lessig explained that, on the internet, technical architecture is law. Today, it is clear that it is much more: it is also foreign policy. And we're late to the game. Authoritarian regimes are already working to make technology platforms further their policy aims. Businesses have recognized their role. But the West has yet to articulate a framework for using private sector platforms as a mechanism to further liberal democratic values. It can, and should, do so.

*Disclaimer: This article was written in the author's personal capacity. Opinions expressed in the article are the author's own and do not necessarily represent the views of the United States government.*

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# Why the U.S. Needs a Climate Strategy for the Indo-Pacific

**Andy Morimoto and Lauren Dickey**

Across both sides of the Pacific, the effects of climate change are more pronounced than ever. A record heat wave in the summer of 2022 spawned fast-spreading wildfires, droughts, and strained power grids in the United States. Monsoon rains and catastrophic flooding killed hundreds and stranded millions across south and southeast Asia, and rising sea levels continued to disrupt and threaten Pacific Island nations such as Fiji, Kiribati, and Tonga.<sup>1</sup>

The Indo-Pacific region, which stretches from America's Pacific coast to the western Indian Ocean, is uniquely vulnerable to some of the worst physical effects of climate change. It is also ground zero for global emissions growth and a lynchpin in broader efforts to reach global decarbonization goals. Yet, despite Washington's focus on the Indo-Pacific, initiatives such as the Indo-Pacific Strategy, Indo-Pacific Economic Framework, and multilateral announcements like the Partnership for the Blue Pacific have not sufficiently elevated the centrality of climate change or sustained momentum on key climate goals.<sup>2</sup>

It is time for the administration to craft and implement **an ambitious, international agenda for addressing the climate challenge that prioritizes solutions and assistance explicitly for the Indo-Pacific.** A robust Indo-Pacific climate strategy would advance American interests on several levels. For one, it would help decrease emission levels in the most high-emitting region of the world. It would also improve America's diplomatic posture in a strategically central region, deepen opportunities to burden-share the rising costs of climate change with our closest allies and provide new avenues to engage other partners on climate security. A climate strategy for the Indo-Pacific would further support the activities of the U.S. armed forces already providing humanitarian assistance and supporting the development of resilient infrastructure across the region. And finally, it would benefit America's economic competitiveness, as new markets are engaged amid the global clean energy transition.

The Indo-Pacific region currently makes up nearly half of global emissions. In contrast, the United States accounts for only fourteen percent of global emissions, and that share has been falling for well over a decade. The recently passed Inflation Reduction Act will bring U.S. emissions down by an estimated forty percent by 2030 from 2005 levels. This represents meaningful progress for domestic climate policy, but given the transnational nature of the climate challenge, more needs to be done to accelerate efforts and investments in the high-emitting region of the Indo-Pacific.

At the same time, the United States should support climate adaptation efforts by its Indo-Pacific partners to make the region more resilient to the climate-related weather shocks that will result from carbon that is already in the atmosphere. According to the World Bank, the region includes thirteen of the thirty countries most vulnerable to the impacts of climate change.<sup>3</sup> Importantly, it is also home to a number of U.S. military installations that would be threatened by climate change, including Andersen Air Force and Naval Base in Guam and Army facilities on Kwajalein atoll.

For these reasons, it makes good sense for the United States to lean forward and engage the region in support of these critical efforts. The Department of Defense, for instance, is taking steps to mitigate, prevent, and respond to the security challenges exacerbated by the effects of climate change around the world.<sup>4</sup> While much of the Department's work is focused first and foremost on the U.S. homeland and global U.S. military facilities, the joint force is increasingly lending its expertise in the development of climate resilience across the Indo-Pacific. The U.S. joint force, including the U.S. Coast Guard, similarly supports capacity building with partner emergency and disaster relief forces—an often overlooked but critical component of defense and security cooperation within the region.

The question then is how the United States can best leverage the region's climate momentum, building on existing U.S. efforts, authorities, and resourcing to accelerate climate action with its Indo-Pacific partners through the development and implementation of a cohesive strategy. A meaningful climate strategy should entail U.S.-led efforts to:

- Remove barriers to trade in environmental goods and services,
- Leverage multilateral forums as venues for advancing shared climate goals,
- Remove barriers to accessing capital for Small Island Developing States (SIDS), and
- Deepen U.S. support for climate resilience activities.

## **Remove Barriers to Trade**

Washington should work to lower and remove barriers to trade in environmental goods and services across the region. Lowering or eliminating tariffs on clean, low carbon technologies would decrease their costs and expand their use. Yet tariffs on energy efficient technologies, for example, can be as high as thirty percent, according to the U.S. Trade Representative. Policymakers should also work to reform export controls with respect to energy technologies. Doing so would help speed up the deployment of technologies essential for decarbonizing the global economy.

Another line of effort should focus on reducing barriers to agricultural trade, which can help countries in the Indo-Pacific region adapt to the rising costs and shocks of climate-related weather events. The agricultural sector is heavily impacted by shifting temperatures, and different regions and countries will suffer disproportionately from reduced crop productivity. Rice that was once produced in Bangladesh or Vietnam may eventually need to move north to Japan and China. Freer trade in agricultural goods would help countries adapt as climate change forces this shift to new crops and more efficient land-use.

## **Multilateral Forums**

Washington will be able to advance these trade reductions and build momentum toward shared climate goals through more effective use of regional multilateral forums. The U.S. government should look to leverage existing forums—including the Association of Southeast Asian Nations (ASEAN) and the Asia Pacific Energy Research Center (APEREC)—to socialize priorities for mitigating the effects of climate change, and deepen avenues for greater intra-regional collaboration. These forums may be used by the United States and our allies to drive change across the region in favor of cleaner investments, as well as to accelerate the provision of green technology into the hands of partners around the Indo-Pacific. The establishment of new meeting structures and additional declared investments by the United States cannot be equated to meaningful change, and it is imperative that the Biden-Harris and subsequent administrations continue to support the work undertaken by the U.S.-ASEAN Climate Futures, U.S.-ASEAN Climate Solutions Hub, and through the U.S. Agency for International Development's (USAID) network of regional partners.<sup>5</sup> Importantly, while many of these structures preclude participation by the People's Republic of China (PRC), the United States should continue to seek opportunities to engage the PRC on climate actions where mutually beneficial to do so.

## **Access to Capital**

Despite worthy aims, climate policy is still victim to the adage “how are you going to pay for that?” For many Indo-Pacific states, which fall into the Small Island Developing State category, they face significant barriers to accessing capital and cannot pay for the solutions critical to survival. Because many of these countries are classified as “high income,” and existing strictures on the Development Finance Corporation (DFC) direct it to focus on low- or middle-income countries, they currently do not meet the standards of DFC lending. Many “high-income” SIDS are only

classified as such because of a small number of wealthy citizens skewing the per capita income figures, masking endemic poverty. This inequality, compounded with increasing climate disasters and issues exacerbated by climate change such as coral bleaching, stokes an inexorable cycle of insurmountable debt levels with no available fiscal solutions. For many SIDS, it is little wonder that they accept financing from China that many condemn as “debt trap diplomacy”—they have little recourse to address foundational challenges.

Despite barriers to success, there are a few steps the United States could take to immediately impact Indo-Pacific SIDS by giving DFC the authorities to finance priority projects in high income SIDS. If the DFC were to adopt World Bank lending criteria (via income classifications) it would bring financing practices more in line with mainstream institutions and enable the organization to finance high-impact projects in upper-middle income countries. This effort should be viewed as addressing the number one concern for the majority of Indo-Pacific leaders, not through the prism of transactionalism or outcompeting China. By ensuring their access to concessional financing, they can escape insurmountable economic cycles, bolster climate resilience, and strengthen governments throughout the region. Consequently, ensuring access to concessional financing for SIDS must be a part of a credible U.S. Indo-Pacific climate strategy.

## Deepen Support to Climate Resilience

Finally, recognizing that national security necessarily entails climate security for many Indo-Pacific countries, Washington should prioritize resourcing further the joint force to support capacity building and essential humanitarian services for civilian populations across the region. Additional appropriations to support existing DoD authorities, such as Overseas Humanitarian Disaster Assistance and Civic Aid (OHDACA), will ensure the joint force remains resourced and able to rapidly respond to future climate crises. Congress may similarly wish to consider whether additional authorities are necessary to support proactive risk mitigation and near-term construction and training to enhance overall climate preparedness.

## Conclusion

If the United States succeeds in its domestic climate goals, it will be a real mark of progress, but wholly inadequate to meet the existential threat of climate change. The United States can and must go further and faster by adopting a climate strategy for the Indo-Pacific region—one that meaningfully curbs emissions, strengthens America’s partnerships and alliances, and bolsters its economic competitiveness. This strategy, to be effective, will require focus and integration across the whole of the United States government.

*Disclaimer: The views expressed herein are those of the authors alone and do not reflect the views or positions of any part of the U.S. government.*

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# It's Time to Revisit America's South Asia Strategy

**Akhil Bery and Anand Raghuraman**

Nearly a year after America's unceremonious exit from Afghanistan, the United States has yet to chart a new strategy for engagement in South Asia—the home to one-fifth of humanity and vital U.S. national security interests. It's time the region got a rethink.

The rationale for a new strategy is clear. If South Asia was a “battleground” during the War on Terror, it is increasingly “contested ground” in the escalating competition with China. U.S. strategy in South Asia must reflect this reality and respond to the new “pacing challenge.”

This will require Washington to take a broader view of South Asia and engage more vigorously with the smaller players in the region. Indeed, while the United States made strong gains in its relationship with India over the past two decades, it has often lacked the ability and appetite to court smaller states like Bangladesh, Nepal, and Sri Lanka. By contrast, Beijing was able to make strong inroads in these countries, as well as in Pakistan, leveraging economic engagement facilitated through the Belt and Road Initiative.<sup>1</sup>

However, recent months have seen cracks emerge within China's position in South Asia. Sri Lanka's ongoing economic crisis—which is partially due to the abundance of loans it took from China—has prompted a rethink throughout the region about accepting Chinese financial assistance. Bangladesh and Nepal have also thought twice about their entanglements with China, especially as they face dire economic challenges at home.<sup>2</sup>

Hesitations in the region should inspire proactive action from the United States. Washington finally has a chance to seize the initiative and position itself as a credible alternative to Beijing. It should act swiftly to provide meaningful contributions to the region that cement America's status as a trusted partner in South Asia and the broader Indo-Pacific.

## **Seizing the Initiative in South Asia**

There are already some signs that the United States is moving in the right direction and receiving fresh interest from countries in South Asia. For example, despite pressure from China,<sup>3</sup> protests,<sup>4</sup> and significant disinformation,<sup>5</sup> Nepal's parliament recently approved the \$500 million Millennium Challenge Corporation (MCC) grant, signaling that the new government is keen to improve ties with the United States. The change in government in Sri Lanka has also brought about a shift in the country's foreign policy, with President Ranil Wickremesinghe seeking closer ties with the U.S. as he works to secure Western assistance to navigate Sri Lanka's debt and economic crisis. Washington's ability to engage diplomatically across South Asia also reflects the stronger U.S.-India partnership, where India is more comfortable having a more robust U.S. presence in the region. For example, in 2018, the United States and India worked together to prevent democratic backsliding in the Maldives, and now, the U.S. is set to open its first standalone embassy in the country, continuing to build on recent developments, including signing a defense pact with the government of the Maldives.<sup>6</sup>

Clearly, there are green shoots for the United States in South Asia. But these shoots need tending to if they are to bear diplomatic fruit. This requires Washington to adopt a new strategy for engaging South Asia—one that is fit for a new era of strategic competition.

## **Calibrating a New South Asia Strategy**

The foundation of a new strategy has to be a political commitment to the region, one that is backed up by presidential attention, substantive economic initiatives, and genuine public-private engagements. All three are scarce commodities in Washington, but they can yield outsize benefits if deployed judiciously in South Asia.

### ***Ramp Up High-Level Engagement***

Though South Asian leaders often come to the United States for the UN General Assembly, there is one glaring omission: the lack of interaction at the leadership level. Leaving aside Afghanistan, India, and Pakistan, a U.S. president has not had a bilateral meeting with a leader of the other South Asian countries in nearly twenty years. President Bill Clinton visited Dhaka in 2000,<sup>7</sup> meeting with Prime Minister Sheikh Hasina; Nepali Prime Minister Sher Bahadur Deuba met President Bush in 2002 in the Oval Office;<sup>8</sup> and Sri Lankan Prime Minister Ranil Wickremesinghe visited the White House in 2003.<sup>9</sup> Since then, there have been no official visits by leaders from any of these countries. By contrast, Chinese President Xi Jinping visited Sri Lanka and the Maldives in 2014,<sup>10</sup> Bangladesh in 2016,<sup>11</sup> and Nepal in 2019.<sup>12</sup>

These sorts of high-level visits matter. They are critical to sustaining U.S. interests and bilateral relations. Neglect, by contrast, opens up space for China to fill the void, and this can have dramatic consequences for the United States' security interests—as the Biden administration recently saw in the Solomon Islands. In this case, China was able to successfully leverage its influence with the Solomon Island president to get him to sign a security document, but also to deny permission to any U.S. military vessel seeking to visit the islands.<sup>13</sup>

The United States can mitigate the risk of a similar development in South Asia by spending the time and effort to engage these leaders at the highest level. Using the power of the Oval Office, Washington can invite leaders from Nepal, Bangladesh, the Maldives, and Sri Lanka for individual visits, which would be seen as a sign of respect. Additionally, the U.S. can work with India during its G20 Presidency in 2023 to highlight the importance of climate resilience in South Asia and mobilize the international community to drive timely action.

### ***Economic Engagement***

It may be tempting for the United States to try and use development financing as a major form of economic outreach to South Asia; however, this approach would be unwise. Washington lacks the appetite for big-ticket spending and it does not have the resources to match China dollar-for-dollar in the region. Moreover, in the current macroeconomic environment, extending loans to support local infrastructure projects may prove to be unwise—particularly if countries default.

Rather than copy the Chinese model, the United States should stick to its areas of strength and signature initiatives. The Indo-Pacific Economic Framework (IPEF), which is now under development, offers one promising pathway to engage the region over time.

Offering IPEF membership to smaller South Asian countries could be a short- to medium-term goal. Indeed, while these countries may not qualify for all four pillars of IPEF<sup>14</sup>—trade, supply chain resilience, clean economy, and fair economy—they may see opportunities to join one or more. The U.S. should not hesitate to wield the flexibility of IPEF to its strategic advantage in South Asia. This could be a prime opportunity to attract countries such as the Maldives,<sup>15</sup> which has long been outspoken about the devastating effects of climate change, and Bangladesh, which is eager to diversify its exports from a heavy reliance on the garment sector.

### ***Subnational Engagement***

National-level diplomacy is critical to rebalancing America's South Asia strategy, but the long-term health of our bilateral relationships in the region rests on a diversity of actors—including those at the subnational level. Cultivating relationships between American and South Asian companies, civil society groups, and state-level governments will be critical going forward.

One key avenue to advance this goal is to promote visits by foreign leaders and diplomats to U.S. states and corporate headquarters. For example, Bangladesh already has close ties with U.S. companies such as Chevron and ExxonMobil due to its liquefied natural gas reserves; a trip to Austin to meet the governor of Texas or to Baton Rouge to meet the governor of Louisiana for a discussion on oil and gas extraction technologies would be substantive and memorable. Similarly, a trip to Silicon Valley can help these leaders understand how the American software ecosystem developed. Many South Asian countries are rich in tech talent, and they are eager to build their own software hubs and digital economies. Lessons learned from Silicon Valley may be of interest.

## The Way Forward

The United States has a golden opportunity to gain ground in South Asia as it looks to compete with China in the Indo-Pacific theater. Seizing this opportunity requires Washington to broaden its field of vision to encompass all the countries in the region—not just the major powers and traditional hotspots. As countries navigate macroeconomic headwinds, Washington should continue to work with key partners in the region—including New Delhi—to manage the complex gamut of challenges facing South Asia. The Biden administration should move with speed and dexterity, recognizing that targeted assistance delivered in a moment of crisis can trump big-ticket spending by a competitor in times of plenty.

*Disclaimer: Akhil Bery and Anand Raghuraman originally co-authored this piece prior to September 2022, with both participating in their personal capacity. Akhil Bery has not been involved in updating the document since September 2022.*

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# As City Diplomacy Grows, So Should Our Efforts to Engage Rural Communities in Foreign Policy

**Gabrielle Fong, Mark Titus Hoover, and Holly Milburn-Smith**

In her 2008 book, *The Next American Century: How the U.S. Can Thrive as Other Powers Rise* and persistently since, Ambassador Nina Hachigian has argued that American foreign policy must prioritize security challenges that could harm Americans where they live.<sup>1</sup> This perspective is central to a growing discourse on subnational diplomacy, a paradigm rooted in the notion that local governments can and should play a role in foreign affairs. “Communities, cities, and states are coming up with some of the most innovative and creative ideas for tackling many of the global challenges we face,” said Hachigian just before her appointment as the first U.S. Special Representative for Subnational Diplomacy.<sup>2</sup>

Much of the global focus on subnational diplomacy to date has been on the role of cities in tackling emerging foreign policy and security challenges. Yet while these challenges may “manifest most acutely in urban settings,” urban residents are not alone in their vulnerability to growing transnational threats, nor alone in providing the ideas and human capital needed to address these threats.<sup>3</sup> And while Americans largely agree on abstract principles in foreign policy, such as the role of the U.S. in world affairs, rural and urban Americans are most divided on the issues that have the greatest impact on their lived experiences, including climate change, trade and the economy, and immigration.<sup>4</sup>

It is critical that all Americans, no matter their proximity to urban centers, have the opportunity to be engaged in U.S. foreign policy decisions. The scope of today’s transnational threats demands engaged and informed, even if diverse, responses by urban, semi-urban, and rural communities. While urban leaders are increasingly engaged in foreign policy, rural communities remain poorly represented, limiting America’s ability to respond to today’s challenges. To address this gap, the U.S. should consider new approaches to engaging rural and urban cluster communities in foreign policy.<sup>5</sup>

## **Grounding Foreign Policy in America’s Rural Communities**

Students and officials working in international affairs in the United States historically have been clustered on the East Coast. However, the expansion of telework and widespread familiarity with digital telecommunications technology, accelerated by COVID-19, presents a new opportunity for America’s 330 million citizens to interact directly with and inform America’s foreign policy. Now more than ever, the federal government is observing its employees changing agencies to pursue more telework-friendly jobs.<sup>6</sup> If expanded, telework could provide an opportunity to rejuvenate a federal workforce when record numbers of federal workers—including 20.9% of Department of State employees—are eligible for retirement in 2023 and fewer professionals are choosing federal employment.<sup>7,8,9</sup> Another incentive to diversify where foreign policy professionals are able to live is the ample evidence demonstrating that early exposure to careers strongly influences youth career choices, with young people often attracted to professions they see in their communities.<sup>10,11</sup> Expanding the job opportunities in diverse geographic locations will also generate taxpayer savings as according to law, employees living in New York City or Washington, D.C. cost taxpayers 35% and 31% more than employees in rural communities where they make the federal base salary. Lower minimum salaries outside of traditional hubs are often accompanied by benefits like lower housing, fuel, and tax costs. This is not unprecedented. The United Kingdom committed to moving 22,000 civil servants outside of London by 2030 even prior

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to COVID-19's impact on mainstreaming telework in government.<sup>12</sup> Although geographically dislocated work can pose operational challenges, the economic, social, and policy benefits of including resident rural citizens in foreign policies outweigh the challenges.<sup>13</sup>

Normalizing telework would also make possible a new initiative designed to attract professionals who choose to live in regions previously impractical for international affairs professionals. The Department of State should expand its Diplomat-in-Residence (DIR) program in small towns and rural communities for mid-grade civil or foreign service personnel to serve in for a two- to three-year tour. The current program employs sixteen Foreign Service Officers based at universities and focused on recruitment specifically to the Foreign Service. An expanded DIR program would bring Foreign Service and civil service practitioners of negotiation, human rights, economic policy, and other fields into the communities the Department of State represents but who may perceive themselves neglected by U.S. foreign policy. In order to attract top talent, the DIR program should be treated as career enhancing for both the civil and Foreign Services. The State Department could work with governor's offices to identify communities' interest in hosting a DIR and rotate the position regularly among communities to expand its reach and impact. The DIR would provide a direct link back to the Department, empowering rural and urban cluster communities to raise their concerns and recommendations to inform policy-makers in Washington. A new benefit from these positions could be a formal process for DIRs to provide regular updates to the Department, to include recommendations on how to better engage and represent these communities in foreign policy.

The State Department could work with governors' offices to identify communities' interest in hosting a DIR and rotate the position regularly among communities to expand its reach and impact. Once interested communities have been identified, the State Department could prioritize top candidates based on a number of factors, such as demonstrated local leadership and commitment to the initiative. The percentage of a community's economic activity stemming from foreign direct investment could also help identify communities with the potential for meaningful foreign policy engagement. This is an especially timely standard as foreign investments are expected to increase with the implementation of the 2022 Infrastructure Investment and Jobs Act and Inflation Reduction Act.<sup>14</sup> In the first two months since the legislation passed, more than \$28 billion in new clean energy manufacturing investments were announced, including electric vehicle battery manufacturing in Oklahoma, Kansas, North Carolina, and Ohio.<sup>15</sup>

## **Stronger Rural American Communities Build Stronger Global Partnerships**

A "Homeland-to-Homeland" professional exchange is an initiative designed to link residents, officials, or businesses in rural areas and urban clusters with their counterparts in another country. This exchange would complement the many diverse programs run by the Bureau of Education and Cultural Affairs. Operated over six weeks, the exchange could include international travel, joint travel to Washington, D.C., and digital exchanges with foreign counterparts through business, religious, agricultural associations, or local governments. Selection of paired communities could be designed to match communities that share economic profiles, climates, or demographics such as aging or immigrant-heavy communities. These types of exchanges would empower individual leaders and businesses to innovate and improve communities, which is particularly important in places where citizens prioritize private sector-led efforts to address problems.<sup>16</sup> Limited research also indicates that international travel increases an individual's interest in political affairs, which in turn is a predictor of increased political participation, a bedrock for a functional American democracy.<sup>17</sup>

Subnational people-to-people exchange strategies are supported by decades of evidence-based successes from cultural exchanges. For example, SisterCities International, a legacy of President Dwight Eisenhower, builds relationships between U.S. communities and global cities and claims its programs contribute over \$500 million annually into U.S. communities.<sup>18</sup> The strategies recommended here seek to address recent findings that Americans understand the importance of international affairs to their daily lives, but may not necessarily feel they can influence them.<sup>19</sup> These recommendations target rural and urban cluster communities, whose economies Pew Research found are the most export-dependent in the United States.<sup>20</sup>

## Strategic Partnerships for Collective Action

In recent years, cities have taken a leadership role on international issues like countering terrorism and climate change with the federal government playing a facilitating, rather than leading, role in those networks. In recognition of the power of subnational diplomacy, Denver and the U.S. Department of State will host the first Cities Summit of the Americas in 2023, bringing hundreds of municipal leaders from the hemisphere together. Smaller cities and rural communities may lack the resources necessary to implement the same initiatives that cities have undertaken to advance their foreign affairs goals. To bridge the resource gap, Congress could pursue bipartisan legislation to support small cities and rural communities in their efforts to bolster international engagement on their most pressing issues. Until such additional resources are provided, small cities and rural communities should consider adopting comparable strategies such as forging strategic partnerships with community-based organizations, academic institutions, the private sector, philanthropic organizations, and other local governments.

To this end, the Under Secretary for Public Diplomacy and Public Affairs should prioritize partnering with non-governmental and grassroots organizations to engage American communities on foreign policy. The Center on Rural Innovation's Rural Innovation Network is one example of a potential partner. The nationwide community of local leaders, focused on advancing economic interest in small towns, is working to provide more than two dozen communities with resources for digital skills development and technological innovation, among other services. As an example, organizations like the Rural Innovation Network could work with offices like the Department of State's Global Engagement Center to provide information on how foreign and non-state actors are using disinformation to influence American communities. The collaboration between State and grassroots organizations would connect rural communities with additional sources for veritable information on American foreign policy and ensure rural communities' concerns and priorities are folded into U.S. government foreign policy narratives.

Local news outlets have long served as a source of information for rural communities. However, COVID-19 forced more than 500 local news outlets to close, creating news deserts in many rural communities and further isolating them from foreign policy conversations.<sup>21</sup> Several news organizations are rising to fill this void and providing information tailored to rural communities on issues like the economy, climate change, and technology.<sup>22</sup> *Southerly* is one such example, where founder, Lyndsey Gilpin, is equipping southern communities with the information they need to address transnational threats like climate change and hold leaders accountable for their actions (or inactions). The Department of State and other agencies engaged in foreign policy could build on programs such as the State Department's *Hometown Diplomats* to feature employees in their hometown newspapers or on their local radio stations. The Department could also offer local media outlets the opportunity to interview senior Department officials on issues impacting Americans' daily lives. Additionally, the Department could partner with local universities through Diplomats in Residence or city-based foreign policy associations, among others, to promote and gain insights on foreign policy issues. These efforts would expose the foreign policy professionals to the views of rural and urban cluster communities through trusted local journalists and organizations.

## Rural America Contributes to an Inclusive and Ambitious American Foreign Policy

Greater engagement by, and with, rural communities in foreign policy will arm America's foreign policy institutions with the talent and representation the U.S. needs to achieve its ambitious foreign policy objectives. To do so, American foreign policy makers must build on the flexibility offered by telework and existing employment opportunities to align foreign policy objectives and communication with rural and urban cluster communities' interests. New opportunities must be considered to develop strategic partnerships both abroad and at the domestic, grassroots level that will strengthen America's resolve and ability to address the complexities of transnational threats. Foreign policy affects all Americans. Today, local leaders are advancing exciting new efforts to expand city engagement in foreign policy, which should be celebrated. The recommendations here demonstrate the opportunities to build on this progress to include rural communities in the expansion of foreign policy formulation and implementation.

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# Managing Geopolitical Risk

**Akhil Bery, Kyle Hutzler, and Anand Raghuraman**

For chief executives of American multinationals long-accustomed to being “masters of the universe,” with influence and resources rivaling most nation-states, the last few years have been costly and humbling. Geopolitical risk has emerged as a critical factor disrupting business strategy, and it looks poised to grow more significant in the years to come. This will upend not just supply chains and divide global workforces, but call into question multinationals’ identity, values, and core strategies.

To better navigate this complex environment, executives will need to do more than simply diversify their supply chains and revamp operating models. To succeed, they will need to fundamentally reexamine their beliefs about how the world works and their place in it.<sup>1</sup>

## Why Geopolitical Risk Fell to the Wayside

Multinationals have struggled with the resurgence of geopolitical risk for four principal reasons. First is short-termism: even before the U.S.-China trade war, many executives were willing to privately concede their ambivalence about their presence in China.<sup>2</sup> They nonetheless felt pressured by investors to deliver growth even if it meant risking their intellectual property and fostering eventual competitors in the long-term.

Second is the absence of geopolitical, as opposed to simply international, experience and training among corporate decisionmakers. An analysis by the authors of the twenty largest listed American companies by market capitalization finds that only six have board members with geopolitical experience.<sup>3</sup> Instead of situating their strategies in the context of geopolitics, companies designed their strategies *a priori* and looked to outsourced “fixers” to make the politics fit the strategy. The approach may work in most nations, but falls short in powerful regimes whose systems are less navigable and corporations’ influence less pronounced.

Third is collective action. Few companies, or their leaders, however principled, are willing to push back when the consequence would be simply to cede market share to their competitors. With few mechanisms to enable a coordinated response, corporations face pressure to accommodate or risk losing out.

Fourth are the limits of ideology. Multinationals proudly internalized their role as agents of what was assumed to be “change through trade.” Yet, the very worldview that enabled capitalism’s success, the incisive rationalism and unwavering focus on economic value creation, often rendered its practitioners uncomprehending of regimes which would willingly subsume prosperity for power. After years of adeptly weaving webs of tax, regulatory, sourcing, and production to their advantage, multinationals are belatedly recognizing a simple truth: sovereignty still matters. Though a company may have a global presence, it is not immune to the domestic politics and geopolitical imperatives of nation states.

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## Neutrality Is Not the Answer

For many American multinationals, the studied neutrality they have sought to maintain as they straddle their operations between the liberal, illiberal, and authoritarian worlds has become untenable. Both American and European policymakers are heightening their expectations of multinationals' responsibilities to secure supply chains and limit unacceptable transfers of intellectual property. Consumer and investor expectations for socially responsible behavior are also complicating decisions, as evidenced by the pressure major brands faced to boycott the Beijing Olympics over China's actions in Xinjiang.

These restrictions pale in comparison to what illiberal markets can impose. China has regularly impeded or denied market access outright to a host of companies from various countries for a host of perceived offenses.<sup>4</sup> But it is far from alone in forcing companies to choose between market access and the company's stated ideals and principles. In India, for instance, Twitter has famously had to balance a surge in requests from the government to suspend accounts with pressure from activists to uphold free speech.<sup>5</sup> The impacts will also not be limited to individual markets. Powerful nations will seek to impose their influence globally, affecting everything from how disputed territories are referenced to the use of corporations as vectors to interfere in home country politics and policy.

## Navigating Geopolitical Risk

Few multinationals realistically can—or necessarily must—decouple from markets fraught with geopolitical risk. But they can undertake a range of hedging actions. First, manufacturers must invest in the resilience of their supply chains.<sup>6</sup> Geographic and supplier diversification is only one part of a portfolio of actions, and must be done with a mindfulness of the other risks, such as climate, to which supply chains are exposed. Improving transparency beyond multinationals' first tier of suppliers, simplifying product designs, and adopting modular and additive manufacturing are high among the approaches currently being pursued.

Multinationals can also consider restructuring their operations. Some companies in certain sectors may find it appropriate to shift from direct, local operations to a licensing, or franchise, model as Yum! Brands did when its China business was sold to a local operator. The upshot of such an approach is that it maintains exposure, while shifting the operational complexity to a third-party and making it politically trickier for authorities to target the enterprise without causing harm to local investors.

Companies can also improve investor disclosures about the extent of their direct and indirect operational presence in high-risk countries. Investors can then use this information to better price risk and engage with management when there are concerns about potential over-exposure.

## Fundamentally a Company's Job?

American multinationals will also need Washington to step up in innovative ways to empower and shape the context of multinationals' behavior and defend their shared interests. One of the key reasons companies accommodate authoritarian regimes is because they do not trust home governments to effectively address their concerns. American multinationals have at times been reluctant to have the United States defend their interests because of the concern that the blunt toolkit at the government's disposal would cause consequences worse than the problem itself.

To start, senior National Security Council staff should provide group briefings for executives of strategic American companies that help them shape their strategy in a way that advances corporate and national interests. Companies should also be more willing to proactively share information with the government so that the government can be better prepared to support them in crises.

There are also potential market-based solutions Washington can encourage. One of the key reasons that geopolitical risk is downplayed by corporations is that it cannot be readily factored into formal cost-benefit analyses. Washington can help change this by giving its full regulatory imprimatur to prediction markets. These markets, in which options are traded on the likelihood of real-world events occurring, have been embraced by the intelligence community for their

usefulness.<sup>7</sup> If Washington were to allow prediction markets to operate at scale, that may create an actionable signal for corporations to heed.

Next, the government can shape the context of multinationals' behavior by requiring them to deconsolidate their operations in countries such as China and Russia. This is not the same as divestment. Earnings from operations in authoritarian regimes would no longer appear on a company's income statement; instead, the operations in those countries would be recorded as an investment.<sup>8</sup> By changing how the earnings from countries such as China and Russia are accounted for, it creates a subtle, yet significant signal about the risk and temporality of doing business there. Going further, if tracking stock were issued against multinationals' China operations, the relative premium or discount of those shares would send an important signal about investor sentiment and allow executives who do reduce exposure to address criticism that they are committing malpractice in forgoing profits, however short-term they may be.<sup>9</sup>

Supply chain security and intellectual property rights are core areas where multinational and government interests overlap. American and European governments could adopt "smart" tariffs that apply to trade in any goods in which exports are disproportionately provided by a single, risky country to further encourage diversification. Limited authorities to restrict outbound investment are also appropriate alongside a broader reform of the country's export control system.

Finally, these efforts can be strengthened in partnership with allies. The United States should closely observe the European Union's emerging proposals for anti-coercion authorities and explore the potential for cooperative mechanisms.<sup>10</sup> Aligning supply chain relocation incentives, including through the Indo-Pacific Economic Framework, is another opportunity for collaboration. This would help overcome the collective action problem that makes it difficult for industries to shift shared supplier ecosystems. Coordinated stockpiles in strategic goods, harmonized standards, and emergency exemption mechanisms that allow goods to easily flow across borders during periods of supply chain stress also merit consideration.

## Perpetually "At-Will"

Multinationals should be prepared for a prolonged era in which their operations straddling America's adversaries remain perpetually "at-will," permitted to operate in a market so long as they are perceived to be less of a threat than they are potentially useful. To succeed, executives will need to overcome their short-termism, redesign their strategic planning processes to directly account for geopolitical risk, and acknowledge the limits of capitalism in constraining the behavior of authoritarian regimes. They will need to be further reinforced by a mix of supportive and restrictive policies by their home governments. Geopolitical risk is manageable, but it will require executives and policymakers to finally become the sophisticated actors they long believed themselves to be.

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- <sup>7</sup> See Philip E. Tetlock and Dan Gardner, *Superforecasting: The Art and Science of Prediction*, (Crown: 2015).
- <sup>8</sup> The introduction of widespread tracking stocks of multinationals' China operations would likely result in their sharing common ownership by a few major funds. This could potentially serve as a partial check against China's "divide and conquer" tactics because, from the vantage point of the common ownership, nothing is gained if market share shifts from a company that has run afoul of China to one that has not. (Critics of common ownership express anti-competitive concerns, which may be a less salient concern in an illiberal market context; see "Stealth Socialism," *The Economist*, September 2016, <https://www.economist.com/finance-and-economics/2016/09/17/stealth-socialism>.)
- <sup>9</sup> Tellingly, in the wake of Russia's war on Ukraine, companies which have taken more steps to withdraw from Russia have seen their shares outperform those which have done less. Jeffrey Sonnenfeld, Steven Tian, and Steven Zaslavsky, "Businesses that Refuse to Leave Russia Are Experiencing the Greatest Costs," *The Washington Post*, April 2022, <https://www.washingtonpost.com/opinions/2022/04/26/businesses-that-left-russia-not-hurting-better-off/>.
- <sup>10</sup> Marcin Szczepanski, "Proposed Anti-Coercion Instrument," European Parliamentary Research Service, March 2022, [https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729299/EPRS\\_BRI\(2022\)729299\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2022/729299/EPRS_BRI(2022)729299_EN.pdf).