

Globalization and the U.S. Navy: an Annotated Briefing

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Center for
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Approved for distribution:

July 2002



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GLOBALIZATION AND U.S. NAVAL FORCES

**A project undertaken by The CNA Corporation
for the Office of the Secretary of the Navy
in 2001-2002**

**Principal investigator: H. H. Gaffney
Director, Strategy & Concepts
Center for Strategy Studies (CSS)**

The CNA Corporation was asked to study the relation between globalization and U.S. naval forces by the Chief Financial Officer of the Department of the Navy, Charles Nemfakos, in the winter of 2001. The study was to be a more specific attempt to relate naval forces in the changing world context than represented by an earlier study sponsored by the Department of the Navy and done by the Institute for National Security Studies at the National Defense University. (See Richard Kugler and Ellen Frost, eds., *The Global Century: Globalization and National Security* (Washington: The NDU Press, 2001.)

CNA's particular tasks were to:

1. Define globalization and its challenges for U.S. naval forces.
2. Develop alternative globalization scenarios.
3. Evaluate the impact of alternative globalization scenarios on the alternatives for U.S. naval forces.

We were also asked in the course of the project to discuss how globalization could lead to savings in naval programs.

This annotated briefing supplements the longer report on the subject, *Globalization and U.S. Navy Forces*, CNAC document CRM D0005743.A2 of July 2002, by H. H. Gaffney.

GLOBALIZATION:

WHAT IS IT?

HOW DOES IT WORK?

We can describe globalization both as a system and as a process.

- It is most commonly described as the acceleration of communications and transactions around the world--facilitated and enabled by information flows and the ever-decreasing cost of long-distance transport.
- It involves a growing proportion of international trade to domestic trade, substantially larger flows of long-term direct investment, and the dispersal of production in many countries through free trade and reductions of trade barriers. As compared to previous “globalizing” periods, however, the movement of labor remains relatively restricted.
- It is not just economic. It includes worldwide media, tourists, the spread of cultures, the proliferation of technologies (most highly are beneficial, but a notable few are dangerous), the movement of terrorists, etc.
- In short, “globalization” is a characterization of the post-Cold War world -- one world, a smaller, more connected world. Across the 1990s, we wondered what term might emerge to characterize the world system. It has happened naturally: “globalization” is the characterization.
- But “globalization” is not a self-perpetuating nor self-managing system. It has not eliminated either poverty or conflict from the world. While it has been mostly created by private business, governments still have big roles--in providing hospitable and internally secure climates for investment, in regulating commerce and competition, and lastly for providing and promoting general security around the world.

What is “Globalization”? (continued)

- Globalization has been accompanied by the spread of democracy and both privatization and the stimulation of private industry inside countries.
- We can compare globalization to alternatives, so as to see what it is not:
 - It is not autarkic economies and protectionism. It seems implausible for the foreseeable future, though a few states still attempt it (e.g., North Korea, Myanmar). But it is possible that states might revert in that direction under direct circumstances. In the Great Depression of the 1930s, the advanced countries tended to close themselves off from the world economy through high tariffs, restrictions on immigration, and restrictions on foreign direct investment. Hitler dreamed of almost pure self-reliance. These days, autarky is neither possible nor rewarding. “Comparative advantage” in trade still governs.
 - It is not grossly divided by political and economic ideologies, unlike the Cold War. However, there may be competing rule-sets championed by regions (e.g., North America, Europe, Asia), but these will all be variations on the same theme of regulating “free” markets.
 - It is not a series of political blocs, although there remains a significant distinction between those who set most of the rules (e.g., the G-8) and those who simply have to live with them (the rest). Regional free trade zones might compete with another as time passes. The European Union (EU) raises particular suspicions among Americans in this regard.
- According to reliable World Bank statistics, roughly two-thirds (4 billion people) of the world is in globalization (i.e., globalizing their economies) and roughly one-third is out (2 billion). Conflicts are more likely to arise in the third that is out, and recent history shows that the vast majority of U.S. military responses will lie within that group of states. The third that is out of the globalized system and process includes:
 - Most of the countries with predominantly Muslim populations – and they lie close to advanced world. The oil-rich ones have bad or shaky governance. Poor Muslim countries often have internal conflicts, military governments, and especially governments that stay in power too long and become thoroughly corrupt. Yet we must never forget that the Muslim world is extremely diverse and hardly unified.
 - The really poor countries, including, for example, much of Sub-Saharan Africa, Central America and the Caribbean, and Myanmar.
 - There is a paradox with regard to China and India: growing segments in each of their populations are quite modern, while the majority still live in villages (or floating in between). Nonetheless, the greatest movement from poor to a better way of life has been, and will continue to, take place
 - in China and India, and this vast economic upswing benefits the world hugely by slowing global population growth significantly over time. No two states better capture both the promises and limits of globalization..

➤Colombia, Indonesia, and South Africa have been on the edge of the globalized world. Each of these has resources. Colombia is torn apart by internal conflict, Indonesia threatens to lose control of its outer territories, and South Africa always has to worry about suffering from the ills that the rest of Africa suffers from.

Globalization prospers with the encouragement of private enterprise, regulated by the rule of law, and the reduction of corruption. Countries successfully joining the global economy manifest these characteristics. In effect, they are harmonizing their internal rule sets with that of the emerging global rule set of transparency and accountability. This is something all economies must do over time—even the United States.

Globalization marks the end of state direction of economies, even in China. It is the end of government-planned economies. Daniel Yergin makes this point strongly (See *The Commanding Heights* (2002)).

Upon privatization, governments move to budgets, based on tax revenues, with the reduction of illusory “credits” issued to unproductive state enterprises --- even in China. Countries start avoiding big deficits because they cause inflation, ruin growth, and ruin the people’s savings.

Budgets based on revenues with control of deficits means constrained defense budgets. Defense budgets and forces are mostly shrinking around the world. China remains an exception for now, but the aging of its population will add enormous pressures against sustained expansion of military capabilities over the long run. There are simply too many bills to pay in China.

The world is largely at peace, and this permits global growth.

Great power war is obsolete, especially in Europe. The possession of nuclear weapons and the devastation that their use would cause has much to do with obsolescing war. The the demise of the grossly militarized Soviet Union has also contributed. Yet the arms race between the U.S. and USSR made everyone else’s defense efforts look irrelevant. Now there is only one country that makes all other defense efforts look irrelevant.

State-on-State wars have practically disappeared, though a few confrontations remain (Arab-Israeli, India-Pakistan, North-South Korea, China-Taiwan; it is India-Pakistan that has come closest of late).

It is the four rogues---Libya, Iraq, Iran, and North Korea---maybe only two (Iraq and North Korea)---that pose the threats of interstate war. And yet the leaderships of these rogue countries have ruined their economies, are unable to buy new military equipment and thus keep only obsolescent and decaying equipment. They have brought international economic sanctions on themselves. They are contained militarily, though South Korea must maintain large forces for this purpose and the U.S. maintains a straining presence in the Persian Gulf. Internal conflict in failing countries is perhaps the biggest source of conflict within the globalized world. But the number of internal conflicts are declining in number, if not in intensity (see the work done by the Center for International Development and Conflict Management (CIDCM) at the University of Maryland).

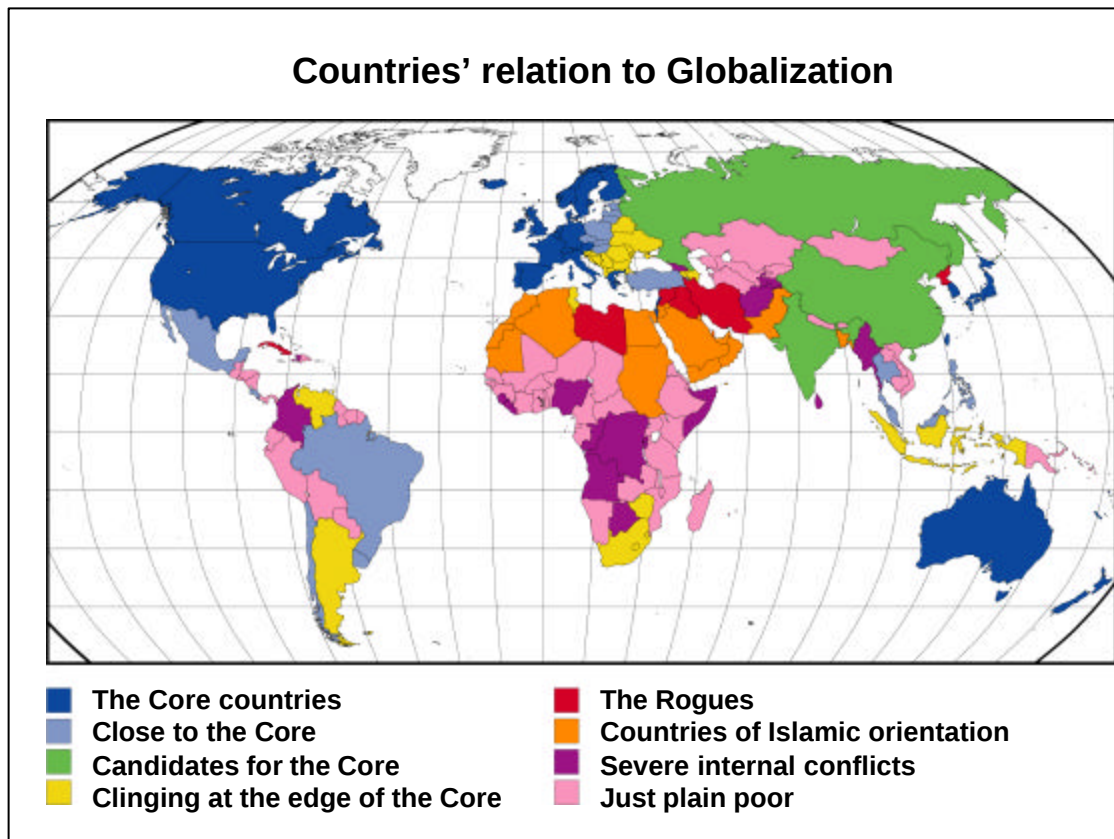
And then there are the al Qaeda terrorists---a gossamer web spread around the world. The picture of globalization changed radically for many upon the attacks of 9/11. Collectively, we will long argue how lasting the effects would be on “the globalization project” or would seem or need to be.

What about the exotic, “asymmetric” threats that globalization supposedly facilitates?

- Proliferation of Weapons of Mass Destruction (WMD), especially mounted on ballistic missiles, is of serious continuing concern. But it has actually been far slower than expected. Most of the missiles considered threats---Scuds---have been deployed in former Soviet client countries for 20-30 years.
- The two new overt nuclear weapons countries are India and Pakistan, following their weapons testing in 1998. And yet we’ve long considered them covert nuclear powers. We have assumed India had gone nuclear back in 1974 when it tested a device in a peaceful nuclear explosion (PNE), and Pakistan was close to having sufficient fissile material in the early 1980s. Even in the mid-1970s, an Indian-Pakistani nuclear war was a scenario we worried about.
- The new missiles spreading to really just a few countries (Pakistan, Iran, Libya) are North Korean No Dong, whose reliability have not been demonstrated (a No Dong was tested in 1993, but not since, unless the Iranian and Pakistani tests of derivatives count).
- Chemical and biological weapons are not easy to weaponize and deliver.
- It has been assumed that countries can go to Radio Shack and instantly buy what the U.S. takes 15-20 years to develop. And yet the rogues are buying North Korean weapons based on Soviet technologies of the 1950s.
- Still, only the most optimistic would assume that a terrorist group like al Qaeda would pass on employing WMD if they could pull it off, and herein lies most of our legitimate fears about globalization—individuals accessing destructive technology that has long been the exclusive purview of states. We do not yet know with any certainty how much more dangerous this makes our world over time, and yet, only the most pessimistic observers claim the current security environment is worse than what we experienced during the Cold War..

Nonetheless, there are still lots of problems in the world that are not part of the “globalization system” (but may be noticed more because of global transparency):

- The current Israeli-Palestinian situation (Intifada II).
- The current anarchy in Afghanistan and possibly Pakistan.
- The persisting confrontations: e.g., North-South Korea, China-Taiwan, India-Pakistan over Kashmir.
- The chaos in Colombia, mixed with the continuing drug traffic.
- Poverty in much of Africa south of the Sahara and in Central America.
- The persistent problems of the former Yugoslavia.



To sum up the patterns of globalization in the world, we present this map.

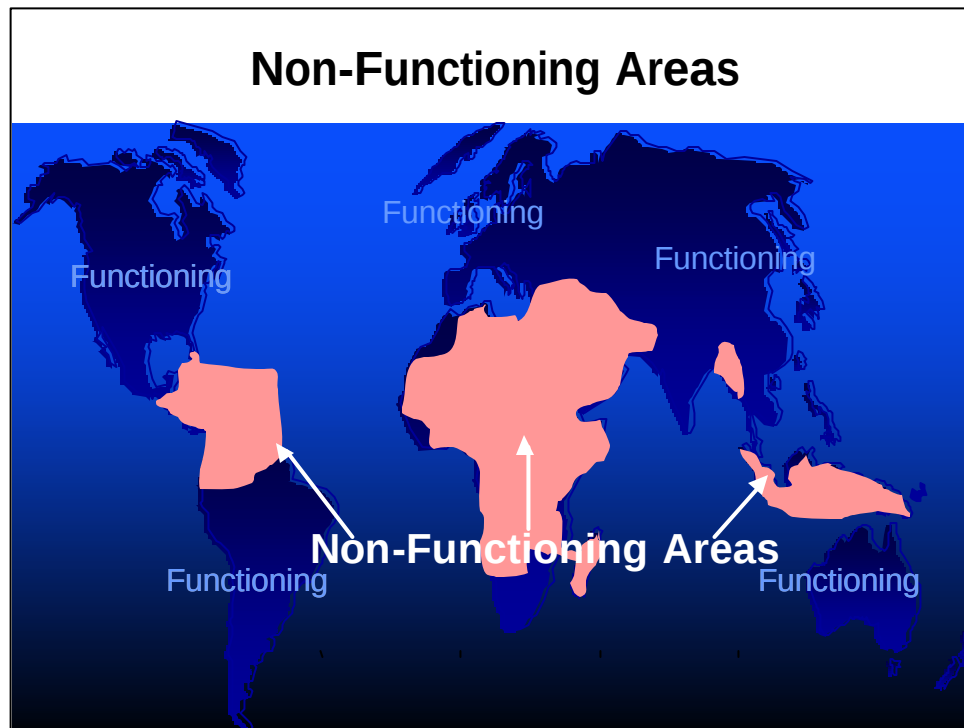
Note that the colors to the left in the legend might be described as positive, while those on the right are negative.

The assignment of countries to each category is admittedly somewhat arbitrary by this author and easily subject to change as economies go up and down. It is a snapshot of a dynamic process. For instance, Argentina might have been described as “close to the core” a couple of years ago, but is now (August 2002) facing descent into a third-world status.

The rogues identified are Cuba, Libya, Syria, Iraq, Iran, and North Korea. Others put Sudan in the category, but its ambiguous behavior does not seem to warrant it at this point.

The “countries of Islamic orientation” are quite diverse, and the author has not even put Indonesia or Malaysia in that category, even though their populations are largely Muslim.

A salient point about this map is that the mostly negative colors are clumped across the center of the world. The global security focus at this juncture of history stretches from Israel to Pakistan.



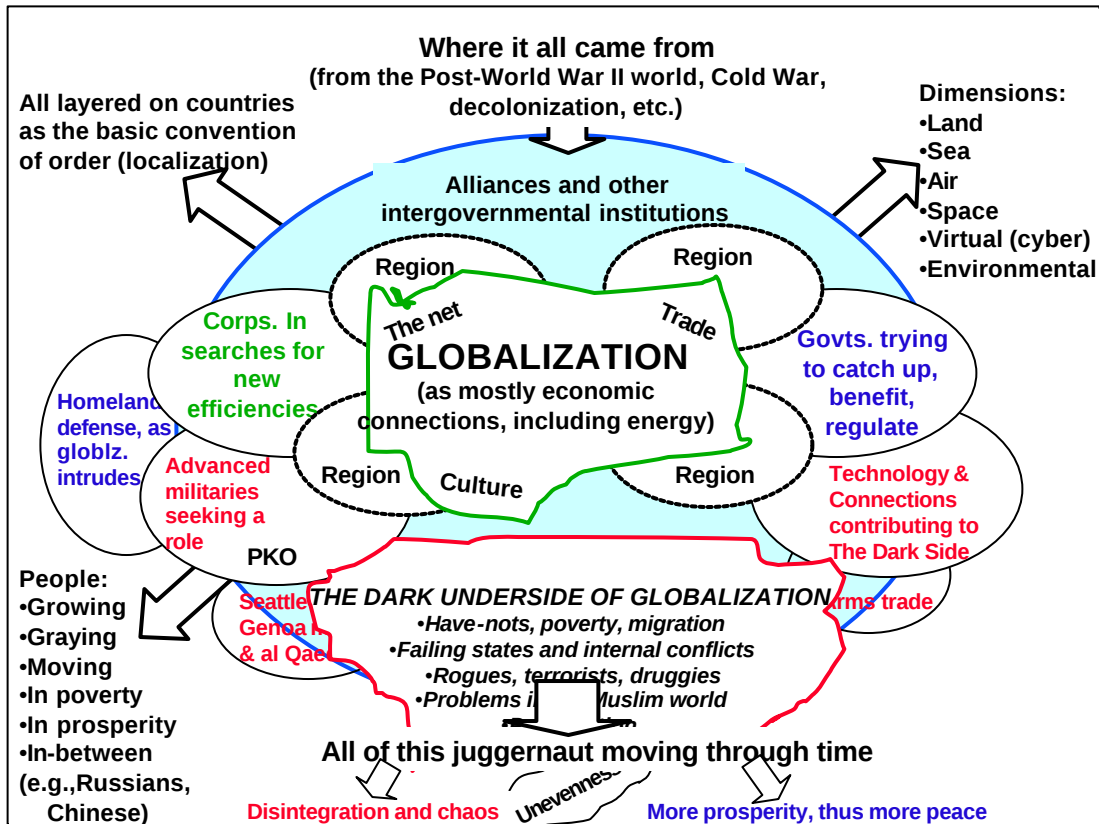
We can simplify the preceding map, as shown above, by making a gross distinction between “functioning” and “non-functioning” areas.

The functioning areas are those that are either in the core of globalization, close to it, or aspiring to join it. As we stated earlier, these states endeavor over time to harmonize the internal rule sets of their with that of the emerging global economic rule set. This is admittedly a difficult process full of frictions. The main point is that these states stick with this process¹ over the long haul.

The non-functioning areas include a number of countries in the Caribbean, plus northern South America, especially Colombia. (The chart may be a little too broad by including Venezuela, but the country hangs in the balance under the Chavez regime.) Much of Africa south of the Sahara is in the category. We have included most of the Arab world, Iran, and Pakistan, but have excluded Morocco. These are troubled countries struggling with either internal problems or whether and to what extent they should be “globalized.” Egypt could be excluded, but faces a succession crisis, and thus a crisis of governance. Myanmar is isolated. Indonesia is a difficult country to keep together.

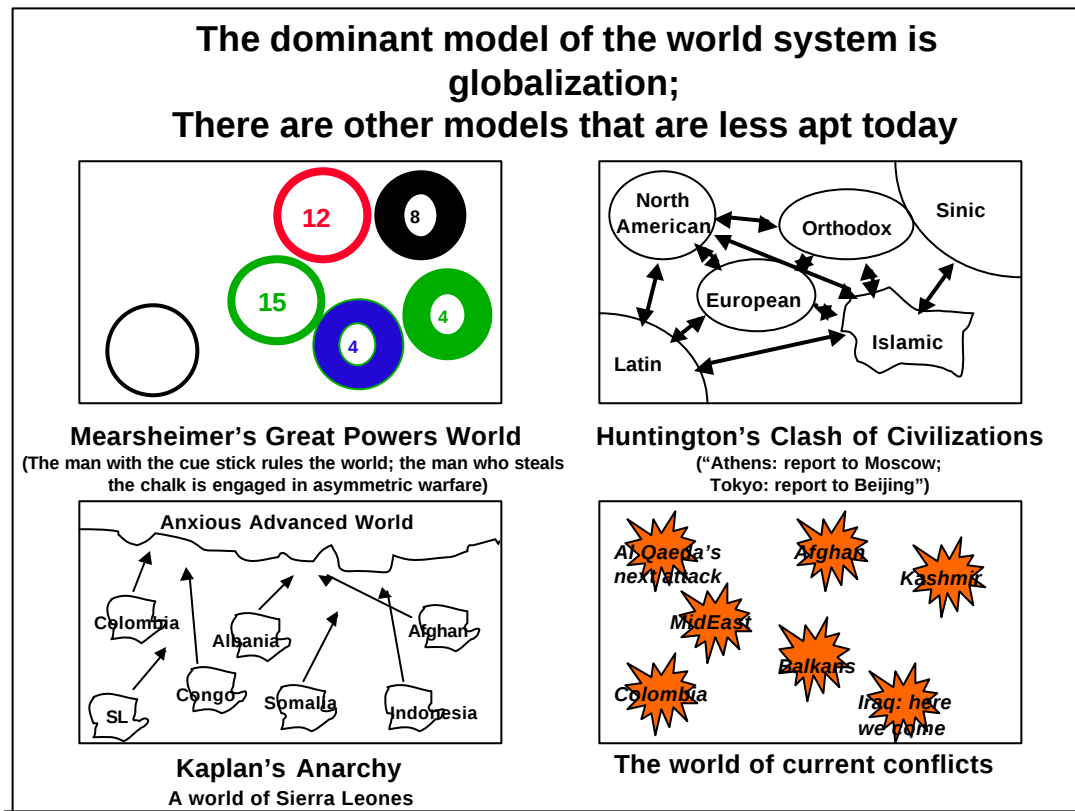
Basically, we are saying that “non-functioning” means either internal conflict, extreme poverty without clear ways to emerge from it, present or future crises of governance, and isolation by one means or another from globalization.

The most critical problem for globalization arises where the “non-functioning” countries abut those that are functioning. These seam states define much of the tension between the globalizing and non-globalizing portions of the world economy. For example, while terrorist groups are centered mostly in the non-functioning areas, they tend to access the functioning areas via these seam states.



A more abstract chart of globalization is shown here. Basically, this chart is a summary of the NDU volumes on globalization. It is to be read in layers:

- There is the core of globalization.
- But it can also be looked at by regions as they tend to form trade blocs: NAFTA, MERCOSUR, EU, ASEAN.
- Globalization expands as business, corporations, search for new efficiencies in their production and provision of services.
- The governments of the advanced countries try to catch up with the spread of multinational business in order to perform their roles as regulators. Thus, they formed the WTO (World Trade Organization).
- The NDU volumes concentrated on “The Dark Underside of Globalization.” There is an enormous literature on whether globalization plunges the poor countries (2 billion people out of 6 billion) deeper into poverty. The consensus is that it does not. The Dark Underside as shown here stops short of being “part of globalization.” But there are connections: many organizations and militaries venture into the Underside, and immigrants and other troubles (including al Qaeda) cross into the advanced side.
- There are many alliances and international organizations, private and governmental, that also function to keep the world together (the blue sphere).
- Globalization came from somewhere (mostly the Free World system set up by the U.S. after World War II) and will change over time as emerging economies are progressively integrated. Right now the focus of that global integration is developing Asia, where roughly one-half of the global population is to be found.



There are alternative world systems to the globalization system as we have described it.

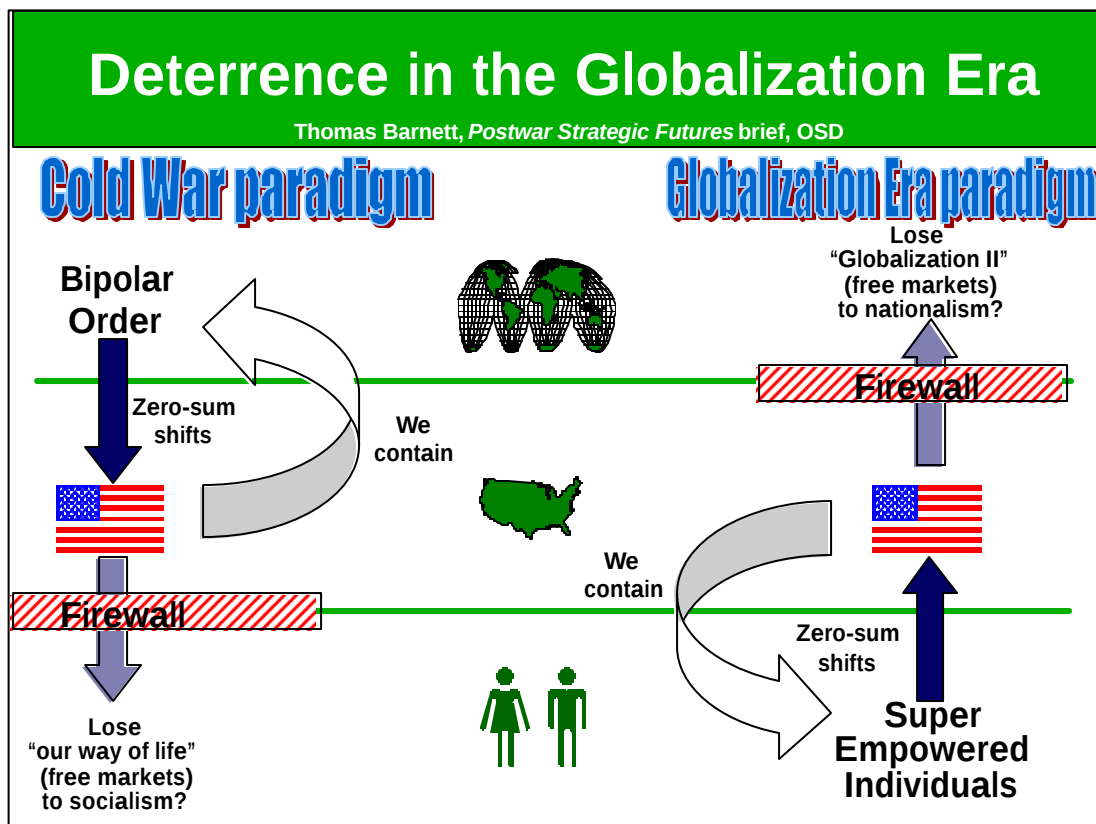
- **The first is the great power world**, of which John Mearsheimer may be the last advocate (*The Tragedy of Greater Power Politics*, 2001). This approach treats governments as solid billiard balls that carom off each other. There is a hierarchy of "great powers," they may form a "multipolar array," and the countries bounce off each other in the pursuit of eternal national interests in a zero-sum game. **The trouble with this model** is that governments don't control everything anymore, and perhaps not much of anything. Russia right now wants to be "a great country," not "a great power." The same rules don't apply in economics, which are non-zero-sum.
- **The second model is Samuel Huntington's**, per *The Clash of Civilizations and the Remaking of the World Order* (1997). **The trouble with this model** is that, while it may have appeal similar to the Great Power approach for military establishments, people are simply not divided up nor do they identify themselves with "civilizations." Besides, Huntington has given his fuzzily-defined civilizations too religious a cast.
- **The third alternative might be Robert Kaplan's** (*The Coming Anarchy*---2001). The advanced world would supposedly be overwhelmed by the troubles in the "dark underside of globalization." **The problem is** that most of the situations that he cites end up consuming themselves, and do not spill over. (We recognize that the Taliban hosted al Qaeda, which spilled over.)
- **The final model is what the U.S. Government confronts today:** a series of conflicts around the world that have global consequences. It is the government's responsibility to cope with these. The world economy and much of life continues regardless. By definition, a conflict in the non-globalizing portions of the world that is left to burn cannot have much connection with the globalizing portions of the world. But that means that the definition of "spill over" is crucial.



Continuing with the concerns that the U.S. Government has about troubles in the world as they affect U.S. security, this chart lays out the major ones that we anticipate. These change in salience and magnitude across time.

On 9/11, the dominant problem became al Qaeda. Afghanistan----where we never envisaged fighting before----appeared on the map. Over time, al Qaeda, described by Secretary Rumsfeld as a “wraith,” becomes general background to all the other problems. We have even seen the bursting of the telecoms bubble in the U.S., and with it, the stock market. We still worry about North Korea and Iran building ICBMs. We have gone through an India-Pakistan crisis over Kashmir that threatened a nuclear exchange. That the two countries backed down may reinforce the “mutual assured destruction” standoff that had been developing there in any case.

All of this is overlaid on the general economic model of the world that we call globalization. But governments have a special responsibility to solve these problems. And many of these problems tend to divert them from the economic issues of globalization.

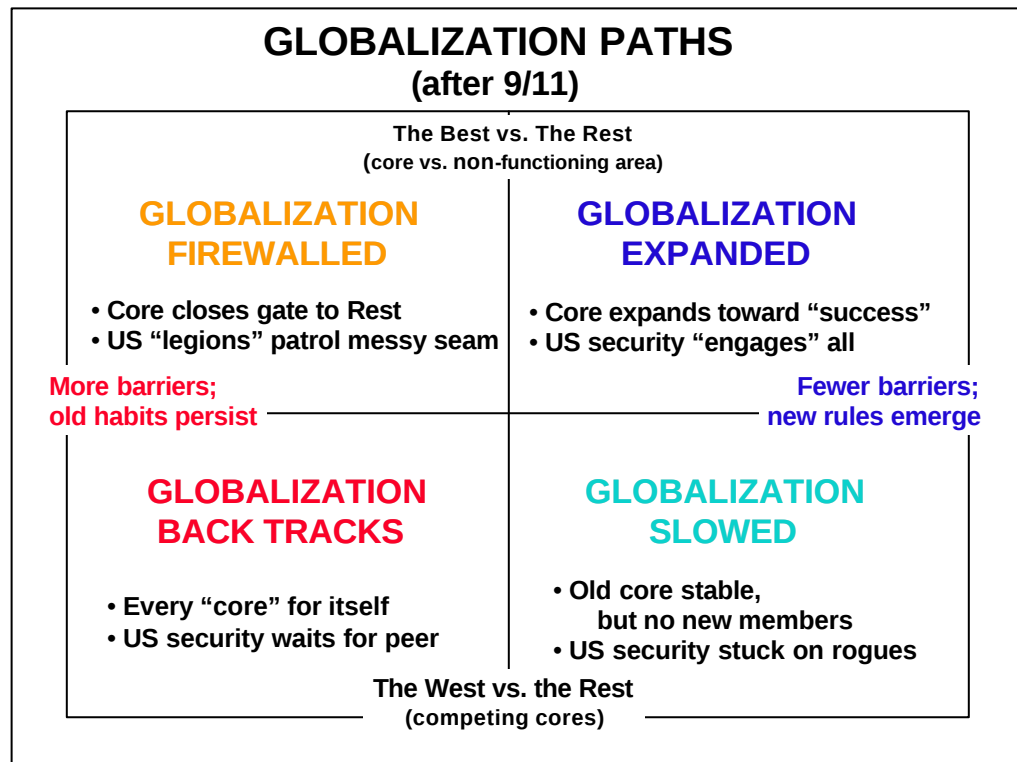


There was the old Cold War system. And there is the new globalization system. They both operated in a world that we can divide into three levels: the global level, the state level, and the level of individuals.

Those of us who work in or for the U.S. Government think at the state level. That includes the U.S. Navy.

During the Cold War, the two states were dominant: the U.S. and the Soviet Union. They defined things at the global level, each trying to create their own global system. The U.S. was far more successful than the Soviet Union, but the Soviets did create their own empire with their own economic rules (which didn't work). Nonetheless, the competition was viewed as zero-sum, and eventually became calculated in mostly military terms as their empire closed behind the Iron Curtain. We could describe the world then as bipolar, though it became hard for China, India, Africa, and other places to fit into one pole or the other. The U.S. did fear greatly, both for itself and for its allies, that the Soviets might ultimately tilt the global balance in their favor. The U.S. and its allies had to protect the populations of "the Free World" from them. Thus we built a firewall---Containment---to insulate the Free World from them and we fought them country-by-country within the bipolar system.

Now, in the globalization era, the threat to security, economy, and way of life is not from the other global power, but from the super-empowered individuals, the terrorists of al Qaeda. We fear them most because of the horrible incidents they might inflict. But we also fear their disruption of the global economic order and their subversion of the Muslim world. Now the U.S. builds the firewall against their ability to circulate around the globe, and in turn contains them as individuals. For now, we are in a strange kind of zero-sum competition with them.



We looked at four alternative paths that the globalization process might take:

Globalization Expanded (best) = the old Cold War Core (North America, Western Europe, Japan) expands to include the new post-Cold War Core (e.g., developing Asia, Russia under Putin, Brazil), albeit generally on its own terms.

- US security strategy emphasizes “engagement” worldwide.

Globalization slowed (mixed) = the old Cold War Core sees to its own continuing solidarity and economic recovery; expansion slows, putting the new Core at risk of feeling somewhat “left out” or “left behind.”

- US security strategy emphasizes its traditional alliances, while containing the rogues.

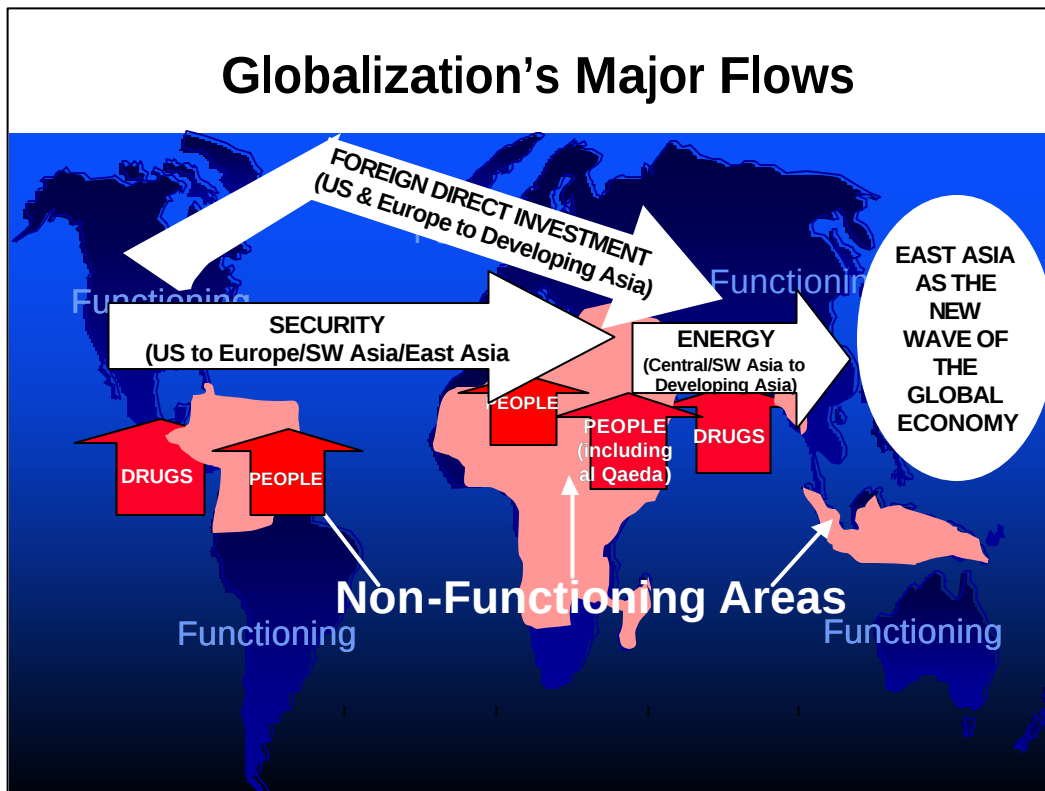
Globalization Firewallled (mixed) = old and new Core combine to firewall themselves off from the turbulent rest of the world, with the big question being which of the new Core states makes it in before the door closes?

- US security strategy is to bulwark itself against the emergence of some future military competitor, whether “near-peer” or “asymmetric genius.”

Globalization Back Tracks (worst) = the combination of 9/11 and wide economic recession lead to retreat to re-nationalization and protection.

- US security strategy heads back to the bloc mentality of the Cold War, while US economic strategy harkens back to the tariff mentality of the 1930s.

We realized, however, that the changes represented by these models are probably marginal, barring unlikely events. Nevertheless, as a heuristic exercise, it is interesting to see how U.S. security policy could change in each model.



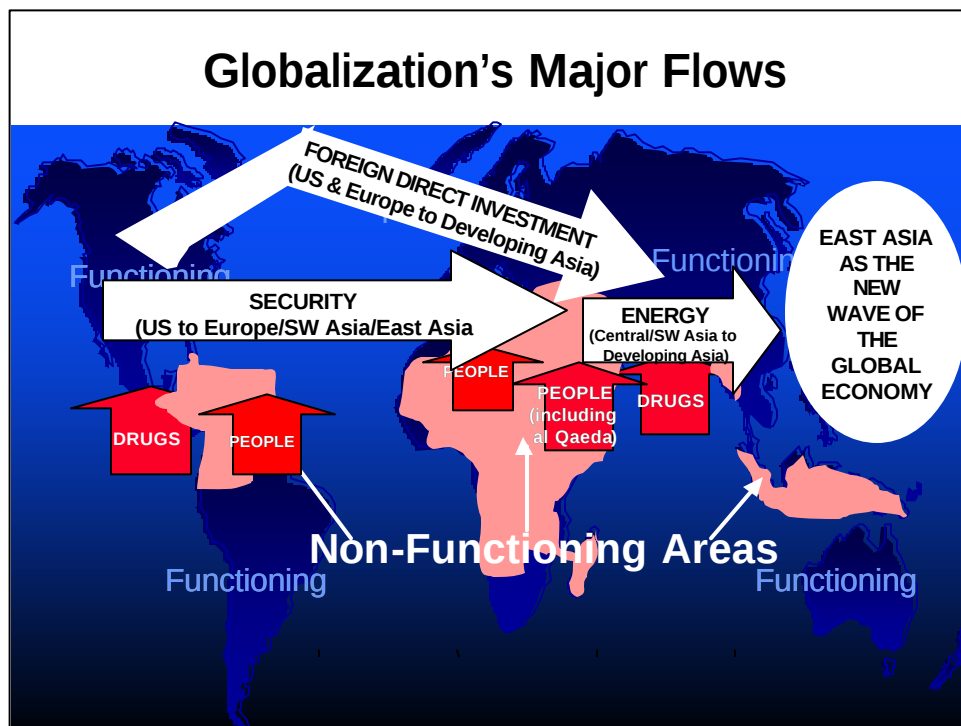
Assuming that globalization continues on its current path, toward continued growth in the Core and the expansion of the Core to include at least Russia, China, and India, we looked at what some of the major flows might be that would characterize this continued process.

In the first place, we note that the major new growth over, say, the next decade or two was likely to be in Developing Asia, especially in China. Especially important in this growth would be the increased demand for energy in Developing Asia (a rough doubling of demand by 2020). Much of this energy will come from the Middle East and from the Caspian Sea area, along with Siberian gas.

To finance all the infrastructure associated with this growth in energy use, Developing Asia must continue to attract significant flows of foreign direct investment (FDI)—again, with China in the lead. The two greatest sources for extra-regional flows of FDI into Asia are North America and Europe. In Asia itself, Japan is the largest source.

Energy and FDI are essentially west-to-east flows. In the energy case, the flows are from and across troubled areas. There are possibilities of disruptions. FDI in turn depends on stability in the recipient countries. China provides this, but Russia does not as yet.

There are also cross-cutting flows from the non-functioning areas to the functioning areas. On this chart, we have noted the movement of people—immigrants looking for jobs. This long-term migration represents replacement workers for aging Core societies looking to bolster dropping worker-to-retiree ratios over time. (Continued on the next page...)



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Other, more nefarious flows emanate from the non-functioning areas. That is why we show the third major flow: the United States is currently the only country to “export security” beyond its borders. The U.S. has long provided the stabilizing forces in Europe / NATO and in Northeast Asia, plus its ubiquitous naval forces. This flow is also west to east. The U.S. has taken a particular role as the guardian of the Persian Gulf since 1979 upon the fall of the Shah of Iran.

Given these flows, we can reflect on the relation of globalization and stability.

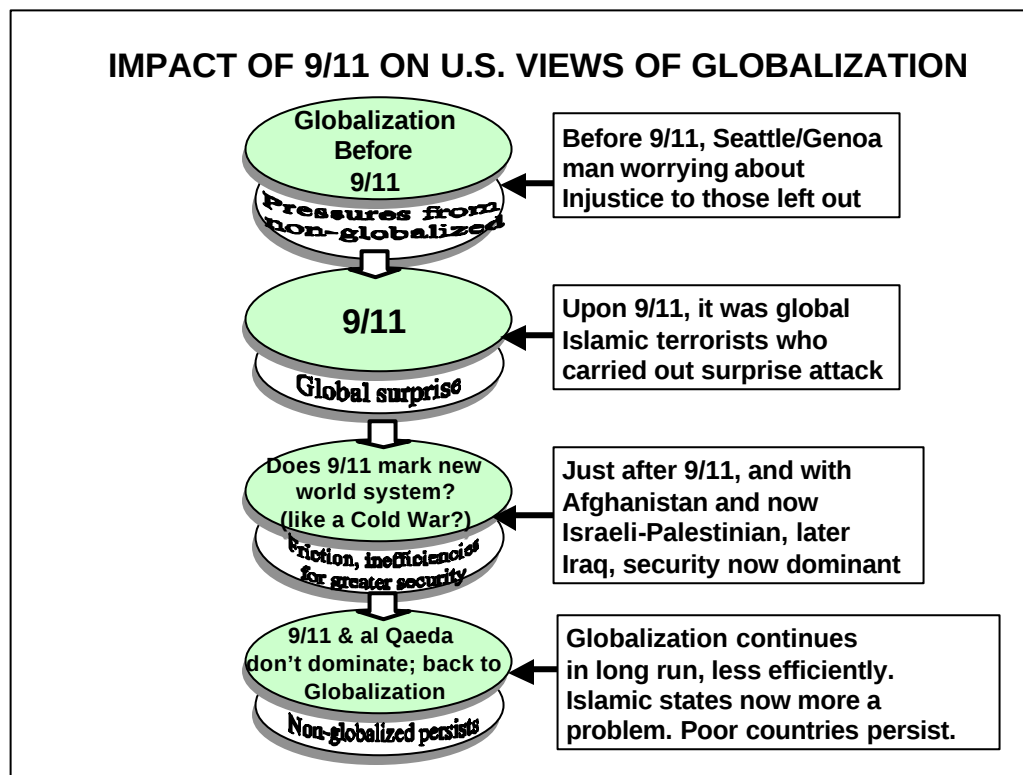
- Globalization needs political stability **within** countries to flourish.
- Stability provides **the climate** for foreign direct investment, economic development, and development of human and political infrastructure.
- Stability depends on the **absence** of conflict
- Stability depends on **good government**--visible, predictable, enforcing the rules.
- In sum, money is essentially a “coward,” meaning it only goes where it feels safe. Where money is safe, globalization can function and integration ensues.

Globalization also involves reduction of country vs. country confrontations and war potentials:

- It is better to trade than to fight.
- Being engaged in the world economy reduces the need for classic defense budgets and forces.
- This is what is happening in most of world: defense in much of world is becoming obsolete. Most states spend as much or more on their military as an internally-oriented control force than as an externally-oriented defending force. Again, only the U.S. possesses a sufficiently large surplus of externally-oriented military power to influence regions beyond its own.

We can advance some propositions about the current state of conflict in the world:

- The functioning world is largely free of conflict--both internal and state-on-state. This is a function of both nuclear weapons and the growing integration of their economies through the globalization process. In other words, we are not living in some simplistic redux of pre-World War I Europe. This time around it is economic integration that counts most, although nuclear deterrence still weighs heavily in the background. On that score, we note that since nuclear weapons were invented more than a half century ago, no two advanced countries have gone to war.
- Conversely, nations or regions plagued with conflict have not entered or have refused to join the globalized network
- Major problems lie with those countries that have an awkward mix of global connections and not-free political systems and economies:
 - This includes much of the Islamic world.
 - Which may in turn have generated the middle-class al Qaeda terrorists.



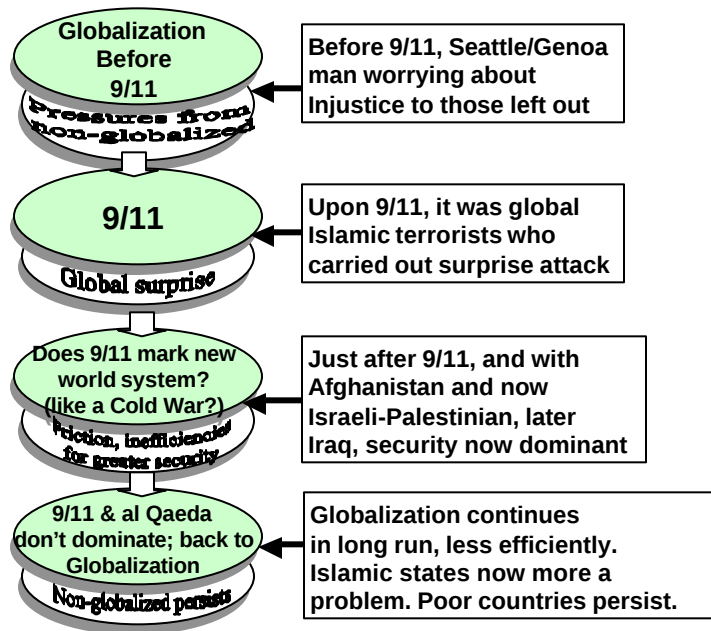
This chart assesses the impact of 9/11 and al Qaeda on U.S. views of globalization.

- **Before 9/11**, globalization seemed to be the wave of the future. The world economy was growing steadily and more countries and people were joining it. From a security standpoint, the underside of globalization was reflected in the concern that about one-third of the world was being left behind, in poverty. Their cause was promoted by the demonstrators at the world trade conferences in Seattle and Genoa.

- **9/11 was a huge surprise.** It was striking that the al Qaeda terrorists had taken advantage of globalization to attack the United States. They had drifted from the countries of the Middle East, especially Saudi Arabia, had made their way to Afghanistan for training, were protected by the Taliban, had planned and conferenced in Hamburg and Kuala Lumpur, had taken advantage of visas, American flight schools, drivers licenses, etc. We do not know when al Qaeda may strike again.

- **Security became the dominant concern for the U.S. Government.** Before 9/11, Economics had been dominant. After 9/11, both the need to destroy Osama bin Laden and his headquarters and training base in Afghanistan, and with it the host Taliban, became urgent. Improvements in homeland defense also became urgent. Improvements in homeland defense also became urgent—especially as a result of the near-simultaneous anthrax attacks. The impact of 9/11 was stunning, given the modest outlay of the attack. Commercial air traffic was disrupted for two weeks. Global trade was thus interrupted. The war unfolded in Afghanistan. In the meantime, the Israeli-Palestinian conflict flared up. The U.S. prepares to depose Saddam Hussein in Iraq. Suddenly, security matters again dominate the political landscape. (Continued on next page...)

IMPACT OF 9/11 ON U.S. VIEWS OF GLOBALIZATION



- **Despite all the upheaval in the security world, globalization continues.** It will be less efficient, given greater security controls. We now also realize that there is a serious problem of governance in the states from which the terrorists originated. The third of the world outside globalization will persist, and U.S. security strategy must now better account of this.

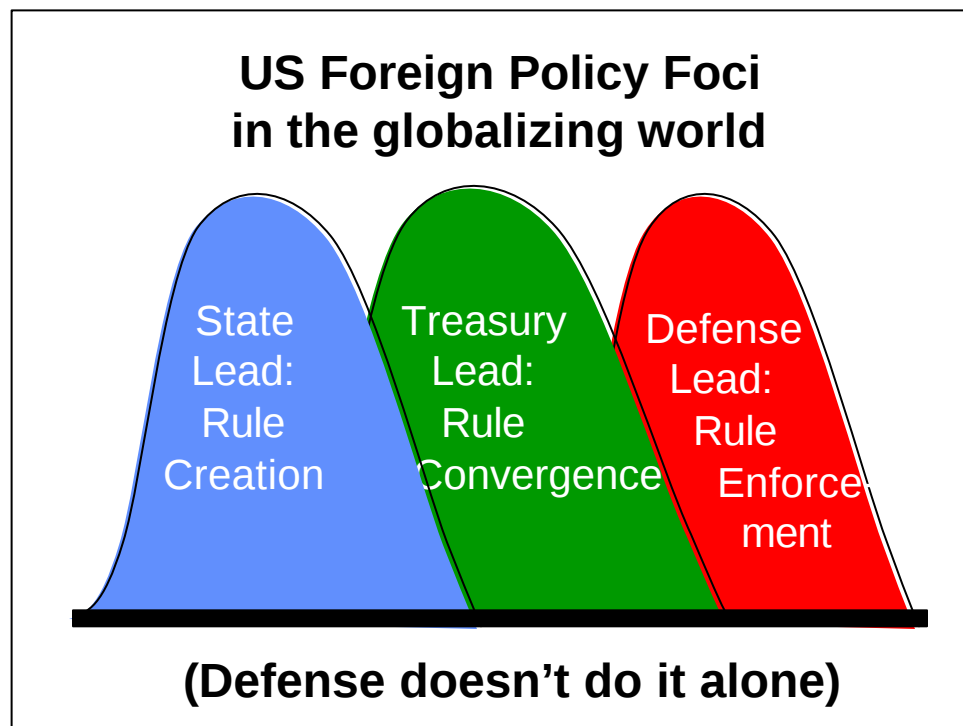
U.S Foreign Policy (for security)
and Forces
In the evolving context of globalization
After 9/11

We now turn from globalization and its discontents and the effects of the al Qaeda attack on 9/11/2001 to what the United States may do about it.

The U.S. Government's primary role is to provide for the security of its people. It has traditionally done this by "projecting power." We can now elevate this to a higher-level strategic concept that we call "exporting security" globally. But the U.S. now has the extra dimension of homeland defense to attend to as well, and the two functions may well compete for resources in the years to come.

The U.S. economy is the largest in the world---27-30 percent of total world GDP by one estimate. It is the largest importer, largest exporter, and largest debtor in the world. For all these reasons, the U.S. economy is rightfully described as the engine of the world economy. The U.S. Government maintains a stable home economy through its monetary and fiscal policies, including prudent government spending (a not excessive deficit). This was a key reason why the U.S. outlasted the Soviet Union during the Cold War.

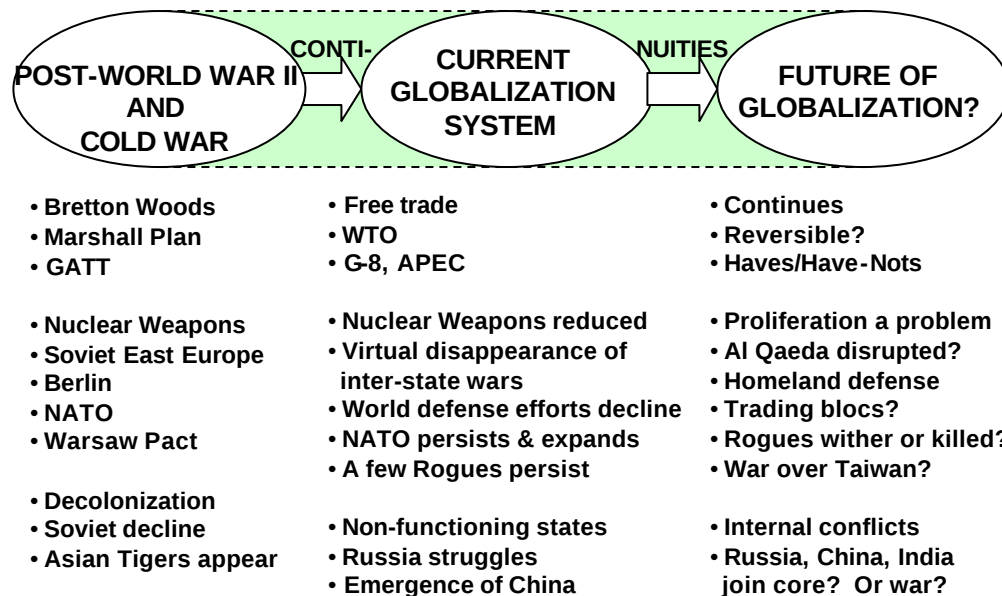
The U.S. Government has also played a major role in establishing the world economic system that has become the globalized system. This began after World War II with the Bretton Woods institutions, the European Recovery Program (Marshall Plan), encouraging Germany and Japan to export rather than remilitarize, and various economic aid programs. The U.S. has been in the forefront of promoting the reduction of tariffs through GATT (General Agreement on Tariffs and Trade), which eventually became the WTO, and urging the expansion of free trade through, for instance, NAFTA and APEC.



This chart is just a reminder of how U.S. administrations manage in the world.

- Policy is set by the President with the advice of his cabinet members.
- The State Department leads in the diplomacy to get countries to agree to set common and mutual rules for the regulation of trade and the management of conflict.
- The Treasury Department and the U.S. Trade Representative then negotiate the detailed terms of agreements. Treasury also has a strong voice in setting the IMF's loans and other measures meant to stabilize economies in trouble.
- Finally, we might call the Defense Department's role "rule enforcement." That is a notion that goes beyond economic enforcement. It involves supporting a stable environment in which economic growth can take place around the world. The Defense Department plays both a stabilizing role and intervenes in conflicts.
- "Stabilizing" and "intervening" are usually thought of as entailing active engagement by U.S. forces overseas. But there are perhaps even more significant dimensions that U.S. forces provide: simply maintaining the largest, most capable forces in the world either lets other countries off the hook in building forces or dissuades those states which might still believe that their national role in the world depends on brandishing military power from doing so. (We recognize that China, India, and Turkey maintain large conscript armies, as do North and South Korea.)

**U.S. LEADERSHIP HAS ESTABLISHED
CURRENT GLOBAL SYSTEM;
WITH STRONG U.S. DEFENSE DEPT. CONTRIBUTION**



This chart lays out the evolutions and continuities of the current global system. The U.S. Government has led in establishing the system. The U.S. Defense Department has played important roles in the process.

The current global system had its origins in post-World War II recovery and in the U.S. attempts to counterbalance what looked like a competing Soviet system. As the top three illustrative programs demonstrate, the first actions were economic. Then followed a set of stabilizing security measures, including the build-up of nuclear weapons, the formation of alliances, and the stationing of U.S. forces overseas, especially in Europe and Northeast Asia. These two regions would ultimately emerge as pillars of the new world economy, along with North America. This resurrection of globalization from the dustbin of the 1930s, when protectionism held sway, represents the real “peace dividend” from the Cold War struggle. It was not an accident. It was a design the U.S. consciously pursued throughout the Cold War.

During this period, we also saw decolonization in what came to be known as the Third World, as Great Britain and France found their old colonies to be economically draining. The Soviet Union may have reached something of a high-water mark in the 1960s, and gained influence in a number of countries as well, but then, almost unnoticed by the West, began a long decline. Later, following the economic recoveries of West Germany and Japan, the economies of the Asian Tigers (South Korea, Taiwan, Singapore, and Malaysia) surged.

This led to the characterizations of the current global system listed in the second column. The third column shows the possible directions of globalization in the future, as discussed earlier.

TO RECAPITULATE, CONTINUITIES IN U.S. DEFENSE EFFORTS UNDERLIE GLOBALIZATION AS IT HAS EMERGED

Continuities:

- Strategic offensive nuclear weapons;
- Alliances---especially NATO, Japan, and South Korea (note that all these relationships are buttressed by high volumes of trade and investment);
- The U.S. has kept big forces despite the end of the competition with the Soviet Union:
 - Internal domestic reasons are very important in this connection, as opposed to external threats. These reasons include U.S. partisan politics, the preservation of the military-industrial base, and the American love of technology.
 - The U.S. military is nearly the most respected institution by U.S. public
 - The U.S. keeps big forces because we have the resources----they are the biggest and best in the world even at a mere 3.3 percent of GDP.
 - There is some persistence of Cold War thinking within the U.S. defense establishment (especially with regard to putative technological competitions with other countries in the world---the fear of the rise of a new “peer competitor”).
- The U.S. is the only country to “export security” on a massive and long-term basis. The only other countries whose militaries may range around the world are Great Britain and France (although many countries provide peacekeeping contingents).
- The U.S. has demonstrated its military prowess around world in a number of wars and in other conflicts and interventions.

Effects:

- Only the U.S. among the advanced countries continues to think globally-strategically.
- Most other countries have leveled out their defense efforts. In 1994, the U.S. spent about 38 percent of the world’s defense budgets. By 2002, it had risen to about 47 percent.
- The potential for state-on-state wars has dwindled.
- No country can match the U.S. in military technology.
- Most of the world’s states are preoccupied with economics. In the third of the world outside globalization, where conflict remains endemic, that violence is overwhelmingly sub-national, internal, rather than international.

Stability and U.S. military involvement are closely intertwined. U.S. involvement has generally prevented inter-state conflict in the post-World War II period. The U.S.:

- Historically settled Europe down after WWII;
- Deters North Korean attack on South Korea and Chinese attack on Taiwan;
- Contains China vis-à-vis Southeast Asia;
- Has contained Iraq and Iran since at least 1991.

In sum, wherever the U.S. has deterred the option of inter-state conflict--either by threatening those that would break the peace or by enlisting countries into constructive alliances---those regions have remained relatively peaceful and---in most instances---have been able to join globalization as a result.

But U.S. military presence has not deterred and precluded internal conflicts, for instance those in:

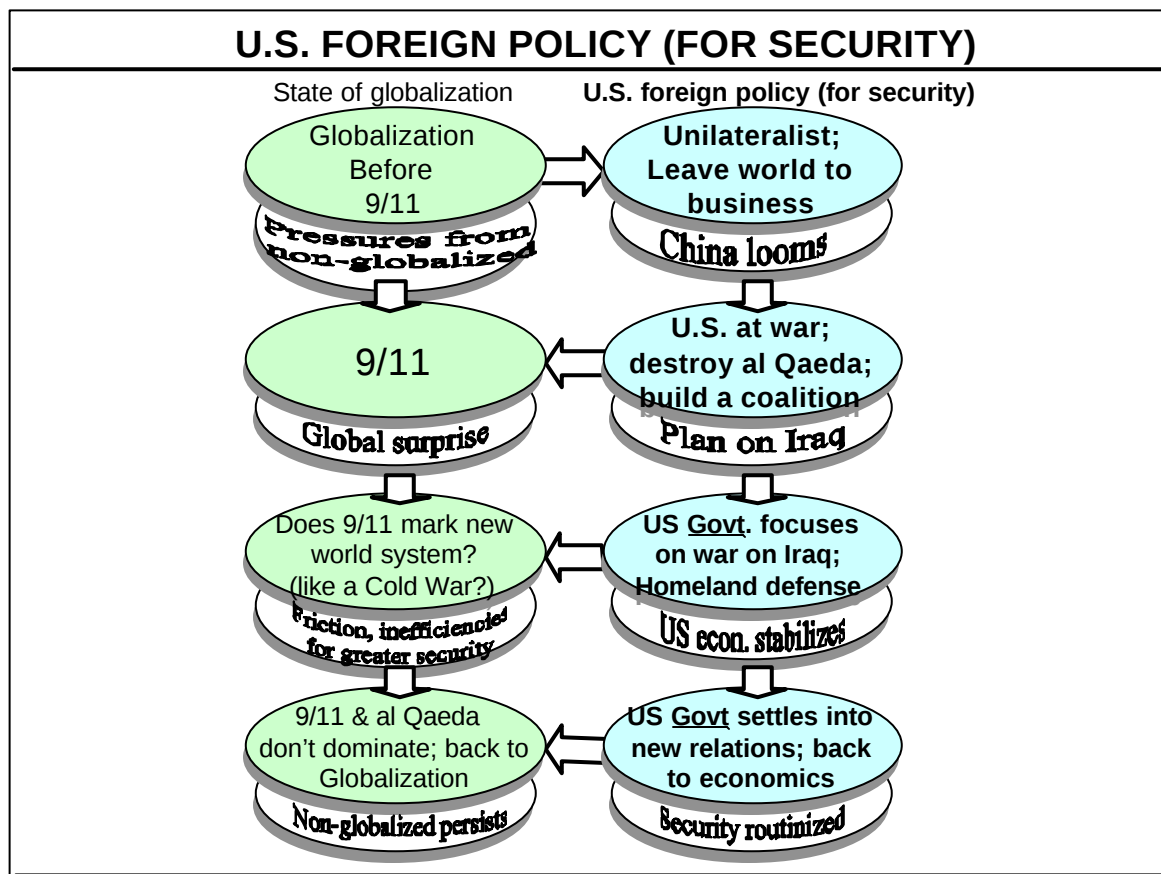
- Indonesia (and East Timor)
- The former Yugoslavia
- Rwanda followed by Zaire / Congo, Sierra Leone, Liberia,
- Internal European troubles in Northern Ireland, with the Basques.

U.S. Administrations have been reluctant to intervene in internal conflicts:

- In the 1990s, the U.S. intervened with military forces in only 4 out of around 36 cases (Haiti, Somalia, Bosnia, and Kosovo, not counting the continuing operations to contain Iraq and occasionally to strike it).
Note: NEOs (non-combatant evacuation operations) and humanitarian assistance do not count as interventions in any strategic sense.

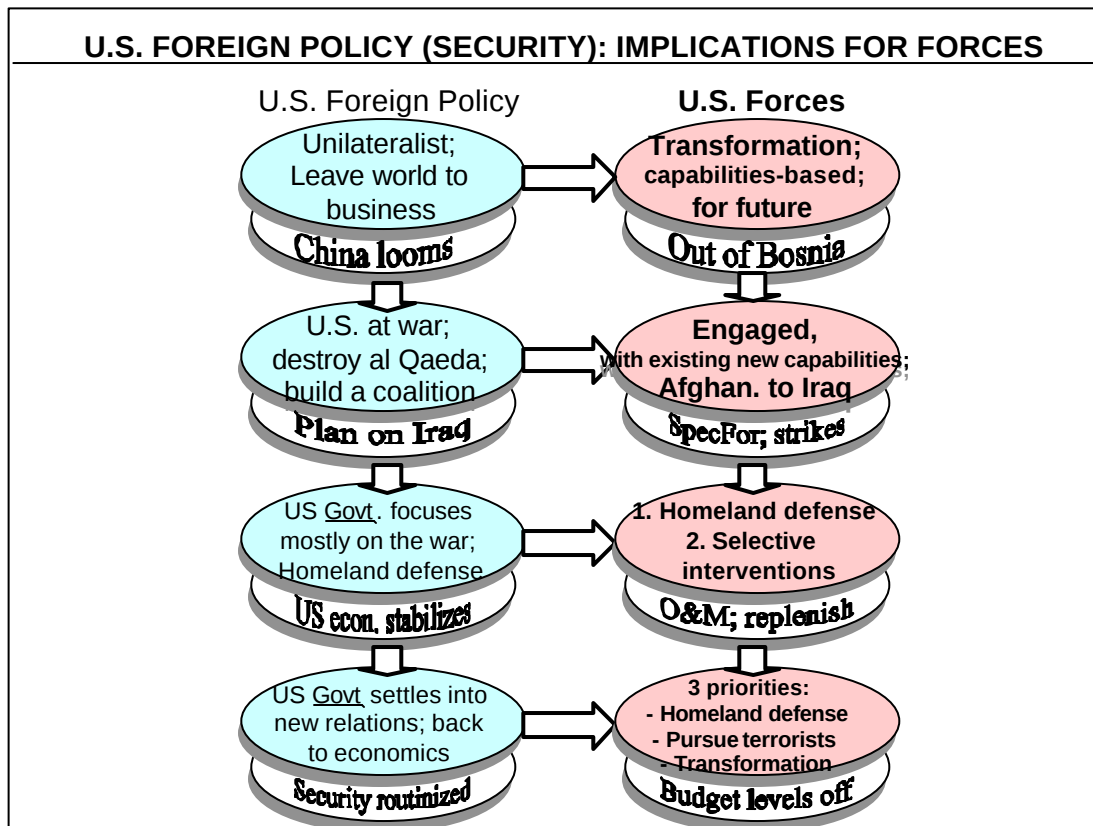
The two biggest uncertainties that loom in security are:

- Can economic and political development and Islam coexist?
- Will the rise of China----its continued economic growth----be a force for stability or instability?



The above chart tracks the evolution of U.S. security involvement in the world with the possible evolution of globalization (as it relates to security) portrayed previously.

- **Prior to 9/11**, U.S. foreign policy appeared to be on a unilateralist path. The Bush Administration eschewed treaties. It appeared to be leaving the expansion of globalization to business, including U.S. business. The Bush Administration regarded China as a “strategic competitor.” A key to keeping the world at bay, while giving the U.S. freedom of action, was missile defense.
- **Upon 9/11**, the U.S. quickly mobilized the world to counter al Qaeda. While the U.S. initially went into Afghanistan as a military force alone, it quickly gained assistance from Pakistan in obtaining staging bases, operated supporting aircraft from Gulf bases, negotiated to open a base in Uzbekistan and eventually welcomed the assistance of coalition force units in Afghanistan itself. The U.S. also provided Special Forces training assistance to countries to hunt down al Qaeda or Islamic guerrillas in Yemen, Georgia, and the Philippines.
- **In the next stage**, the U.S. planned extensive organization of its homeland security and planned an attack on Iraq lest Iraq provide weapons of mass destruction (WMD) to al Qaeda. In the meantime, the U.S. economy recovered from its shallow depression, although it also encountered a crisis in American capitalism and its shock to the stock market.
- **If al Qaeda is controlled** and there are no more drastic al Qaeda attacks, and assuming the problem of Iraq is taken care of, the U.S. Government would presumably resume its path previous to 9/11, including a return to economic diplomacy as a priority. It may take several years to get to this stage.



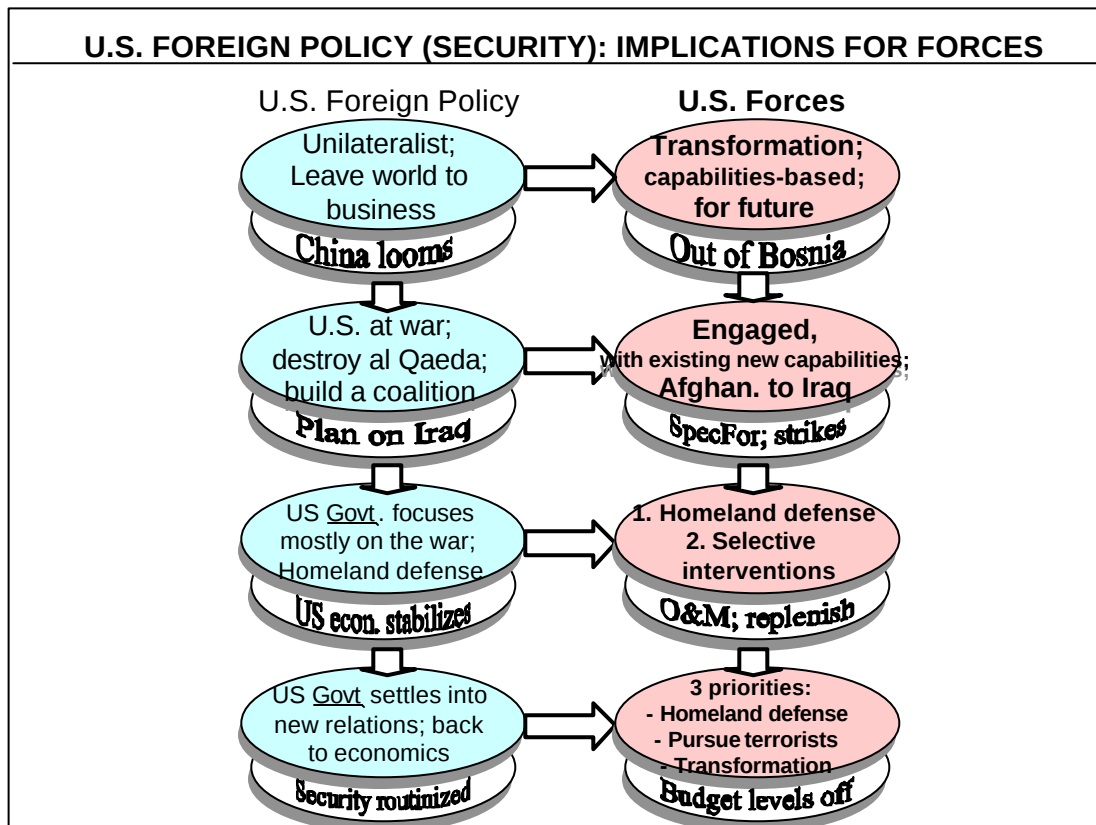
We now extend the globalization sequence before and after 9/11 from U.S. foreign policy to the implication of the evolution of U.S. foreign policy for U.S. forces.

Before 9/11, when the Bush Administration was on a unilateralist course, the Defense Department was heading toward a Transformation strategy, to dissuade a future peer competitor, as Admiral Cebrowski would put it. They were also trying to switch to a capabilities-based approach to planning rather than scenario-based. Much emphasis was placed on missile defense. There was also talk of a switch to an Asian (East Asian) strategy, though the measures proposed to change posture in that direction were minor. The subtext to this approach was reducing or eliminating U.S. peacekeeping forces overseas, e.g., from Bosnia. Altogether, one might characterize this new approach as:

- “Globalization is going all right;
- “It is the unknown future we fear;
- “We can stand back U.S. forces from active involvement in the current world.”

Upon 9/11, U.S. forces attacked al Qaeda and Taliban in Afghanistan. Existing capabilities---extensively transformed since Desert Storm in 1991 and even from Kosovo in 1999---in combination with the Northern Alliance and other local soldiers, had a devastating effect on al Qaeda and Taliban troops. The planners have since turned to a campaign to oust Saddam Hussein. The subtext is the

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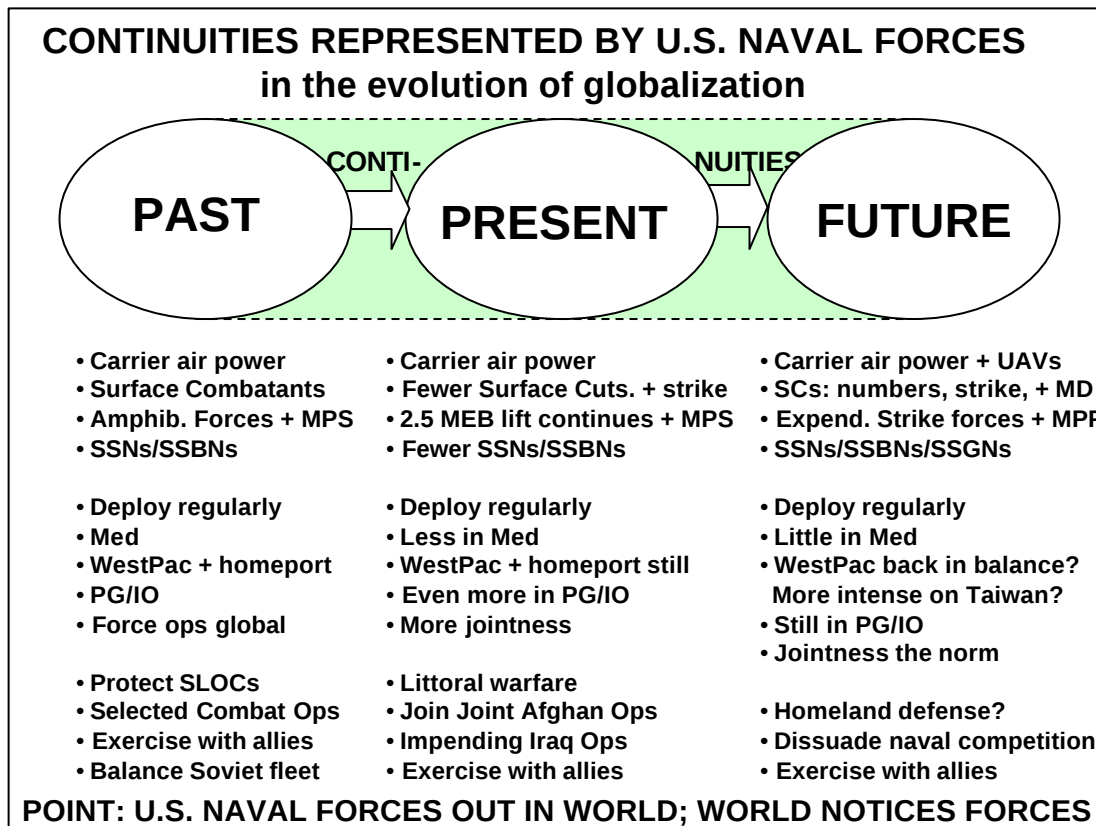
unanticipated effectiveness of the combination of Special Forces and air strikes. The globalization context for U.S. defense efforts is that DOD returns from Transformation to direct involvement in the current day-to-day world.

After Iraq has been resolved, the long planning and legislation for U.S. homeland defense would be falling into place, and along with it the whatever demand there might be for DOD forces in that mission. The U.S. could still be engaged in the occupations of Afghanistan and Iraq, i. e., still involved in day-to-day operations. Moreover, other interventions may be come necessary, especially if it turns out that any other country harbors al Qaeda or that as a consequence of the Iraq war, some other country in the Middle East has been destabilized. In this situation, the O&M (operations and maintenance) bills would still be high. At the same time, after a war with Iraq, it would be necessary to replenish depleted stocks. This is a situation where the threat to globalization posed by the terrorists and rogues is still current and requires direct involvement by U.S. forces.

In the long run, assuming al Qaeda has been suppressed and the four rogues remain under control or have even changed (e.g., Iraq), DOD may be able to ease its O&M burden and concentrate on transformation for an unknown future. At the same time, the subtext is that the U.S. defense budget is likely to level off, given the large federal deficit incurred and the resumed concern for the viability of the Social Security Trust Fund. Our assumption here is that globalization has largely resumed its vigorous, pre-9/11 course, and that U.S. forces can once more stand back.

What is the relationship of globalization to the U.S. Navy?

We now turn to the effects of globalization on the U.S. Navy, for both its operations and its long-term transformation.



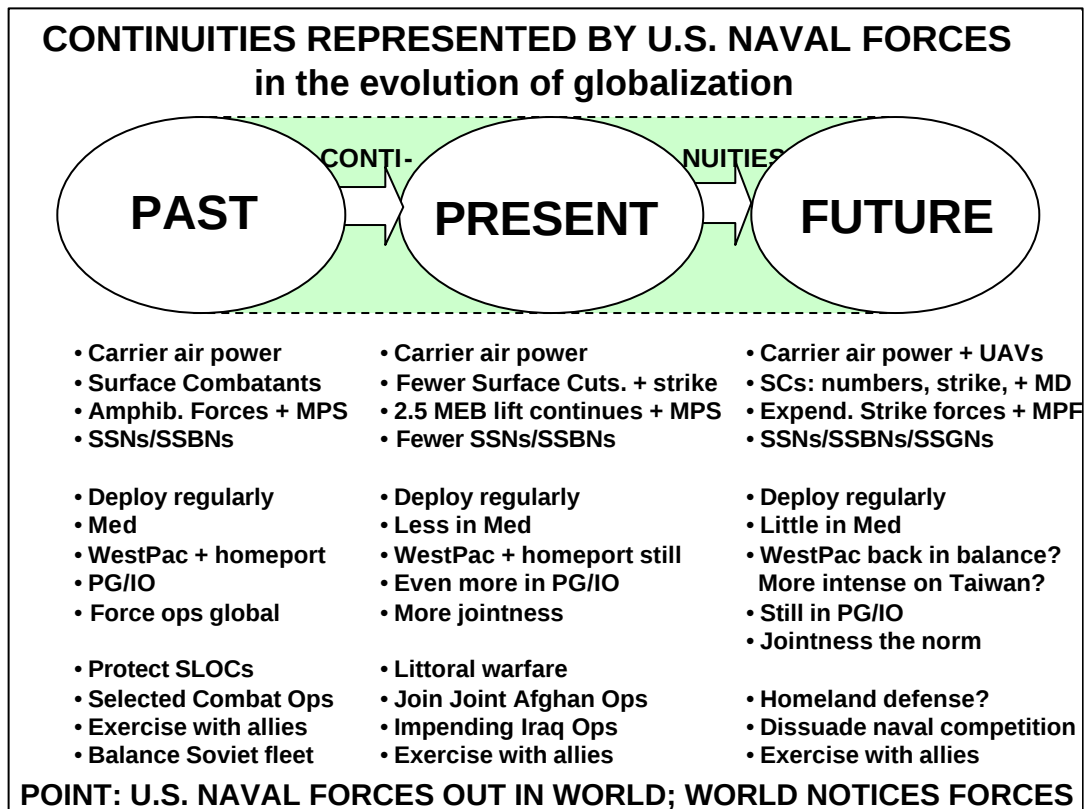
Just as the current globalization system arose from U.S. initiatives and involvement beginning with the post-World War II situation and the Cold War (see the chart on page 18), so also the U.S. Navy demonstrates continuities from past to present and probably into the future in its involvement with the world.

In the post-World War II period and during the Cold War, the U.S. Navy carried on the forces it had assembled in World War II, with the important addition of the nuclear submarine, especially as a missile launcher.

- **From the Korean War on, the Navy deployed its ships regularly**, establishing a pattern of six-month deployments per ship. The emphasis in deployments was on the Mediterranean and Northeast Asia, in order to contain the Soviet Union, but deployments to the Persian Gulf/Indian Ocean became regular after the fall of the Shah in 1979.

- **U.S. forces anticipated global war and were spread accordingly** until the fall of the Soviet Union and the concentration of forces in Desert Storm (both in 1991). The U.S. Navy's strategic functions, in addition to that of the SSBNs, were to protect the sealanes carrying reinforcements, exercising with allies, and generally balancing the Soviet fleet in its deployments, capabilities, and, to some extent, size.

At present (defined arbitrarily here as the 1990s), the Navy kept its basic structure, albeit with great shrinkage from the Cold War size, disproportionately (but appropriately, given the disappearance of the Soviet Union and its navy) in the case of submarines. The Navy was now unchallenged for control of the



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high seas, and took on a new strategic focus as “joint, littoral, enabling” (per *Forward...From the Sea*).

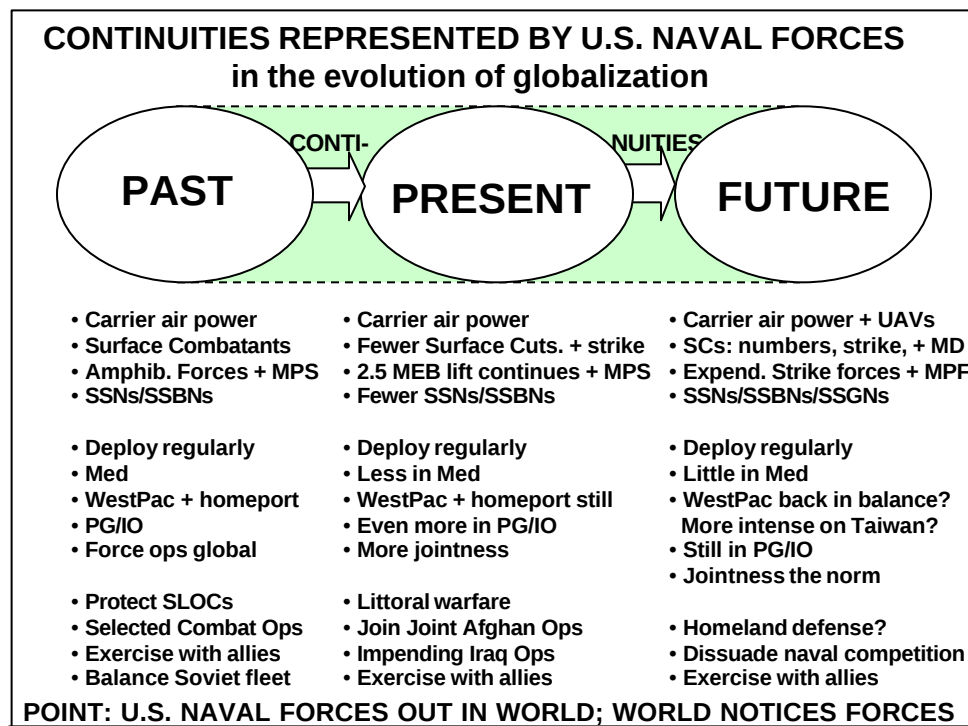
- It still deployed regularly, with an emphasis on “three hubs” (i.e., less global). It did not keep enough ships to cover those hubs equally, and the geostrategic evolution meant that East Asia and the Persian Gulf/Indian Ocean were treated equally and the Mediterranean faded---there was essentially no threat there.
- The “bookend” operations of the 1990s---Desert Storm and Kosovo--were concentrated, joint, and “across the littoral.” This pattern was carried forward into Afghanistan.

The globalization implications of these evolutions were that the Navy was working the seam between advanced countries and non-integrating, non-functioning countries, roughly between north and south.

What the future may bring for the U.S. Navy is still unclear, given continuing operations in Afghanistan and impending operations in Iraq.

- In each of its combat element ships, there are alternatives. Carrier and surface combatant strike capabilities, netted jointly, have grown enormously. UAVs and missile defenses are the technological waves of the future, in addition to networks. Whether the amphibious force is to be expanded with MPF(F) remains to be seen.

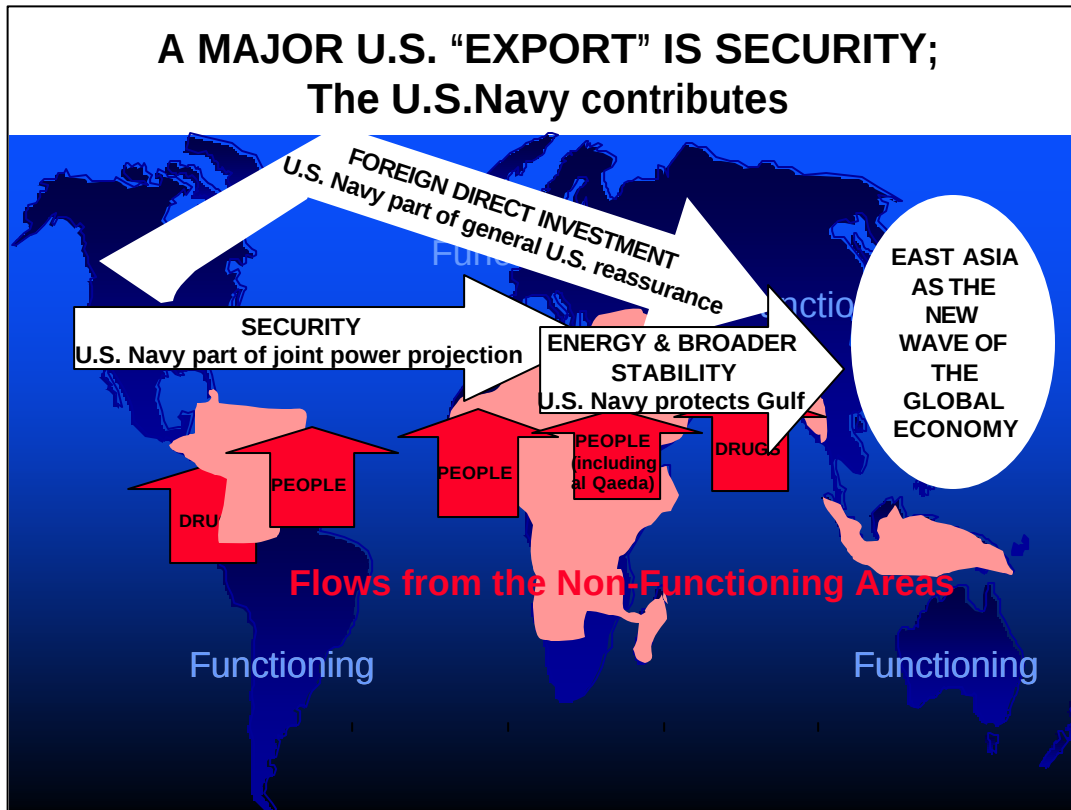
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- Regular deployments are likely to remain the norm, still in balance between East Asia and the Persian Gulf/Indian Ocean, still working the seam between north and south. The U.S. is still likely to maintain connections with its long-time allies in the north, and may be able to increase its emphasis on transformation in order to dissuade any future naval competition. China looms. But the Navy might also be called back for a greater role in homeland defense.

In short with regard to globalization, we don't know whether the global situation in the future would require (a) continued working of conflicts at the seam or (b) whether the Navy can stand back to pursue transformation. It is a safe bet that the former would hold true, meaning transformation would be pursued on the budgetary margins.



We can sum up the major contributions of the U.S. Navy, as part of U.S. joint forces, in the repeat of this chart.

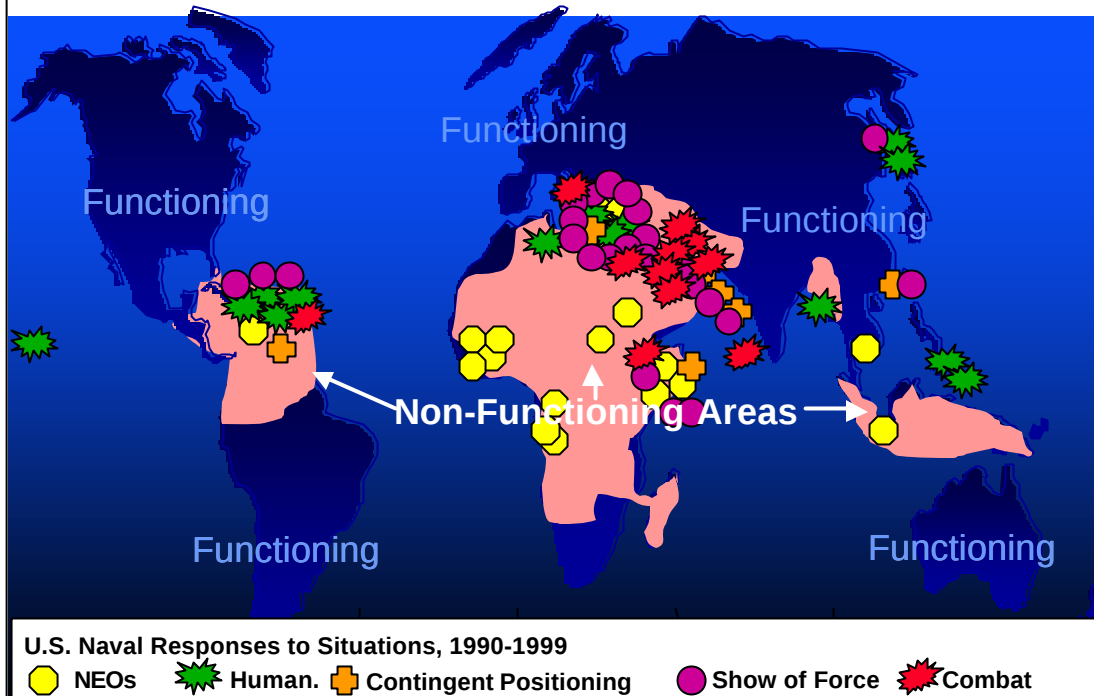
We had noted earlier the three major flows of globalization:

- The export of security, essentially by the U.S. alone.
- Developing Asia emerging as the new demand center of global energy markets, and the increasingly skewed flow of energy from the Middle East and Caspian Basin toward that region.
- And we noted the flow of foreign direct investment (FDI) to support growth. The flow of FDI depends on stability, both in the recipient countries and in general. Stock markets and investors are inherently nervous about instability, especially during periods of monetary contraction, which we now seem to be facing.

The U.S. Navy contributes:

- As part of U.S. power projection forces.
- In its particular role as the most constant U.S. forces in the Persian Gulf.
- And in its general contribution to the sense of stability, not only in the Gulf, but also in developing Asia and in its continuing association with the navies of long-standing allies of the United States.

Naval responses in '90s were at the boundary between the two areas. This is likely to persist in future

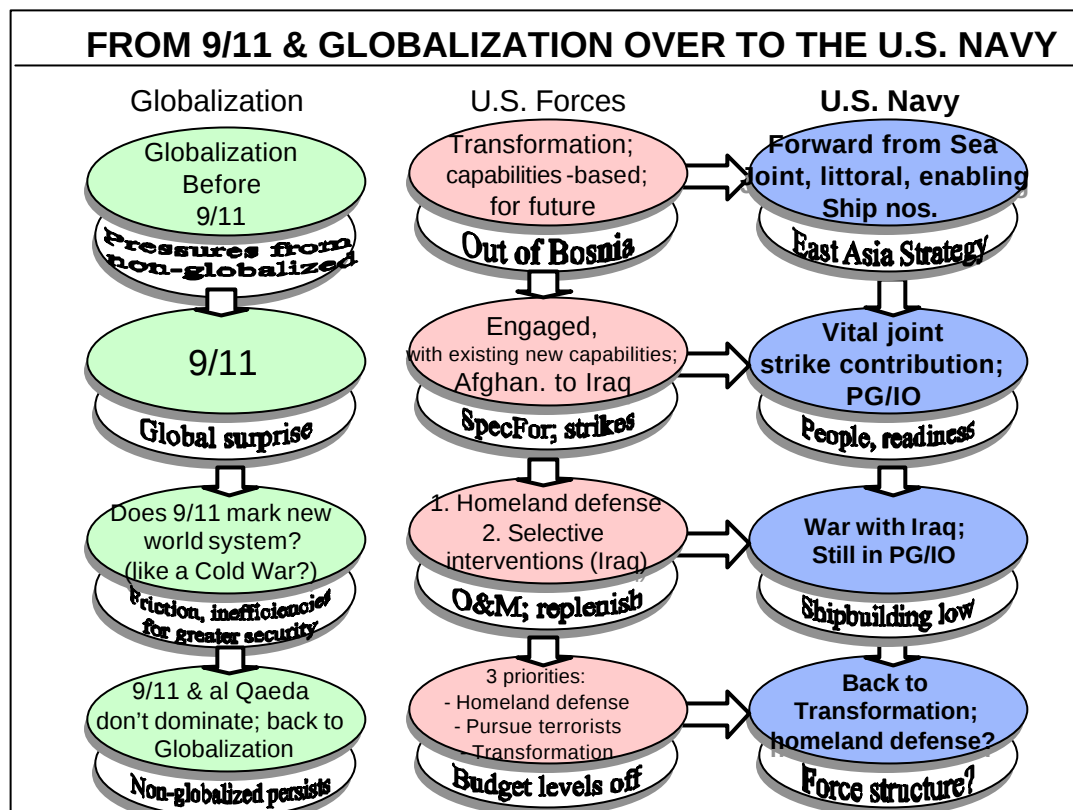


We can illustrate the changing global distribution of the U.S. Navy in its contribution to solving particular disruptions in the 1990s. The distribution of U.S. naval forces' responses shown here is based on the study we did (H. H. Gaffney et al., *U.S. Naval Responses to Situations, 1970-1999*, CNAC CRM D0002763.A2 of December 2000).

It is crucial to point out that the non-functioning areas coincide with the vast majority of U.S. military responses in the post-Cold War era. Those areas being "left behind" by globalization are the same areas into which the U.S. has typically sent military forces on a recurring basis. Conversely, U.S. military interventions in those parts of the world that are globalizing are rare

In the 1990s, there were four clusters of responses that dominated: Haiti, Somalia, Bosnia-Kosovo, and containment and strikes against Iraq from the Persian Gulf. In short, these were across the seam of the world and, especially in Bosnia-Kosovo and the Gulf, at the seam between the functioning and non-functioning areas. (Note that most of the responses outside the seam were NEOs, that is, not of strategic or global significance.)

For the future, Haiti as a problem has gone away, but could be back. Bosnia and Kosovo are making progress in stabilization, aided by allied ground forces. It is hard to envisage U.S. naval forces returning there. Somalia has gone away as a problem to----as of this writing, there was some fear that al Qaeda might seek a new base there, but so far that threat has not materialized. That leaves the Persian Gulf and South Asia as the areas in which the mostly likely threats to global stability may continue. At the same time, North Korea has not gone away and is still poised to attack South Korea. The Navy participated in a significant show of force in 1994. China's threat to Taiwan is constant, and the Navy participated in a show of force in that area in 1996.



We can now add the evolution of U.S. naval forces to global and U.S. forces evolutions that we had described before.

Before 9/11, the U.S. Navy had settled into its “joint, littoral, enabling” roles that had emerged early in the 1990s with *Forward ...from the Sea*. As Afghanistan demonstrated, it had improved enormously since Desert Storm in its strike and joint network capabilities. It had deployed regularly, responded when called upon by the President and Secretary of Defense as shown in the earlier chart, and yet had not broken PERSTEMPO. Its ship numbers declined. Before 9/11, a strategic change was emerging with some higher priority for East Asia, as China loomed in the evolving globalization.

Upon 9/11, it immediately contributed to homeland defense, but also had a carrier on station in the Indian Ocean. As mentioned above, the capabilities it had developed in the 1990s gave it a larger role in joint strikes into Afghanistan than in Desert Storm or Kosovo. The Marines offshore were staged through Pakistan to Camp Rhino in Afghanistan.

After Afghanistan, it would play a huge role in any attack on Iraq. In the global scheme of things, and off the experience of the 1990s as well, its priority strategic location remains the Persian Gulf/Indian Ocean area. But it needed to take advantage upon the defense budget surge after 9/11 to take care of its people first and restore its O&M second. Its shipbuilding numbers remained low as a result.

In the longer run, assuming operations were not still immediately demanding, it would turn back to transformation, but the subtext to that is whether it must trade off force structure to effect that transformation. We will discuss this.

Let us examine concrete measures the U.S. Navy might take in the context of globalization over the longer run.

First, the assumptions affecting the U.S. Navy are as follows:

1. The U.S. Navy is superior to any other navy in the world, most of which are withering away (with the exception of those of our old allies; the question of China building a sizable navy hangs in the balance).
2. There are no threats to the seallanes, except in the Gulf (and pesky pirates in Southeast Asian waters).
3. The Administration will commit the Navy in the Persian Gulf-Indian Ocean area for the indefinite future.
4. The Navy will be homeported in Japan for the indefinite future, and would appear to be the residual U.S. force in East Asia upon reunification of Korea.
5. It is hard to know when the war on terror (brought to harboring states) and the war on Iraq may be over. These are likely to be long-term containment and occupation efforts---but that's what the U.S. has been doing vis-à-vis Iraq since Desert Storm anyway.
6. The Defense budget will level off in two years (because of the growing deficit in the Federal budget). The historical example is the Gramm-Rudman-Hollings amendment to the Budget Act in 1985, which leveled off the Reagan defense budget build-up.

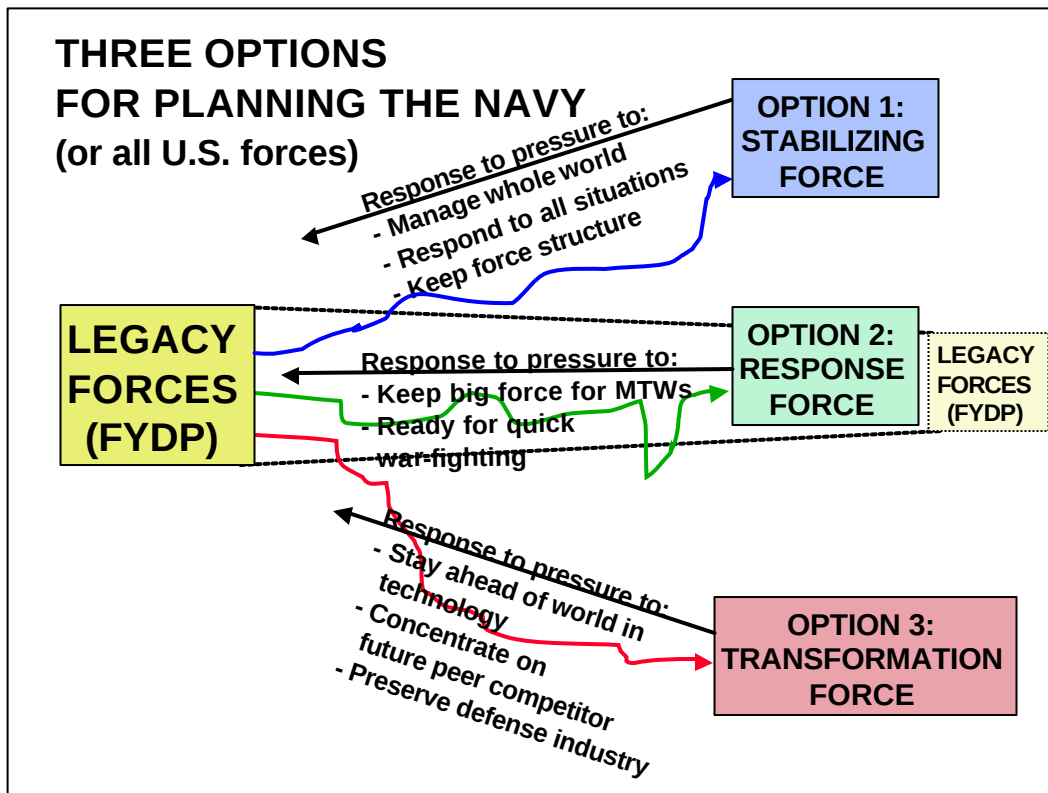
The posture of naval forces in globalization will be:

1. Prime U.S. Navy operations and strategic contributions for the foreseeable future will be in the Persian Gulf and Indian Ocean. This is not a significant change from the 1990s.
2. The second most important U.S. Navy contribution to sustaining the global system is its continuing presence in East Asia. Again, no significant change from the 1990s and before.
3. The tertiary contribution to sustaining the global system is maintaining navy-to-navy relations elsewhere with allies and friends. As globalization comes from post-World War II history, so do these connections and their continuation.
4. The world is very much aware of the power of the U.S. Navy. It need not be present everywhere all the time.

This last point is important. The world knows what the U.S. Navy can do, given substantial U.S. Navy contributions in Desert Storm, Kosovo, and Afghanistan, as well as Southern Watch enforcing the no-fly zone over southern Iraq.

The operations of naval forces in the context of globalization will include:

1. U.S. Navy carrier aviation with its air strike capabilities as the most powerful contribution.
2. Naval operations will be joint from the beginning---and coalitional as well.
3. Since around 1950, the essence of U.S. Navy professionalism is to deploy periodically.
4. The U.S. Navy will continue to contribute a substantial portion of the nation's nuclear deterrent.
5. President/Secretary of Defense may redirect the Navy to put more resources into homeland defense.



In the globalization context that we have laid out so far, we can postulate three options for the forces. We have labeled them:

Option 1: The Stabilizing Force

Option 2: The Response Force

Option 3: The Transformation Force

Each is an evolution of the legacy forces, that is, those already operating or that are fully funded in the program, in the FYDP. While the legacy force shrinks over the long term, to be either replaced or changed into something different, it would still constitute a substantial element of the future force.

As shown, each force evolution would be in response to certain pressures. These pressures are largely domestic, whether a matter of the perceived competition to be coped with in the world, the industrial base, or the professional preferences of the services themselves.

These options were originally conceived to cover all U.S. forces, not U.S. naval forces alone. One can imagine each of the services being off on a somewhat separate evolutionary track. However, we believe that each successive Administration would emphasize one track at a time.

Moreover, there would be elements of each of the three options in any force, especially in the near term. We are talking about evolutions in emphasis that guide choices for building the forces on one hand and operating them on the other (these are quite separate), depending on the Administration's view of the future world vs. the world as they see it in the present.

The Stabilizing Force

What future do we seek? In this case, *future is now.*

- Maintaining America's access and influence around the globe
- Only U.S. can make globalization work--the Essential Power
- Military power is meaningless unless used as day-to-day tool

What to build? What you have now and know

- Build existing equipment, only incrementally modified
- Protect existing force structure above all else
- U.S. low tech still better than anyone else's in the world

How to operate the forces? The "cop walking the beat"

- Peacetime ops around the globe and clock to reassure & engage
- Lots of mil-mil ties to keep foreign militaries interoperable
- Keys = high OPTEMPO, global coverage, full manning

Looking at the Stabilizing Force first:

The future is now. That is, the Administration's strategy would be to stay engaged in the world of today, maintaining alliances and engagement with other countries, intervening as necessary to prevent disruptions of the global system as we prefer it (that is, not everywhere). If "stability" is indeed the strategy to support globalization, then the U.S. and U.S. naval forces would want to be present constantly in those places that threaten disruptions of globalization, i.e., along the seam between the functioning and non-functioning areas.

The emphasis in the naval program---in building the forces---would be to keep force structure numbers up in order to maximize presence in the areas of potential disruption. Bearing in mind our assumption that the U.S. defense budget will level off after about two years because of the deficit (as happened in 1985), this would mean building equipment for which the costs are known and controllable, i.e., those on current production lines. But we would assert that such equipment would still be the best in the world.

Naval operations would involve continued regular deployments, with an emphasis on those areas characterized by instability, that is, especially in the Persian Gulf and Indian Ocean. But it would also be important in this option to maintain connections with allied navies, including ensuring interoperability (which may also be facilitated by slowing down the pressure for the ultimate in technologies).

How would this fit globalization after 9/11? Maintaining a maximum number of ships at the cost of transformation or modernization may also enable a greater contribution to homeland defense if the Administration calls for it. Numbers of ships are sustained with surface combatants rather than submarines or carriers, and this would permit greater coverage in MIOs to intercept al Qaeda at sea.

The Response Force

What future do we seek?

Future is a *contingency*

- Besides al Qaeda, it is Iraq and North Korea that threaten most
- Most instability beyond our control; focus on visible enemies
- Military power decreases with usage; keep your powder dry

What to build?

In this case, joint force...

- Prepare to penetrate Rogues' defenses, called "anti-access"
- All big operations joint from the beginning
- Protect strike capabilities above all else; buy TBMD as priority

How to operate the forces?

The "SWAT Team"

- In operating out in world day-to-day, deter and contain the Rogues
- Maintain readiness for massive joint strike and ground follow-up
- Exercise jointly to prepare for contingency operations

As for the Response Force:

The future is contingencies, that is the unexpected or unanticipated situations that might disrupt globalization if not responded to. Put another way, U.S. forces, of which U.S. naval forces are a part, would be "the SWAT team." In the near term, the contingencies might include an attack on or by Iraq (which could well disrupt the whole Middle East and with it oil trade) or North Korea (which would certainly disrupt the South Korean economy, one of the prime engines of both the Asian and world economy). In the longer term, it might be a Chinese attack on Taiwan. Responsive U.S. forces are also a deterrent to such aggression. Some people worry about "response" being too late, but the nature of this force is not the speed of response, but the inevitability of U.S. response and its overwhelming nature.

"What to build"---is a joint force. We anticipate a concentrated effort, not a efforts scattered around the globe, as the nature of the response. In addition to the basic forces that each of the services builds, the option would entail all the connecting and supporting capabilities for a joint force---as demonstrated in Afghanistan. Tailored attacks on the specific defenses of the rogues would be anticipated, that is, "anti-anti-access." Strike capabilities would take priority, but as time goes on, TMBD would be part of the force and might take priority for scarce resources over national missile defense. In the general globalization context, this joint response force would be unmatched by any other country.

Operating the Response Force would be a mix between exercising joint forces in preparation for contingencies and concentrating overseas deployment in the areas of potential contingencies as a deterrent, especially to rogues who might attack their neighbors. We are suggesting less spreading of U.S. naval forces in engagement with other countries around the world.

The Transformation Force

What future do we seek? In this case, it's really *the future*.

- World today takes care of itself; a few conflicts; stand back
- Learning to “let go at the top” means we build for the future
- Military power is changing dramatically; can we keep our lead?

What to build? It's what we see as *perfection for ourselves*

- We can tame chaos selectively by building the networks
- Capabilities-based building: build what we envisage ourselves
- Experiment with several different avenues at cost of legacies

How to operate the forces? It's against an *idealized enemy*.

- Get inside “his” decision loop, shut down pathways & control!
- Experiment in exercises, less experience in actual operations
- Keys = More IT networks and smart weapons than platforms

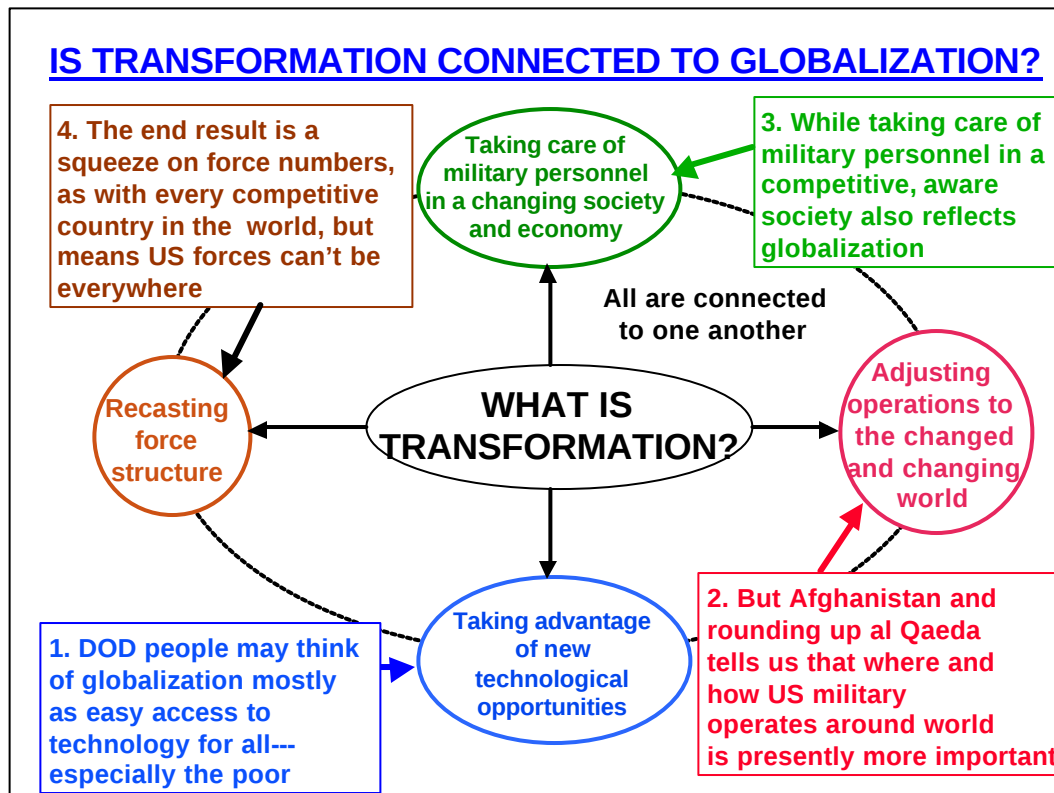
As for the Transformation Force:

The U.S. Navy would really prepare for the distant unknown future. As far as globalization is concerned, the assumption would be that the world and small contingencies need not have much naval attention. The notion would be rather to dissuade any possible future peer competitor, at least in naval terms, from emerging because the U.S. has stayed way ahead in technology and other capabilities.

“What to build” for the Transformation Force would include priority to striking capabilities and the networks in which they operate over the platforms themselves (except in the versatility of their adaptation). There would be more experiments and prototypes, at the cost of numbers or serial production. It would be capabilities-based, that is, incorporating the improvements and radical departures that the U.S. can imagine rather than reacting to what some putative enemy out there might be doing. Sensors would define this force in terms of its reach and vision: it would be less a matter of where our platforms operated than our ability to view the global battlespace 24/7.

Operating the forces would place emphasis on “fleet battle experiments,” more to test capabilities than organization. For the U.S. Navy, we are assuming fewer ships in this option, and thus fewer ships deploying, more operations in home waters. It is also assumed that the U.S. Government at the higher level is less inclined to interventions, especially in the less globally disruptive situations. The U.S. would be neither the policeman of the world nor the humanitarian rescuer.

How would this fit with globalization after 9/11? Despite the current (7/02) desire of the Department of Defense to get back to transformation, current operations in pursuit of al Qaeda and to stabilize Afghanistan, and impending operations (Iraq), with existing capabilities takes priority. It may be a while before the country can really step back and let globalization run on automatic while keeping its powder dry for the next peer or near-peer competitor.



As a footnote on the Transformation Force:

This chart lays out some of the realities that may be implied.

Most think of “transformation” first as the exploitation of new technologies.

They see that globalization involves the wide dispersal of new technologies around the world as industries diversify their production into other countries, to include China. They see commercial development as racing ahead of military development, in a reversal from the Cold War. There is a fear that the rogues might exploit such technologies faster than the U.S. could. However, it should be pointed out that the U.S. R&D budget for FY03 is probably larger than any other country's entire defense budget.

The second aspect of “transformation” is the changing locations and nature of U.S. military operations around the changing globe. Indeed, current operations have in some ways taken away resources from investments in transformation technologies---though those same operations (i.e., in Kosovo or Afghanistan) have demonstrated great U.S. advances in both technology and military capabilities. Special Forces have acquired a new lease on life, as they appear transformational almost by definition in the new war on global terrorism.

But a third aspect to which the Navy as well as the other services pay attention to is the quality of the people in U.S. forces. Priority in the Navy's budget has gone to making the quality of life and readiness accounts well, ahead of shipbuilding, for instance.

A bottom line in all these developments is a squeeze on force structure, on sheer numbers. There is not another country in the world that doesn't face the same problem.

How do the three forces feed back into globalization?

Stabilizing Force *Future is now---Stability is collective good*

- Assist in managing world day-to-day; “patrols”
- Relate to maximum number of countries, allies & friends
- Pitfalls: While trying to reduce surprises, vulnerable to them

Response Force *Protect core from disruptions*

- Work the disruptive fringe
- Save others from having to do it---“exporting security”
- Pitfalls: Lose touch with some parts of the world

Transformation Force *The future is to be hedged on*

- Globalization is working---can stand back
- Discourages other countries from pursuing adv. tech.
- Pitfalls: Could be surprised by near-term disruptions

We can look at how each force might relate to globalization---either to be affected by it or in turn to affect globalization.

In a discussion held at CNAC on this subject, it was the view of the group that the U.S. Navy would be relatively invariant with postulated courses of globalization. In some ways, the time line of the evolution of the Navy---or of all and any navies in the world---is much longer than the dynamics of the globalization process.

The Stabilizing Force would relate to the world day-by-day, maintaining order wherever the President or Secretary of Defense directed them to. The MIO in the Gulf would be typical. It would also attempt to relate to the maximum number of other navies in the world, as part of U.S. general engagement (given that navies are offshore and that naval personnel have little political influence, the effect is marginal). **The pitfalls** for the force in the globalization context is that it might either be spread so thin that it would be difficult to concentrate it (e.g., in the Gulf) when needed, or involve severe breaking of PERSTEMPO, or to some technological surprise because, as we have noted, it would have only modest, evolutionary improvements given the emphasis on maintaining numbers instead. These are not high risks, but are also not necessarily professionally satisfying for the Navy.

The Response Force seems more appropriate to globalization as it has been progressing, even despite 9/11. It is closer to the concept of “exporting security” that we have described. It would work the disruptive fringe. It would be ready to contribute to joint forces for the major contingencies that we can envisage. That would mean it would have to (continued on next page)

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(continued from the previous page) perhaps put more time into joint exercises than deployments. **The pitfalls** of this approach might be that the Navy does not relate as much to some other navies or maintain presence in some areas of the world that are less strategically important. For instance, it might have fewer resources available for UNITAS or to linger in the Mediterranean.

The Transformation Force assumes that globalization is working reasonably well, that state-on-state wars continue to diminish in likelihood (except for the three classic scenarios---Iraq, North Korea, and Taiwan), and that U.S. naval forces are not particularly suited for intervention in internal conflicts, especially since U.S. political leadership is reluctant to carry out such interventions. Rather, the program would concentrate on new advanced systems, which could only come at the cost of force structure, at least for the foreseeable future. This would discourage (that is, dissuade) other countries from trying to compete technologically with the U.S.----though they hardly do now, and there is little prospect of them doing so. **The pitfalls** of this approach are that the U.S. could be surprised by a more stressing contingency than expected, both in terms of initial force needed and the prolongation of combat, or by a greater need for defense of homeland waters upon the threat or incidence of an al Qaeda attack from the sea.

The U.S. Navy would appear to have the resources to cover each of these options in the near term. Any choice of direction for the evolution of the Navy would only unfold over the long term. These are differences in emphasis. The major point is that it would be hard to avoid shrinkage in ship numbers over the long term.

Where are the cost savings?	
Stabilizing Force	<i>The tried and true---costs predictable</i>
• Fewer failed experiments/R&D/unforeseen devel. costs • Known maintenance costs • Unforeseen costs: aging equipment, less ready for surge	
Response Force	<i>Higher readiness with fewer routine ops</i>
• Readiness better maintained; fewer surprise op'l. costs that must be covered from R&D and procurement • More predictable & manageable R&D and procure. costs • Unforeseen costs: responses last longer than expected	
Transformation Force	<i>Fewer people, fewer ships, less O&M</i>
• The cost savings are in personnel & O&M for smaller force • Less operations means less robbing procurement for ops. • Unforeseen costs: U.S. politics keep legacy force structure	
(A basic principle: try to do all three forces and risk <u>all</u> unforeseen costs)	

One of the interests of the sponsor in this project has been to achieve cost savings in the way the U.S. Navy manages and operates its forces. The utility of such savings lies both in efficiency (best use of taxpayers' dollars) and in protecting and even increasing the proportion of the Navy's budget for acquisition.

How the issue of savings relates to globalization is not clear, but in general we can say that, while the United States can afford to maintain the best forces in the world, it also has gained its prominence in the world by running the most productive, stable economy. It was the model economy for the world during the Cold War, and continues to be in the globalization era. It is this balance that is likely to be maintained by successive Administrations.

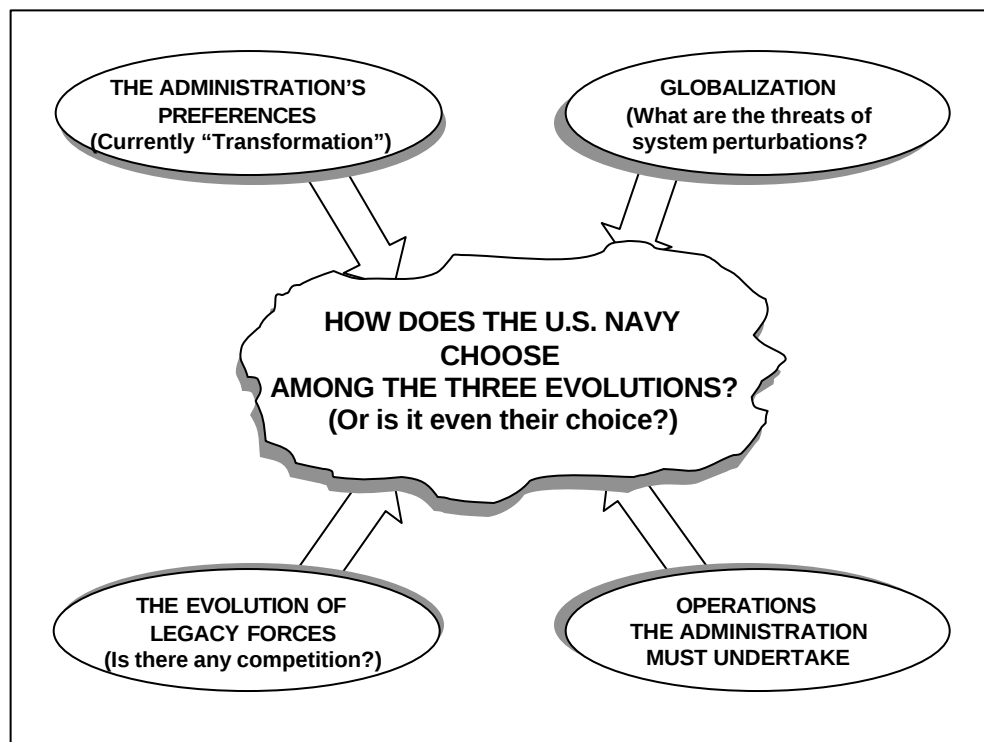
The Stabilizing Force would have more predictable costs than the other two forces because it would continue production lines where the costs are known and stable. It would also undertake less risky, evolutionary improvements to the forces. The maintenance costs would also be known. However, the combination of relentless operations around the world and the aging of ships might lead to increased maintenance costs and less ability to surge the forces for major contingencies.

The Response Force would involve a more relaxed deployment schedule, i.e., a longer cycle, longer IDTCs, which might make readiness easier to maintain. Since the basis of the force would be responses to contingencies, rather the routine operations, perhaps the additional O&M costs of responses would not be extracted as much from acquisition or (continued on the next page)

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(continued from previous page) or R&D accounts. We recognize that the Navy is less prone to these additional costs for operations than the Army or Air Force, given that it is manned and equipment for war at any time. In this force, we have also said that acquisitions might be less “transformational,” that is, less risky in their development and thus more predictable in their costs. Unforeseen costs might be if responses were to last longer than expected----note that in the 1980s, responses were short, but they became prolonged in the 1990s.

For the Transformation Force, the cost savings would emerge from a smaller force, with its fewer personnel and less O&M expenditures. Less operations may also mean less robbing of investment accounts to pay for operations. Of course, with a greater proportion of the Navy budget in acquisition and R&D accounts, and more adventurous developments, the risks of these developments and the costs of overruns and failed developments would be higher. The other unforeseen costs would arise from pressures to keep more of the legacy force while attempting transformation.



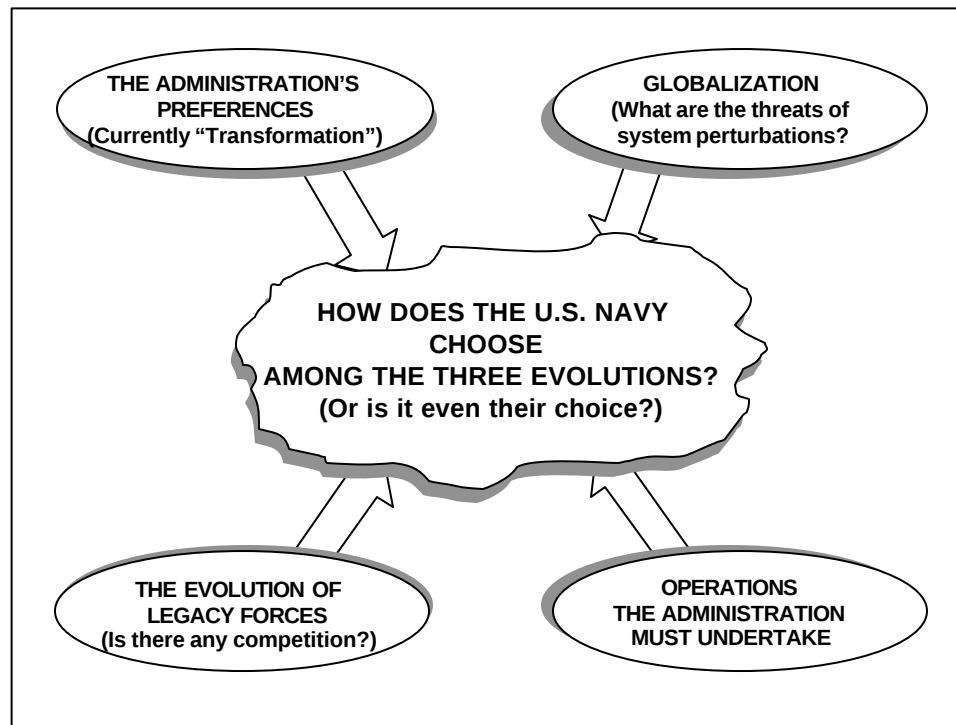
Globalization is big and complex---more than the U.S. Government or the U.S. Navy.

And yet there is no navy in the world that does more to facilitate globalization than the U.S. Navy. If occupies a special physical and fiscal space.

Clearly, the connections between globalization and the U.S. navy are both loose and ever-changing. Both the Navy and globalization have undergone a lot of changes in the 1990s, to the detriment of neither (i.e., the Navy has not found itself less connected to the real world; globalization hasn't faced any great threats "from the sea").

Moreover, the trend lines for both have been favorable over the past generation: for the Navy, the Soviet Navy went away and no replacement has arisen. Meanwhile, the U.S. Navy gets stronger, whatever the numbers of ships may be. For its part, globalization has become far more inclusive in precisely those parts of the world where the U.S. military, including naval presence, have long been considered "glue." It's a dog that does not bark, but it's hard to ignore the good the U.S., and the U.S. Navy, have done for East Asia. By the same token, the U.S. took over the "policing the Gulf" role upon the fall of the Shah in 1979, and the Navy has been the continuity for the U.S. in that role.

So when we look over the past 20 years (the period when globalization expanded from the old Trilateral group to developing Asia, according to the World Bank), we see a serious global peace dividend from America's long-term export of security to the world and specifically to Southwest Asia and East Asia. (Continued on the next page...)



That means, whatever the U.S. Government has done with its forces and however it has operated them in the past generation, it has sustained that essential transaction of exporting security to the outside world. Regions have benefited. And yet the U.S. did not go overboard enough in the post-Cold War period to trigger the rise of a balancer.

Where do we come out, then, with regard to the three forces? The answer may be “Pick Option B,” the Response Force, which lies in between current small operations and engagement around the world and transformation. It has the following advantages of easing the three-way stretch described above (force structure vs. current ops vs. modernization):

- The force can be tailored for specific joint contingencies. These contingencies lie at the troubled seam of the world.
- Accordingly, force structure could probably be cut to some extent, since it is the concentration of the forces, not the spread of them (“globalization permits localization of the forces”) that counts.
- With some cuts in force structure, the Navy may be able to take on more transformation than otherwise.
- And the combination of ready, integrated joint capabilities with the transformation of those capabilities is a formidable discouragement to other countries competing in naval forces.

Given the loose but useful connections with globalization, the Navy has plenty of room to experiment with platforms and patterns of operations, so long as it responds to the U.S. Government’s priorities in Southwest Asia and East Asia.

CHOICES FOR NAVAL FORCES IN THE DOD BUDGET

1. Keep 12 carriers and their aircraft.
2. If keep 12 CVs and budget levels off, reduce the other three combat elements (SCs, SSNs, Amphibs) proportionately as first option.
3. Do not take heroic measures to keep ships out around the world, but expect to keep 1.0 carriers in PG/IO for indefinite future, sometimes to 2.0 or 4.0
4. The Navy should continue to take whatever measures are necessary to be fully joint. Network-centric means joint-netted.
5. The Navy should not starve WPN and OPN.
Better to shave ship construction than to shave these accounts.

THIS BEST FITS THE RESPONSE FORCE MODEL

The bottom line is that the relationship between globalization and the Navy has worked over the past generation. The Navy has plenty of transformational room in which to operate. There are big consistencies over the past 20 years, don't change them too much, and then consider everything else up for grabs.

We have attempted in this annotated briefing to point out that the possible disruptions of the global economy would seem to be clustered along the seam between the functioning and non-functioning areas. This has been where U.S. naval responses were clustered in the 1990s. Moreover, the greatest contribution the Navy has made has been in naval aviation, in its strike capabilities. The second greatest contribution has been in the Navy's Tomahawk strikes.

When one looks over the history and sees the rise and fall in the numbers of various ship types, one constant is the carriers. Carriers are the most important platforms. They are also unique in the world, and intimidating of any other country's possible imitation. 12 seems to be a minimal number. One also sees that in both the presence and response analyses. This provides strong arguments to keep 12, though not necessarily more, and less begins to impose strains.

If the U.S. Navy were to keep 12 carriers and their full decks, and if the budget were to level off as we predict, and given the difficulties already of financing SCN, the other combat elements are likely to be squeezed. The Navy would probably want to do this proportionately. Of course, if those advocating amphibious ships or submarines were to prevail, then surface combatant numbers would be squeezed---a usual outcome. Even if surface combatant numbers were squeezed, the Navy would still have a plethora of Tomahawk-capable launchers.

THIS APPROACH IS CONSISTENT WITH THE REMARKS OF THE
INTERVIEW OF THE SECRETARY OF THE NAVY
IN *JANE'S DEFENCE WEEKLY*,
March 20, 2002:

“Despite the 9/11 attacks, the priorities for the U.S. Navy remain the same: combat capability, people, technology, and business practices.

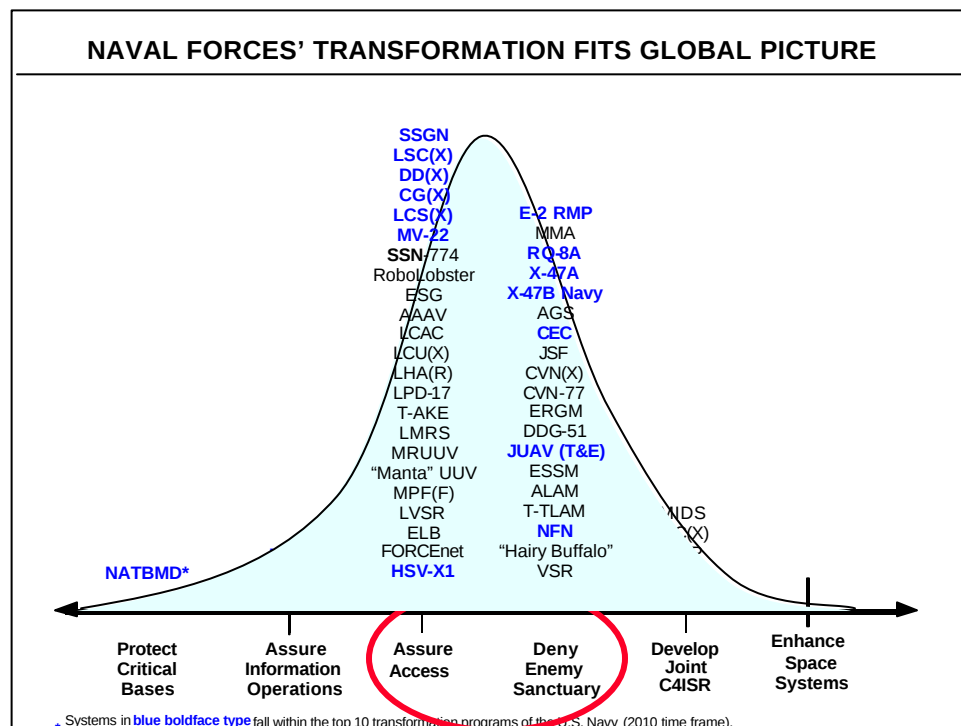
“It’s more important to first get the Navy on a sound footing...take care of the assets you have, take care of the people, make the enterprise healthy...

“What is important is superior technology and superior people. You have to stay out in front in technology---Afghanistan has demonstrated that. One area of technology that holds great potential is unmanned systems.

“End result must be an increase in combat capability....not more staff and more dollars in the support end.

“Increasing integration of the Navy with other branches of US armed forces, other government agencies, and US allies is taking on greater importance.

“The Navy needs to stop investing in things that are not going to fit the future...typically older systems (like F-14 and Spruance destroyers).”



The Operational Goals in the 2001 QDR were as follows:

1. Protect critical bases and defeat WMD.
2. Assure information systems in face of attack; conduct information operations.
3. Project and sustain U.S. Forces in distant anti-access or area-denial environments and defeat those threats
4. Deny enemies sanctuary by persistent surveillance, tracking, rapid engagement with high-volume precision strike.
5. Leverage info technology and innovations to develop Joint C4ISR architecture.
6. Enhance capability and survivability of space systems and their infrastructure.

We have arrayed the current programs of the Navy under these headings. The bulk of them, as shown, are under “assured access” and “deny enemy sanctuary.” We find this appropriate for the major tasks of the Navy in the globalization picture. That is, the Navy is to operate jointly in order to prevent disruptions along the seam between the advanced countries and the non-functioning countries.

CONOPS AND GLOBALIZATION

- Navy has flexibility in relatively benign world to reorganize available assets.
- Major threat at moment is al Qaeda. Not clear CONOPS driven by that, especially since “next places” (Somalia, Yemen, Georgia, Philippines) have not materialized or now being handled by Special Forces trainers.
- Otherwise, greatest source of conflict is still the Persian Gulf, within the globalization conflict. LCS origin probably there (Earnest Will).
- The major dispersal of naval assets around world not necessary in current state of globalization. “Multiple simultaneous” not characteristic.
- Navy has enormous strike power, but ground force contribution rather small----would be relevant only in big Joint operation.
- SEAPOW 21, CONOPS, Transformation Roadmap provide strong support to retain Department of Navy's 30-32% share of DOD budget.

The question may arise how the Navy's new CONOPS and Seapower 21 may fit with the evolution and alternatives for globalization as we have described it.

Major comments in this regard are shown above.

It is important that the U.S. has the flexibility, given its huge forces, which are more capable than any other military in the world, to organize and reorganize its forces to best perceived advantage.

As noted, the major threat is al Qaeda, a difficult enemy to pin down. This threat has also generated great efforts in the U.S. to organize homeland defense. The demands for homeland defense that might be levied on the U.S. Navy are not yet clear, but the Navy is quite flexible and can respond when called upon. CONOPS certainly militates against rigidity, e.g., of CVBGs.

The major concerns about “anti-access” still arise from the Persian Gulf--confined waters with limited maneuvering room. It is our observation that much of the impulse behind a small surface combatant comes from the experience the U.S. Navy had in the tanker war of 1987-88.

Our analyses of the U.S. naval responses in the 1990s showed a concentration on the four situations---Haiti, Somalia, the Adriatic, and the Gulf. The latter two tended to tie down naval assets for prolonged period. Only the Gulf is left and the MIO in the Indian Ocean to track down al Qaeda has been added.

Our other observation, from the 1990s and from Afghanistan, was that operations tended to be both joint and coalitional from the beginning. The Navy gives itself the flexibility to assemble whatever contributions to these operations the nation demands of it.

Finally, while the Department of the Navy across the 1990s tended to get 30-32% of the defense budget, the figure for FY03 is 28.5%, as defense-wide accounts have risen to 19%.

SUMMARY: EFFECT OF U.S. NAVY ON GLOBALIZATION

U.S. will continue to have a navy	→	Symbol in U.S. of continuing U.S. association with world
Will be biggest and best navy in world	→	Other countries scared out of building blue-water navies
Naval aviation unique and powerful	→	Ditto on carriers; with other U.S. Forces, represents strike cap.
U.S. will continue to deploy its Navy on regular basis	→	Reminds world of U.S. contribution to stability
Major U.S. operations will be joint from beginning	→	Unequalled U.S. military power lets rest of world maintain low level of defense efforts
<u>Prime</u> Navy strategic contribution in PG/IO for foreseeable future	→	Biggest threat to globalization is cut-off or war over oil supplies

There is no question that the United States will continue to have a navy. Navies tend to be the most internationally-minded of services simply because they roam about the world and make port calls.

By virtue of U.S. economic strength and its continued desire to maintain its military establishment, at least for internal political reasons, the U.S. Navy will continue to be the biggest and most capable sea-going navy in the world. The U.S. spends around one percent of its GDP on its naval forces; other countries would have to spend far more than that to compete.

Among all navies, U.S. naval aviation is unique. Its 12 carriers face no rivals (the only other potentially capable carriers are the French *Charles DeGaulle* and the Russian *Admiral Kuznetsov*, both less than half the size of US carriers; the *Kuznetsov* rarely sails. The US strike capability is beyond that of any other country.

The U.S. Navy will continue to deploy regularly. These deployments motivate readiness and the crews. The U.S. Navy tends to visit with other navies and in overseas ports far more than foreign navies visit the U.S. These U.S. Navy deployments are a constant reminder to the world of U.S. strength.

As the experience of the 1990s showed, U.S. combat operations are joint and coalitional. The U.S. Navy has become even more a joint player across the 1990s, thus multiplying the power the United States can bring to bear. Paradoxically, this has let most countries relax in their defense efforts----a real benefit of globalization.

FROM U.S. NAVY BACK OUT TO GLOBALIZATION (continued)

Navy (and other U.S.) presence in East Asia <u>second</u> most important	→ Korea still a threat; most economic growth in Asia—and it depends on stability
<u>Tertiary</u> contribution of Navy is to maintain relations with allied navies	→ Historical alliances at core of globalization as it has emerged and will be sustained
World has seen U.S. naval power (in joint ops) 1991, 1999, 2001	→ World stability not dependent on even spread of “presence,” but on demonstrated U.S. power
U.S. Navy provides substantial part of U.S. nuclear deterrence	→ Nuclear war fear stabilized global system that emerged in Cold War
Naval contribution to homeland defense remains in question	→ Could represent U.S. retreat (in providing security) from globalization

We have noted on the previous page that, from our analysis of the possible disruptions of globalization, the threat is greatest in the Persian Gulf and Indian Ocean areas. This area has become even more important after 9/11. That has become the prime location for U.S. naval operations, both for deterrence and containment and for possible combat operations. The Navy has been engaged in combat operations on a constant basis in its participation in Southern Watch.

Second priority for Navy deployments continues to be East Asia, and particularly Northeast Asia, where the confrontations in Korea and over Taiwan continue. The continued homeporting of the U.S. Navy in Japan is part of the post-World War II system that ensures Japan need no longer threaten war in the Pacific.

The third priority in U.S. naval forces contributions is interactions with allied navies. These associations across the board (not just among navies) lie at the heart of the globalization system as the U.S. organized it to counter the Soviet Union and as that system persists.

We assert that it is not some even spread of U.S. naval presence around the world that necessarily maintains stability. After all, most of life is on land, and most people never notice the U.S. Navy—except virtually, in its dramatic participation in U.S. joint combat operations or in particular Navy-only strikes the Administration may order. The visits elsewhere remind the world of that power.



Just to review how U.S. naval forces might play in the marginal variations of globalization’s evolution that we postulated earlier:

The best scenario---“Globalization expanded”---probably would permit the U.S. Navy to do some balancing off carriers or amphibious ships in favor of surface combatants, whose numbers would permit the Navy to be more ubiquitous. But this could not happen until the rogues and terrorists that pose the greatest threats of disruption in this scenario were under control. In the meantime, the emphasis would be on the Persian Gulf.

The worst scenario would be “Globalization back tracks.” There we might find U.S. naval forces more heavily engaged in homeland defense, and less engaged around the world. For instance, there could be a major shift of all U.S. defense resources into national missile defense. But the U.S. would preserve capabilities to strike anywhere in the world.

“Globalization firewalled” would be the better of the two mixed scenarios. It would arise from the necessity of the advanced countries protecting the arrangements among them, while maintaining substantial defenses against the rogues, terrorists, and even waves of immigration from the poor countries. The U.S. Navy would be working the seam between the two areas. An issue that arises is whether China, Russia, and India are truly incorporated within the firewall, or left on the other side in some fashion. The United States would want to make sure its navy (along with its other forces) remained superior to all others.

“Globalization slowed” would be the less desirable of the two mixed scenarios. It would mean that globalization’s further successful integration would remain largely limited to the old Core (US, EU, Japan). Meanwhile, the troubles around the world would dampen world growth, and thus chip away at global stability. The world could even evolve back toward some kind of balances of power. The U.S. Navy would play a more traditional role in this scenario.

GRAND CONCLUSIONS: From globalization to the U.S. Navy

1. Globalization will get back on track after 9/11, but with new world consciousness of terror and need to police it
2. Globalization's Core is expanding to include Russia, China, India, (perhaps others)
3. As globalization resumes and expands, defense withers away around world, as it has since end of Cold War
4. Conflicts and challenges to globalization will come from non-functioning areas
 - First, al Qaeda from Islamic (mostly Arab) world
 - Problem of governance in Muslim world----and it sits on oil!
 - The rogues (Iraq, North Korea...., Iran, Libya)
5. Failing, poor states are outside globalization and mostly strains on conscience of North----not security threat to U.S.

GRAND CONCLUSIONS: Consequences for the U.S. Navy

1. Navy will be occupied in Gulf and Indian Ocean as primary place----as since 1979
2. Naval aviation is the supreme contribution and unique among all navies of the world. Other combat elements to shrink if naval aviation sustained.
3. There is no threat to the searoutes----U.S. and Soviets competition let most other navies be coast guards. Globalization continues this. (Some U.S. allies still deploy their smaller navies globally.)
4. Terrorism aside, this is a manageable world. Navy need not take back-breaking measures, but should manage what it's got well.