

National Security Strategy Briefing

President Elect Michael Bloomberg



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Executive Summary

This briefing outlines a recommended national security strategy for your administration to pursue over the next four years in order to maximize the security and well-being of the United States. The strategy can be summarized as “Strengthen, Engage and Align” in that it focuses on three main priorities: (i) strengthening the U.S. economy through fiscal reform and investments in the North American energy sector, thereby increasing business confidence and private sector employment; (ii) engaging with China and other regional partners while leading global security and diplomacy efforts; and (iii) aligning military engagement and security efforts with our critical national interests, leading through strength, not conflict.

Revitalizing the U.S. economy is critical to our international leadership and realization of national security. The single biggest challenge to U.S. economic well-being is the U.S. debt, which could easily crowd out critical government programs and policy priorities if not brought under control. We are recommending strategies to tackle all aspects of the U.S. deficit including focused spending reductions, entitlement program adjustments, and comprehensive tax reform. In addition, both as a benefit to national security through limiting reliance on OPEC oil supplies and for U.S. job creation, we are recommending an energy strategy focused on increased North American supplies, energy infrastructure investment, and research and development programs.

Our national security is best realized through engagement with our allies overseas in pursuing common objectives and policies. One of our major recommendations is to place additional emphasis on our relationship with China in an effort to turn this from a competitive to a more cooperative relationship, working towards mutual goals of regional economic and security cooperation. From a security standpoint, we are also recommending a re-profiling of our NATO leadership and engagement, reflecting the updated priorities of the post-Cold War era. The Middle East and Arab Spring present both opportunities and potential challenges to stability in a particularly volatile region, but we believe efforts to support economic development and democratic movements abiding by universal principles will contribute to progress. Engagement efforts also need to include constructive and improved relations with India, Russia, and our key regional partners in Latin America and Africa.

It is not prudent to focus on longer-term goals and strategies without assessing those near-term threats and active situations that impact our security. In this regard, we believe the security benefits of our continued role in Afghanistan are no longer supported by the significant costs of direct military involvement, and are recommending a near-term withdrawal of forces together with a re-balancing of our Pakistan relationship from military to economic aid. If strict sanctions do not result in Iran’s explicit renouncement of nuclear weapons and open access to IAEA inspectors by early 2013, we are recommending a new engagement strategy with them as a preferred option to potential military conflict. Finally, some key counter-terrorism initiatives should benefit from funding freed as a result of our exit from Afghanistan.

I. Introduction

Alexander Hamilton wrote over 200 years ago *“No government could give us tranquility and happiness at home which did not possess sufficient stability and strength to make us respectable abroad.”* Through contentious foreign policy and lack of unifying leadership, the past two administrations have impaired our respectability abroad, and weakened our pillars of strength at home. Divisive leadership and partisanship have constrained the message of American exceptionalism and limited our global influence. Your election provides a unique opportunity to redress these recent challenges, and move in a new direction to maximize the security and well-being of the United States.

The “Strengthen, Engage and Align” National Security Strategy outlined in this briefing paper puts forward specific recommendations in three focus areas: the economy, regional priorities, and security issues. In combination, they intend to provide the foundation for re-establishing U.S. political and economic leadership at home and abroad during the course of the next four years.

II. Revitalizing the U.S. Economy

A strong economy is necessary for both national security and international leadership. We believe the biggest threat to our economic leadership is the twin fiscal challenges of our deficits and national debt. The unprecedented downgrade by S&P of the U.S. AAA credit rating in August 2011 was a warning shot across our bow. We cannot afford to have the fiscal situation in the U.S. continue to deteriorate to the point, as evidenced in the EU, where the financial markets determine national policy outcomes.

As an Independent President, we believe you are uniquely positioned to bridge political agendas, reinstitute compromise as a norm in Congress, and achieve substantive and critically needed progress on debt reduction. Bold action, as detailed in this national security recommendation brief, will bring needed confidence back to the international markets, increase business confidence and certainty, and contribute to further private sector employment. In addition, our specific recommendations in the energy sphere will add tangible near-term energy sector jobs in the United States while taking important steps to secure stable sources of North American energy and lessen reliance on OPEC producers. We believe these two initiatives will create a virtuous cycle of building confidence and hiring, re-invigorating the economy, driving growth and increasing tax revenues, all contributing to fixing our fiscal challenge.

U.S. Debt Reduction

It is appropriate to review key data demonstrating the severity of the U.S. debt problem prior to putting forward our policy recommendations. Deficits in 2010 and 2011 were running at \$1.3 trillion each year, with the federal government borrowing 35 cents of every dollar spent. Earlier this year, the U.S. gross national debt, including that held by the public and inter-governmental debt (e.g. borrowings from the Social Security Trust Fund) crossed over \$15.7 trillion, exceeding U.S. GDP. Debt held by the public is rapidly

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approaching \$11 trillion or 70% of GDP. These are the highest levels of U.S. debt since just after World War II, and the current fiscal trajectory is not sustainable. EU budget guidelines limit national debt to 60% of GDP, and economic research indicates that debt levels above 90% of GDP start acting as a significant drag on economic growth. In addition, if the international community were to lose confidence in U.S. economic leadership because of our debt burden, it would threaten our low interest rates and the significant benefits we receive from the U.S. dollar being the global reserve currency.

Recent deficits were largely caused by funding our two wars in Iraq and Afghanistan together with stimulus spending and other fiscal measures adopted to help the U.S. recover from the 2008-09 financial crisis. It is now necessary to revisit our involvement in Afghanistan and determine whether it is in our national interest to continue to spend over \$100 billion per year in our military engagement and support of the Karzai regime. As we will detail later in this strategy, we no longer believe this is an appropriate investment and are recommending an immediate acceleration of plans for military withdrawal to reduce this economic burden, and invest savings in other programs that have a higher return and greater impact on our national security.

Ultimately, progress must be made across multiple fronts to address the U.S. debt, similar to the Simpson-Bowles recommendations put forward in December 2010 but not adopted by your predecessor. There are several priorities that need to be addressed, the most immediate is whether the current lame duck Congress passes any deficit reduction measures; otherwise \$1 trillion of automatic sequestration cuts shared between defense and non-defense discretionary spending will go into effect in January 2013. While reductions in discretionary and defense spending are necessary, specific targeted cuts and focused reduction measures are preferable to sequestration.

However, the biggest challenges to U.S. debt and deficits are an aging baby boomer demographic and increasing health care costs, which will drive entitlement spending to ever-higher historic levels, so specific structural reforms are necessary. With Medicare, adjustments should include phased increase in the benefits age from 65 to 67, establishing a single annual deductible and uniform coinsurance rate, and increasing contributions for Medicare Part B coverage by enrollees. These measures would focus on both the eligibility and revenue sides of the program, bringing needed reforms into effect to limit future spending. With Medicaid, we recommend that structural adjustments be made to transfer most of the ownership of the program to the states in the form of block grants, to encourage efficiencies and competition.

Social Security historically has run surpluses and its trust fund has been a source of intra-governmental borrowing for the U.S. Treasury. However, starting in 2010 it has run annual deficits and specific measures are required to ensure its long run health without unduly burdening the federal debt. Policy recommendations for Social Security include increasing the phased retirement age from 67 to 68, and eliminating the payroll tax cap. If these measures do not return Social Security's fiscal health to a sustainable trajectory, then some form of means testing should be implemented, but this modification is not required as part of the immediate structural adjustments.

Even with disciplined and structured reductions in federal spending, our fiscal challenge requires changes to tax and revenue structure. Rather than focusing on the expiring Bush tax cuts, the country's long run financial security would be best served by comprehensive tax reform enacted early in your first term. In the area of tax reform, the Simpson-Bowles plan put forward a program for lowering rates, broadening the base, reducing deductions and tax expenditures, while increasing progressivity and simplifying our overly complex tax code. We recommend a program based on these principles. By eliminating all but the following five tax expenditures: (i) support for low-income workers and families (e.g. child credit & EITC); (ii) mortgage interest only for principal residences; (iii) employer-provided health insurance; (iv) charitable giving; and (v) retirement savings and pensions, personal tax rates could be reduced to three rates of 12%, 22% and 28%, with a significant increase in government revenues.

The above strategies are the key elements to a program of fiscal reform. Given the success of your presidential candidacy, we believe there is an opportunity to take action early in your first term to address our fiscal challenges, appealing to the broad electorate for change, and building the foundation for renewed and sustained economic growth.

North American Energy Strategy

The United States needs a clear, proactive energy strategy to ensure we meet our economic, security, and development goals. Rather than outlining a clear strategy, previous efforts have focused on a few specific actions without considering wider implications. This was due to political factors, public opinion or simply the lack of emphasis on energy strategy.

Breaking with this tradition, we recommend a focused, long-term view of energy independence based on North American supply. This report will outline three areas of strategic focus: supply diversification, infrastructure investment, and research and development. We recommend increasing North American energy supply to 90% of our needs by the end of the decade, investment in the electricity grid and energy distribution infrastructure, and continued support for R&D efforts for non-traditional alternatives.

Supply Diversification

True energy independence - a "zero import" strategy - is not a feasible option due to high domestic energy demand. In order to make up for the shortfall in domestic oil production, the United States imports around 50% of its oil. According to the Department of Energy, the two largest oil importers are Canada and Mexico (each with around 11%). However, over the past decade imports from Canada have increased by

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10% while imports from Mexico have fallen by the same amount.¹ The major reason for the decrease of Mexican imports has been insufficient investment in Mexican oil exploration and production.

Given the decreases in Mexican exports, we will need to tackle investments on two fronts. First, we need to encourage Mexico to open up its oil industry to international firms. While it is unlikely that the Mexican Constitution will be changed (their laws currently state that only Mexican companies can own natural resources), we should lobby the Mexican government to allow for non-ownership production sharing contracts and consulting services from major oil companies. This will increase Mexican production and increase their export capacity.

Second, we should encourage domestic off-shore and on-shore production of both conventional and non-conventional energy sources. There are significant oil reserves off the U.S. coast; however, due to the Deep Water Horizon incident, many projects have been placed on hold.² We recommend that the Department of Energy begin issuing licenses for exploration of new "blocks" at a faster pace as high oil prices currently encourage investment by the private sector.

Non-conventional energy sources should also form a key component of our energy strategy. Three types of non-conventional energy sources should be considered: nuclear, shale gas and renewable. Nuclear power is a clean and efficient energy source, but it has an unjustified negative reputation. While incidents at Three Mile Island, Chernobyl and Fukushima have had a drastic impact on public opinion, they were all caused by avoidable incidents. Three Mile Island and Chernobyl were the result of technical and operational failure, while the Fukushima incident resulted from ineffective natural disaster planning. New generations of efficient nuclear reactors, built in non-disaster prone areas, should be encouraged through new licenses and loans. The United States should regain its leadership position in nuclear power and technology.

Shale gas reserves should also be exploited to their full potential. While there are environmental concerns that need to be addressed, we recommend that shale gas fields be developed regionally first in order to allow for detailed monitoring and scientific study. The vast reserves of shale gas could ultimately help the United States become a net energy exporter and create a positive effect for our current account balance.

Finally, our strategy should also focus on renewable energy such as solar and wind power. The previous administration initiated a number of projects in this field and we recommend that these projects be expanded. It is unlikely that solar and wind power will form a significant part of our energy consumption in the near future, but it is crucial

¹ According to the EIA, this decrease has been mirrored by lower imports from Venezuela and Nigeria. The shortfall is made up primarily by increased imports from Saudi Arabia (the 3rd largest importer) and domestic production.

² The events at BP's platform were the result of an unlucky series of events. It is important to note that such a disaster is highly unlikely to happen again in the near future.

that we continue developing our clean energy capabilities and recapture our leading technology position from international competitors.

Infrastructure Investment

Investment in energy production capacity alone will not solve our energy needs in the coming decades. Our energy infrastructure needs significant overhaul to accommodate increased capacity and new, efficient technologies. The key areas of investment should include natural gas, oil pipelines and storage, and electricity grids.

Increased energy imports from Canada and Mexico, as well as domestic shale gas production, will require investments in new distribution systems. The current infrastructure is designed to facilitate some local (on-shore) production and sea-route imports. While these would continue to be in use, increased imports from Canada and Mexico can be carried out more efficiently and safely with pipelines. Pipelines, and their associated depots, do have an environmental footprint, but these can be limited with modern technologies and monitoring systems. With new pipeline permits, we also recommend issuing new operational regulations (adapted from the most stringent industry standards).

As part of this strategy, the second large area of investment needs to be the national electricity grid. It is currently outdated, inefficient and overloaded. The four-day August 2003 blackout on the East Coast cost the economy as much as \$10 billion and could easily have been avoided; the risk of another blackout is high. Current estimates place the cost of upgrading the national grid between \$650 billion to \$1 trillion dollars.³ This large investment should be done by the private sector with government support in terms of limited subsidies or tax breaks, or natural monopolies. Our energy grid losses are at 6.39% (energy lost during transmission), which is one of the highest rates in the developed world and higher than China's. If our energy grid were updated to a leading 1% standard, we could save up to 5% of our generated energy resulting in billions of savings each year.⁴

Research and Development

For a long-term energy strategy, we recommend continued investments into new technologies including: geothermal, tidal and fusion power generation. These technologies already benefit from federal grants through partnerships with the private sector and universities, as well as Navy research projects.

As part of long-term R&D strategy, we also recommend that the Department of Education lead a significant effort in rethinking our national approach to STEM (Science,

³ According to studies by the IEA's projections on costs of upgrading Europe and American's energy grids.

⁴ According to EIA figures the savings would be almost \$700 million/year for residential consumers and much higher for industrial and commercial users. The exact figures for non-residential users are not known as their rates are often negotiated with providers; however, total yearly savings could exceed \$20 billion.

Technology, Engineering, Mathematics) education in primary, secondary and higher education. We will need a highly educated and technically literate labor force to achieve many of our long-term objectives.

III. Regional Engagement and Re-Balancing

The United States leadership abroad has been negatively impacted by our partisan politics and fiscal challenges at home, and our wars in Iraq and Afghanistan. A renewed level of engagement with global allies and multilateral institutions including the UN Security Council and G-20 focusing on common interests, global economic growth and active diplomacy should be pursued. Significant efforts with China, NATO, the Middle East, and other leading regional powers should be the priority for our international outreach during the next four years.

Sino-American Relations

Over the next quarter-century, one bilateral relationship stands out as being both incredibly important and fraught with challenges: that with the People's Republic of China. This relationship has taken an adversarial turn in recent years, and this is a trend we hope to reverse in the coming years. Our interest lies in productive cooperation with China while protecting our national security priorities.

We recommend increasing military-to-military dialogues between the United States and China. A great source of tension between our two countries is uncertainty regarding the capabilities and intentions of our respective military establishments. Increased dialogue would help to alleviate this tension, while simultaneously softening the ground for increased cooperation in areas of mutual concern. Recognizing the fragmented nature of the Chinese military, we recommend prioritizing cooperation between naval forces first, followed by air forces. To facilitate these conversations, senior Chinese military officials should be invited to the United States for tours and meetings with their American counterparts.

We should seek to identify and focus our relationship with China on areas of mutual agreement and interest. Chief among these is a continued strengthening of mutually beneficial trade and economic ties. Regional security and stability is another area in which our two countries have a mutual interest.

Finally, in the vein of regional security, we recommend that the United States propose the creation of an ASEAN + 5 Pacific security community consisting of the ASEAN nations, Japan, Korea, Australia, China, and the United States. Such a community would seek to address regional security concerns while making China an integral part of resolving these issues. Even if China were to refuse to negotiate over or enter into such a community, the proposal would not be without merit, as it would indicate our interest in mutual cooperation as a guiding principle. In the event that China would refuse to join such an organization, we recommend creating among the remaining nations an

economic cooperation zone that could form the basis for a security agreement if it became necessary.

Europe and the Future of NATO

The continued security and prosperity of Europe remains among the most vital of American interests, and our commitment to NATO will remain unshakeable. In the wake of the Cold War, many questioned the necessity of this organization, but recent efforts in Afghanistan and Libya have clearly demonstrated its importance. However, these events have also demonstrated that the geopolitical center of gravity for NATO operations has shifted from central Europe and Germany to the greater Middle East and North Africa. The shift of focus of NATO from the defense of Europe towards expeditionary missions has been met with resistance by some member states. The future of NATO will therefore represent a break from past experience, and American involvement must reflect this new reality.

First, the United States should increase its efforts in those areas where NATO most immediately serves its interests. Of primary importance is the continued interoperability of NATO forces. In this area, the United States should draw lessons from the experience in Libya to more strongly coordinate tactical doctrine between NATO forces. Additionally, the United States should take every opportunity to conduct joint, multinational training exercises to practice this integration.

Another important area of effort for the United States in NATO is improved sharing of intelligence, particularly as it relates to counterterrorism efforts. Cultural differences prevent many European nations from collecting the same kinds of information we do. There remains much room for improvement in sharing the information they do have. Security of information is an important consideration, and the United States should offer assistance particularly to newer NATO members from eastern Europe to help develop their capacity to collect, protect, and share intelligence. Lastly, NATO will continue to serve as an important forum for developing coalitions for international action even when the treaty instrument is not invoked directly.

The second change that we recommend relates to the forward deployment of U.S. forces in NATO countries. Last year, the United States had 79,922 active duty military stationed in NATO countries, of which 53,766 (over two-thirds) were stationed in Germany. This pattern of deployment is a relic of the old focus of NATO towards the defense of central Europe, and does not serve the broader security interests of the United States as well as it could. We concur with the statement of then Supreme Allied Command Europe General James L. Jones in 2004 that U.S. troop levels in Europe should be closer to 50,000 active duty personnel. This goal should be conveyed to the 2012 base realignment and closure (BRAC) commission in order to develop specific reduction recommendations. These reductions should not include special operations forces, whose forward deployment and force interoperability are far too critical to their success to permit realignment.

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This realignment of forces is also important for the implementation of our third major recommendation, which is to encourage our NATO partners to embrace their role as providers—rather than consumers—of global security. In 1990, the United States accounted for 60.8% of the military expenditures of NATO countries. By 2000 that had risen to 63.6%, and in 2010 it reached a staggering 72.6%. Between 1990 and 1994, NATO countries in Europe spent an average of 2.5% of their GDP on defense, compared to 4.4% in the United States. By 2010 that gap had widened to 1.7% of GDP by Europe and 5% of GDP by the United States. The United States remains by far the predominant military power in the world, but stronger and more capable allies will better serve our longer-term security interests.

The Middle East and the Arab Spring

The popular revolts against authoritarian regimes during the Arab Spring were driven at least partially by economic concerns. Both new and surviving regimes must deal with these concerns if they are to survive. Chief among these concerns is the inability of underdeveloped economies to create enough jobs for their fast growing youth populations. Another key issue is the need to diversify those economies that are based on oil. These widely-shared economic concerns may create an opening for more regional economic cooperation. This should lead to more security and prosperity in the region, because countries that do business together usually do not fight each other. The United States can and should play an active role in this process.

The Middle East Free Trade Area Initiative (MEFTA) proposed by the U.S. in 2003 but never achieved should be revived. Other potential forms of cooperation include free trade zones, research and development parks and cross-border cooperation schemes. U.S. research universities and private companies should be encouraged to participate in such efforts with the financial assistance of national governments and foreign aid. Cooperation driven by non-governmental and/or regional entities should also be pursued and may be easier to achieve, considering the uncertain political outcomes of the Arab Spring movement.

While the outcomes of the Arab Spring are uncertain, the United States should not be an uninterested spectator. The main focus on trade cooperation should be complemented by responsible democracy promotion. Such promotion can be best achieved by the direct or indirect involvement of U.S. non-profit organizations, lower-level government exchanges and a reasonable military cooperation. Our foreign aid should be used as leverage to encourage basic democratic freedoms in Egypt and other Arab Spring countries.

The region's prosperity and stability—and U.S. prospects there—may be threatened by the rise of Islamist parties in Egypt, Tunisia and elsewhere. Once again, we may need to balance our values and our interests in the region, but we should not assume we cannot build reasonable—indeed, productive—relationships with Islamist parties. Cooperation on an issue-by-issue basis, with the potential to create positive spill-overs into other areas, is advisable.

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While pursuing a more regionally-based strategy, the United States must strive to build solid bilateral relationships. First among our friends in the region is the state of Israel. Our commitment to Israel's security is unquestioned, but it should not be unconditional; Israel needs to work actively on a lasting peace in the region. Additional aid should be offered to its neighbors to encourage and/or support peace agreements and Israel should expand its own aid.

If Israel comes first, Turkey must come second. Both Turkey and Israel should be encouraged to improve their relationship, as it is one of the keys to regional security and prosperity. Moreover, Turkey is a rising regional power that can serve as a role model of economic and political transformation for the region. We should recognize this role by hosting the Turkish prime minister for the first state dinner in the White House. While there are some concerns about the future of the country's secularism, they should be addressed through dialogue. The integration of Turkey into the European Union may help address those concerns while providing a jolt to the European economy. For this reason, the United States should support Turkey if it chooses to proceed with its entry efforts. The U.S. commitment to NATO and to our presence in Europe may present an important bargaining chip in this effort.

India, Russia, Latin America and Africa

Significant efforts to build dialogue and regional cooperation should be exerted with other leading nations in critical regions. India as the world's largest democracy and second leading growth economy should not be in the shadow of China. There are opportunities to cooperate in well-established areas such as nuclear energy, but the list of potential opportunities is much longer. In addition, India provides a useful and strategic ally if efforts to engage more actively with China meet only limited success.

Russia is still coming to grips with its natural resource-reliant economy, inefficient economic leadership through questionable state/oligarch relationships, and its demographic challenges. Russia's recent admission to the WTO does present an economic opportunity for joint U.S. cooperation, particularly in the energy sector. At the same time, the country has increased its military provocations towards NATO countries and we must remain committed to respond to those provocations in an appropriate way. Again, however, we should lead through diplomacy and strive to improve upon your predecessor's relationship with President Putin. We should also continue with our bilateral strategic nuclear weapon reduction efforts, and global non-proliferation cooperation.

Latin America is an important region for the U.S., and may finally be realizing some of its potential with Brazil poised to overtake France as the world's fifth largest economy. We must focus on pursuing economic opportunities throughout the region, and particularly in Mexico, Brazil and Colombia. We must remain committed to and expand our free trade agreements. The region also remains a potential security risk as well. We need to recognize and consider that the stability in the region may be influenced by our

internal drug policies and we should expand our cooperation with Mexican authorities in their struggle with narco-terrorism on our border states.

This century may finally see the realization of Africa's potential: the resource-rich continent with a growing young population is the last true frontier of economic growth in the world. Unfortunately, the United States has not paid enough attention to the continent's potential. In our absence, China is amassing a considerable resource-driven investment presence in Africa. U.S. businesses and universities should be encouraged to be much more active in the region and the administration should lead the way by encouraging frequent trade missions. Nigeria, South Africa and Ghana are among the countries that should receive more attention. More prosperity in Africa can lead to more stability there and more jobs created in the United States. While the focus of our Africa policy must shift to trade, we must remain the global leader in fighting AIDS. We must also increase our attention and assistance in mitigation of potential climate changes, and develop regional policies to respond to potential humanitarian crises.

IV. Immediate Security Threats and Near-term Issues

The U.S. should lead through the strength of our military force and capabilities. Future interventions should be preceded by exhaustive diplomatic efforts, conducted in concert with U.N. Security Council members, and supported through the regional engagement efforts outlined above. In this section, we review strategies and recommendations to address the challenges of Afghanistan, Pakistan, Iran, terrorism and other near-term threats to homeland security.

Afghanistan

U.S. involvement in Afghanistan remains an urgent concern. Our efforts and resources are overextended, and it has become increasingly difficult to defend our continued level of military commitment. We have seen the recent withdrawal of 33,000 troops (post-surge), but 68,000 remain. Though we will continue to work toward a stable and secure Afghanistan, the country no longer poses a substantial U.S. security threat. As such, we believe it is time to reassess our approach. At best, we are not seeing a return on our investment. At worst, our presence may be impeding Afghanistan's progress. This points to an unfortunate conclusion. There are limits to what the U.S. can do to improve the situation in Afghanistan, especially with limited support from the Afghan government.

In an effort to better align our expenditures with our interests in Afghanistan, we recommend a full and immediate withdrawal of American forces by the spring of 2013. This will serve as a clear statement: we are taking on a new role within the region. After years of conflict, the U.S. will now focus its resources on regional investment and cooperation. The current NATO timetable ends the Afghanistan mission at the close of 2014. An earlier withdrawal date will be met with resistance, but if the country's security forces are not yet ready to take the reigns, it is unlikely they will be ready next year. This is a challenge the Afghan government must rise to. It is time for our function

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within the country to evolve. Fundamentally, we should be investing significantly less than \$10 billion per year in Afghanistan, not over \$100 billion which has been our recent burn rate.

We will continue to offer the Afghan government financial support in the form of humanitarian assistance and two different pools of conditional aid. Military/security aid will be tied to conditions such as transparency and anti-corruption efforts within government. Economic aid may be used as an incentive for Afghan leaders to work toward a federalized government. Afghanistan's tribal nature makes for what is essentially a federalized state. It is our belief that a system of federalization is essential to the security and prosperity of the country moving forward. Strong Afghan leadership will be necessary. This new U.S. strategy will focus less on the military issues, and more on strengthening government and promoting good policy. The upcoming elections will be of particular concern to the U.S., but Afghans must take the lead in their own governance.

We also suggest U.S. guidance and support for a regional economic investment entity. The region is volatile, but we should encourage Afghanistan to pursue economic cooperation with its neighbors. If the U.S. can assist in developing the foundation of such a regional economic alliance, it may ultimately be friendlier to American interests. We should tread lightly in our continued involvement within the region, emphasizing cooperation and collaboration wherever and whenever possible. It is very much in our interest to help Afghanistan in any efforts to move beyond its economic dependence upon opium. Development investment is a crucial component of this effort.

Afghanistan's future remains uncertain. Major factors influencing the country's progress are outside of U.S. control or its sphere of influence. This reality means that we must be prepared to accept the possibility of civil war. The U.S. does not have the appetite to engage in such a conflict if it were to transpire, but would work with regional powers and tribal leaders to encourage its resolution. If the Taliban strengthens in the South and again poses a threat to U.S. security, we would carefully reconsider the level at which we can or should become engaged.

Pakistan

Our relationship with Pakistan continues to be a serious concern. In realigning our military outlays with our national interests, the NSC recommends a shift in U.S. policy toward Pakistan. As we disengage militarily from Afghanistan, our considerable fiscal commitment to its neighbor will no longer serve the safety of American troops. We should therefore begin a reduction in military aid to Pakistan.

Both countries see the security of Pakistan's nuclear weapons as a priority, and the U.S. should remain ready to provide requested technical assistance. We should encourage Pakistani and Indian dialogue to reduce tensions in this fraught relationship. We also recommend an increased focus on intelligence collection within U.S. agencies and

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through collaboration with Pakistani intelligence. Both countries would benefit from improved relationships between intelligence agencies.

Breaking from the previous administration, we recommend a substantial reduction in the use of drone strikes. This will parallel our disengagement in Afghanistan. We do not advocate a full discontinuation of the drone programs which, when used selectively, can be an effective tool in combating terrorism and terrorist leaders. They should remain on the table, but a thorough analysis of their efficacy and impact should be a prerequisite to their continued use. We must be wary of creating more terrorists than we kill.

Though we will discontinue a large portion of our military aid to Pakistan, economic aid should continue if it can be leveraged to our advantage. As with Afghanistan, we may better use aid to incentivize the Pakistani government. Anti-American rhetoric can and must be reduced, beginning at the government level. Our relationship will be improved through increased emphasis on the common concerns of security interests, economic collaboration and trade opportunities.

Iran - The Grand Bargain

If the strong sanctions in place since June of 2012 have not brought satisfactory resolution to Iran's pursuit of nuclear weapon capabilities by your inauguration, we are recommending pursuing an ambitious engagement policy as the best alternative to potential conflict. Based on current intelligence and the desire to avoid an unwanted conflict in the Middle East, the NSC recommends a new *Grand Bargain* strategy with Iran. The United States recognizes an Iran with a nuclear weapon will result in the proliferation of nuclear weapons in the Middle East region and this is unacceptable. Therefore, this *Grand Bargain* for Iran will be designed as a win-win scenario for the United States. If Iran accepts the bargain, they will receive a generous and comprehensive incentive package in exchange for allowing full IAEA inspections and not weaponizing their nuclear program, as well as renouncing State-sponsored terrorism. In the long term, however, this incentive package will be a bargain for the United States, because it will likely open up the internally weak Iranian regime and expose its weaknesses to its own people and the international community. The United States will work in consultation with its allies, particularly Saudi Arabia and Israel, to develop and finalize the strategy.

The *Grand Bargain* comprehensive incentive program consists of: (i) no American support for any unilateral strike against Iran; (ii) allowing the international community to invest in the Iran oil sector; (iii) support for nuclear energy objectives with safeguards, such as helping Iran attain a safe, light water nuclear reactor; (iv) taking steps towards improving Iran's diplomatic relations with the international community and re-establishing diplomatic relations with the United States; and finally, (v) a full sanctions removal. This final component will need to be negotiated in conjunction with internal changes in the American legal code (removing Congressionally imposed sanctions on Iran). This should be achievable if Iran agrees to the specific conditions of

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the offer, and Congressional leadership is briefed on the longer-term goals of the program, i.e. contributing to regime moderation or change.

If Iran's leadership rejects the *Grand Bargain* or makes the decision to weaponize, the NSC then recommends an aggressive contingency plan on top of the current restrictive sanctions.

The Contingency Plan

If Iran does *not* accept the *Grand Bargain*, they would lose what is left of their credibility in the international arena, reveal their nuclear program's true intent, and give a concrete reason for the United States and Israel to prepare for an aggressive strategy against their nuclear capability, supported by our allies, the Arab League, and the international community. This contingency plan consists of incremental notifications and raised stakes for Iran. If after three months Iran has not accepted the *Grand Bargain* or allowed full IAEA inspections, additional regime-targeted sanctions, particularly on their oil sector, would be established leading to an eventual full oil export embargo against Iran. Any countries that do not implement the embargo would be dealt with through diplomatic and economic disincentives. The United States would also increase the level of covert operations against Iran, and cyber attacks against their nuclear program. The United States would provide Israel not only with financial support, but final tactical military support in developing contingent military planning. Finally, if Iranian leadership continues to advance nuclear capabilities towards weaponization, the U.S. and its allies should be prepared to target all known nuclear weapons and related facilities, to permanently impair or significantly degrade Iran's nuclear weapons ambitions. Following any strikes, the U.S. and our allies would also openly develop and encourage additional Iran regime-change strategies.

Counterterrorism and Homeland Security

The United States needs to remain vigilant against the diffuse threats of terrorism existing today. The NSC recommends making cyber security a top priority in the fight against terrorism. There needs to be heavy investment in the American digital infrastructure, acquiring cyber security expertise, and securing military and security-related networks, given significant cyber terrorism threats to our national security and infrastructure.

We must improve information sharing for greater collaboration and efficient counterterrorism efforts. The NSC recommends creating a new EU-NATO Counterterrorism Information Sharing Bank. The overlapping security interests and member states should result in considerable shared information among members, but this has proven not to be the case. These two concrete recommendations deal with the pressing existing terrorist threats.

Clear preventative measures must be taken against terrorism. This is why the NSC believes increasing covert operations in areas of high-risk terrorist threats are

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necessary. Somalia and Yemen are two countries that are on their way to becoming the new breeding grounds for terrorist operations against the United States. Therefore, increased covert ops and rapid response capabilities in high-risk areas such as these should be an instrumental component of future counterterrorism strategy.

Finally, we should take further preventative measures against future terrorist attacks by increasing funding and investment in countering homegrown terrorism. The NSC recommends heavy investment in local, state, and federal inter-agency coordination. Local officials are often the frontline of defense in America in identifying new terrorist threats. Coordination is key. The NSC recommends heavy investment in fusion centers, Joint Terrorism Task Forces and National Counterterrorism Centers as a way to improve agency coordination on all levels to curtail the homegrown threat. Also, savings from Afghanistan should be diverted into Department of Homeland Security measures to strengthen vulnerabilities of U.S. mass transit systems and other soft targets of potential terrorist threats.

V. Conclusion

In short, our national security strategy and recommendations seek to re-establish global political and economic leadership through fiscal reform at home, regional engagement abroad, and a re-balanced but strengthened military and security profile. Importantly, these goals should be promoted to both the American people and Congress, so the divisive policies and politics of past administrations give way to a new era of cooperation and leadership in achieving goals and objectives consistent with our national interests. Unforeseen events and challenges are inevitable. However, by repositioning ourselves and rehabilitating our international image we believe we can be a preferred global partner, willing to lead an integrated world community towards greater peace and prosperity. By pursuing the specific elements of the recommendations outlined above, the U.S. can re-assert itself as the benevolent leader in an evolving, multi-polar world.

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