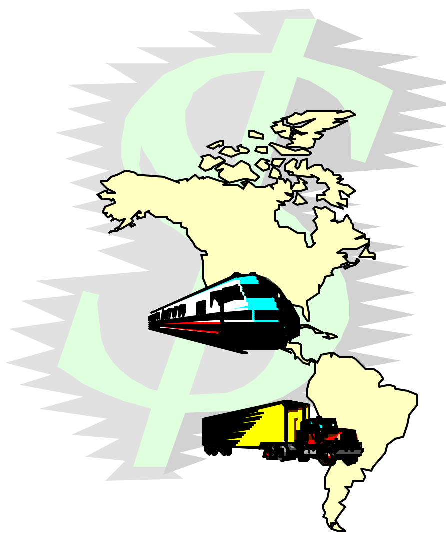
# Pan-American Highway

| Role of Federal Government | U.S. Economic Vitality | Threats to U.S. Society | Demand for Maritime Services |
|---|---|---|---|
| Substantial | Strong | High | Low |



**Summary**

**Pan-American Highway** is a world in which large regional trade blocs have coalesced around two currencies: the dollar (in the Americas) and the Euro (in Europe and neighboring nations). The U.S. and EU, embroiled in trade wrangles, have been impelled to become more closely integrated with their weaker cousins in order to insure "critical economic mass." Countries unaffiliated with one of these two blocs have suffered from currency fluctuations and recession. Asia in particular was mired in a deep slump for most of the first decade of the new century after the devaluation of the yuan in China. A grab for Vladivostok by China caused a four-way military stalemate in the Northwest Pacific between China and the U.S., Russia, and Japan. In response, the U.S. has reallocated its military presence: the Navy to the Northwest Pacific, to monitor the shaky peace; and the Army to the Americas, where hemispheric defense has become the major goal. Sea-borne trade is stagnant in the Pacific, but inter-American trade (mostly through Mexican, Jamaican and Canadian mega-ports) is strong.

**THE ECONOMIST REVIEW: THE GLOBAL ECONOMY**

[Excerpted from *The Economist*, Year End Double Issue, 2019]

*Just twenty years ago, the world seemed to be on a course of endless growth and ever-closer economic integration. Millenarian books such as* The Borderless World *and* Ten Radical Strategies for a Connected World *presaged a globe that could only become more and more closely "wired" together. How the inevitable failed to occur, and the improbable often happened, is the subject of this week's survey.*

**Millennium Dreams and Nightmares**

The turn of any century always has about it an air of uncertainty mixed with heady expectation. Optimistic futurists paint stylized portraits of a fantastic future of personal rocket ships and vacations on Mars. Religious leaders exhort the faithful (and the faithless) to repent, since the end is near. The turn of a millennium stokes these seers to even higher fevers of imagination. Thousands of people wandered Europe at the turn of the year 1000, giving away their belongings to complete strangers in anticipation of the imminent return of Jesus Christ, which had been foretold by their religious leaders. Others cowered in their dark dwellings, anticipating the fiery end of the world.

A thousand years on, the numbers of religious mendicants had declined somewhat (parts of California excepted). In their place were doom-saying technologists, who predicted doom and destruction from the infamous "Year 2000 Bug." On the positive side were the business and technological prophets who saw the coming of a New Age in which the entire world would be tied together into one unified network, on a permanent "long wave" of prosperity and progress. Now that almost 20 years have passed since the illustrious date, it can safely be stated that neither of these two extreme visions has been fulfilled. The world has not been destroyed, despite the many bumps that it has suffered in the past two decades; nor has it become the united techno-paradise predicted by the fondest New Agers, though undeniable progress has been made in many areas.

Twenty years may not lend enough perspective to write a conclusive history of an era. Yet the time seems ripe to take a good straight look at how the century has developed, and to shake free of the twin millenarian fantasies that still hang like cobwebs in the minds of so many people (not to mention their pundits and their leaders). The objective of this survey is to trace the evolution and the effects of a number of unexpected or underappreciated trends that have interacted to create the actual 21st century in which we are living. In this way we can perhaps do our small part to counteract the endless series of best-selling books that have purported over the past 20 years to prove to us that we are living either in the New Eden or in The Last Days.

We give short shrift in this survey to the doomsayers. That the world has not ended, that airplanes did not fall from the sky on January 1, 2000, and that (with some notable but not fatal exceptions) the world's computer networks have survived intact, are things that simply must be gratefully noted.

Explaining all that has not happened is beyond the scope (and paper supply) of this newspaper. Explaining what actually has happened ought to be quite enough.

**Faulty Assumptions**

Many of the errors in prediction of that pre-millennial fever can be attributed to thoughtless (and in some cases unconscious) extrapolation of then-current trends to some final state that, on reflection, could have been seen to be impossible or illogical:

- Trade barriers were falling, in general, around the world; therefore, the world would, in the next century, become a single market.
- Communism and other despotic regimes were being replaced by elected democracies; therefore, the entire world would be democratically governed sometime in the near future.
- Major wars had almost ceased to occur in the latter years of the 20th century; therefore, the next century would see the extinction of major-power military conflict.
- Governments in the developed (and the developing) world had visibly retreated from intervention into their economies, and this had coincided with the longest boom in history; therefore, governments in the future would never again dare to intervene in economic affairs.
- The volume of international trade was expanding faster than the rate of output as trade barriers fell; therefore, trade volume would continue to expand.

The key to understanding the evolution of the world in the 21st century is to be found in the fallacies underlying each of these assumptions. Cursory examination would have shown that none of these identified trends logically could have been expected to proceed to its "logical" conclusion, at least not without surmounting grave difficulties.

**One Market — or Two?**

Few "serious people" in the 1990s doubted that the logic of global economics would cause individual governments, individual currencies, and separate regions to become less and less important and, ultimately, to be subsumed into the fabric of a fast-paced, united, digital world. These "serious people," however, overlooked some disquieting trends at work as the 20th century ended.

***New York Times, February 9, 2001***
*Editorial: Dollar Must Be Defended. . . The triumphal expansion of "Euro Land" is greeted with some private trepidation by U.S. officials. It raises the specter of the dethronement of the dollar as the world's reserve currency . . .*

The first clue that a unitary world economy was not in the offing was the massive currency crisis that began in Asia in 1997. As the crisis spread across the Pacific to Latin America, international financial officials responded in an inconsistent manner. They doled out money freely to some of the first victims, then reversed course and demanded painful structural reforms from others. Similarly, they praised Brazil for holding the line on their currency for months; then when devaluation was forced upon them, many praised the Brazilian government for its realism. Few noticed that Argentina, buffeted by Brazil's collapse, rather than bending its stern policy of pegging its currency to the dollar, actually began to study the "dollarization" of its economy: actually taking their own currency out of circulation and replacing it with the greenback.

Why would a proud and independent Latin American nation even consider such a radical surrender of sovereignty? Those asking this question might well have turned to Europe for the answer. Why would France and Germany consider surrendering their own monetary autonomy? In retrospect Europe's move to the Euro clearly was motivated by the need to achieve more, not less autonomy. The Euro nations traded small-scale individual monetary autonomy for membership in a club that would confer a collective economic clout equivalent to America's. They realized that the poor autonomy of a national currency was always held hostage to the whims of the currency markets and the actions of that "hegemonic" actor across the Atlantic. And the smashing success of the Euro caused many elsewhere to ponder its lessons. Even Britons eventually were persuaded to close their ears to French bombast and climb aboard the *Euro Express*.

Argentina's "currency sovereignty," as it well knew, was similarly illusory. When it actually moved to the dollar in 2002, it caused several other nations in South America (most of them historically antagonistic to "Yankee imperialism") to put the study of dollarization at the top of their priority list. At first the U.S. viewed these moves with caution, if not downright alarm. After the "Euro Club" began to expand, however, with all the member states admitted by 2004 and several eastern countries clamoring for entrance, the normally hands-off U.S. government began to change its attitude. The European market had expanded to become far larger than the U.S. market, or even the entire NAFTA zone. If the U.S. could not do something to expand its reach, the dollar's status as the world's reserve currency would be imperiled, and the U.S. might be in the position of paying off future debts in a currency no longer under its control. This fear caused a sudden shift in U.S. policy.

***Dallas Morning Tribune, September 22, 2005:*** *Brazil makes Dollar Official Currency; Most Other Latin Countries to Follow*

After 2006, when it became evident that the "Euro Zone" was not going to go away and that Latin American countries could dollarize with or without its consent, the U.S. decided to make the best of the situation and actively to assist the process. This had to be done with a great deal of caution, as many Latin Americans remained highly suspicious of *norteamericano* motives. By 2010 the Western Hemisphere had become a "Dollar Zone," with almost all currencies either pegged to the dollar or actually retired in favor of the dollar. The Federal Reserve Bank was discomfited at first by its sudden *de facto* redesignation as a hemispheric central bank. However, after a few fits and starts in balancing the interests of the U.S. economy, Latin governments, and monetary conservatism, the Fed settled into a smooth and predictable policy of dollar stabilization. The U.S. government, in turn, tentatively began to institute tax breaks and other incentives to businesses willing to invest in Latin America. After the stagnation of the early and mid-2000s, which had been attributed to the Asian collapse, Latin American investment and trade seemed the only way to lead the U.S. toward a new era of prosperity.

The EU, partly in response to the dollarization of the Western Hemisphere and partly for political and economic reasons of its own, accelerated the acceptance of new members and their incorporation into the "Euro Zone." By 2008 Poland, Hungary, the Czech Republic, Switzerland, Austria, Great Britain, Greece, Malta, the Baltics, and Slovenia had accepted the Euro as their national currency. The Euro also was the de facto (or underground) currency in many places where the dollar (or the deutschmark) previously had held sway as the unofficial currency: Serbia, Ukraine, Cyprus, Russia, and parts of the Middle East and North Africa.

The U.S. and Europe at this juncture often began to find themselves at loggerheads over trade. For home political consumption the EU began to take a hard line on many trade issues, particularly agriculture. Both sides often cited environmental and product safety concerns to justify the erection of trade barriers. Sea-borne trade between Europe and the U.S. was hard hit as a result. Trans-Pacific trade volume sank well below 1990s levels because of continued Asian stagnation, as well as piracy and occasional military disruption of sea-lanes.

Key resources that were unavailable to either of the two zones began to exacerbate the horse-trading and rivalry between the Europeans and the Americans. Other resources that belonged to neither zone, and whose jurisdiction was questionable, were deemed free for exploitation. Many marine resources were decimated by this competition; fish stocks outside of exclusive economic zones were particularly badly hurt. The environment in general began to suffer as international organizations such as the UN began to lose power relative to the EU and the United States. Other countries (China in particular) took quiet note of the situation and began to flout environmental and other regulations with impunity.

**The End of History?**

In 2008 the Castro era finally ended in Cuba and the Kim Jong Il regime collapsed in Korea. Pundits and politicians hailed these events as the "true end of the Cold War," and a milepost on the way to "universal democratic capitalism." This superficial analysis, however, could be maintained only through studied ignorance of the facts.

Fidel Castro's death in 2005 had been followed by the ascension of his brother Raul to power. When his initial vague promises of reform failed to materialize, and the Cuban economy approached total breakdown, Raul was forced out by the military, which then acceded to the will of the people by holding elections. The euphoria following the establishment of a democratic regime and the opening of the borders to returning relatives and U.S. aid was brief, as the size of the task before the government became more obvious. Still, relations with the U.S. to 2010 were reasonably warm, and the re-injection of exile money, ideas and businesses carried the country past the initial "shock therapy" of newly injected capitalism.

What analysts failed to emphasize at the time, however, was that the fall of Castro and Cuba's democratization was less a victory for the forces of universal democratic capitalism than a small if critical event in the *division* of the world into three major camps: the Americas, dominated by the United States; the Euro Zone; and everyone else.

The reintegration of the Koreas showed some of the flaws in the simplistic triumphalism. The leaders of the military coup that toppled the Kim regime promised reform and food to their starving people. The only sources of these things, however, were outside the country. The generals quickly agreed to four-party talks on the future of the peninsula. The U.S., China, South Korea and North Korea agreed by mid-2009 to a staged reintegration and demilitarization. Some critics called it a sell-out to the Chinese, since nothing approaching true democracy would be instituted in the north anytime soon and the U.S. would have to foot the bill for much of the reunification costs. Others pointed out that the introduction of capitalism was a significant short-term achievement and that the Chinese were unlikely to allow anything more on their borders any time soon. The agreement allowed the U.S. to safely pull the nearly all its troops out of the country soon thereafter.

Certainly Korean unification, though a positive event, could not be filed under “Victories of Universal Democratic Capitalism.” The influence of the U.S. over the united peninsula could not be maintained at the level exercised over the old South Korea, and a Korea preoccupied by reconstruction, of doubtful democratic institutions, and suddenly more open to Chinese influence certainly could not be an example of some universal move toward democracy. U.S. government officials, however, agreeably surprised by Chinese flexibility, insisted on trumpeting it as just that.

There was, however, another reason for China to be forthcoming on the Korea issue: its own economic resources were strained to the utmost after the collapse of the yuan. The Asia-wide recession that followed China’s devaluation was even worse than the contraction of 1998. Beijing hardly needed another charity case on its doorstep when mass discontent at home threatened the continuation in power of the Communist Party. The immediate answer to the threat of political change was for the regime to crack down at the slightest sign of dissidence, to denounce “foreign speculators” for their economic woes, and to pander to nationalistic feelings.

This gamble paid off for the government: the people, accustomed to double-digit growth and talk of a “Chinese Century,” were all too ready to point fingers at outsiders for their plight. In particular, currency speculators and the Japanese (who seemed to be weathering the economic downturn better than most Asians) were blamed for the Chinese depression. To satisfy the nationalistic fervor it had stirred up, the government began to seek out occasions for demonstrating a hard-line attitude toward perceived foes. The Spratly Islands were annexed outright; Taiwan became the target of harsher rhetoric as well as more frequent near-miss missile tests; and talk of “new Japanese aggression” and arguments over the Russian-Chinese border began to be seen more and more in the government-controlled press.

To be sure, Japan had remilitarized to an extent, with American blessings, as part of a U.S. campaign to lay off more of the burden of defense on its allies. And an unstable Russia, which at times appeared to be on the verge of disintegration, was a legitimate Chinese concern, especially when it seemed to be aligning itself with Japan. The Japanese in turn were deeply concerned by the expansion of Chinese influence throughout the entire Korean peninsula, just a few hundred miles away. Events would ultimately prove this concern to be justified.

The American government secretly consulted with the Japanese during the four-party talks but did not succeed completely in placating Tokyo’s fears. The “Korean crisis,” as some conservative Japanese unfortunately began to refer to it, caused the Japanese government to question American willingness to maintain its presence in the Western Pacific. These doubts in turn gave more impetus to those calling for a stronger Japanese military.

But even had these events not occurred, in its truculent mood the Chinese government might have invented them for internal public consumption; as it was, it played them up and exaggerated them. Interestingly, the Chinese were careful not to unduly antagonize the one remaining superpower and largest remaining potential market for its goods, the United States. They carefully separated their more frequent disputes with Japan from their "strong relationship" with the U.S., even when the U.S. encouraged Japanese rearmament.

But the U.S. was beginning to retreat from its previous forward position anyway. Over the first decade of the new century, America's appetite for playing "global policeman" seriously eroded. American troops were pulled out of Bosnia and Kosovo after a number of fatal incidents and the bloody conclusion to this conflict made America seem weak and inept. Elsewhere, American troops based overseas had become targets of attacks by a variety of publicity-seeking groups. When the Korean accord gave the U.S. cover to pull the vast majority of its troops out of the peninsula, it did so quickly; by 2010 only a skeleton force remained. The U.S., in light of the debacle in the Balkans and the increasing instability in Russia, reaffirmed its commitment to NATO at this time. While the number of U.S. troops on European soil had stabilized at its lowest level since the end of World War II, that commitment seemed genuine, because of Russia's continued financial weakness and political instability.

"Those opposed to our interests around the world should not take heart from these actions," the president stated in a speech to the American public in 2009. "We will not repeat the mistakes of the past by retreating into isolationism." Indeed, from 2005 on the military was reorganized to focus on two main aims: first, to ensure the security of the Western Hemisphere; and second, to maximize its flexibility in projecting power quickly when U.S. interests were threatened outside the hemisphere. The first priority raised the profile of the Army in the Western Hemisphere; the second made the Navy the major tool for projecting force outside the hemisphere.

Critics noted that, in the absence of assets on the ground overseas (in the Middle East, for example), there was little the U.S. could do to influence such issues as the proliferation of weapons of mass destruction. Government officials, speaking off the record, agreed that this was troubling, but claimed that the expense of maintaining massive overseas installations simply had not been justified by the results.

"Who won the Gulf War, anyway?" one of them asked rhetorically. "The guy who was bombed but left in power free to pursue weapons programs, or the country that had to spend hundreds of billions of dollars and keep hundreds of thousands of folks in Saudi Arabia for 15 years?" Nonproliferation was of vital importance, said another official, but experience had shown that massive overseas-based forces were useless in preventing the spread of weapons of mass destruction — though nothing else seemed to work well, either. Disgust at the inefficacy of the United Nations and other international institutions pushed the U.S. to fall back on bilateral diplomacy, sponsorship of client states such as Japan, Turkey and Israel, and attention to its own "back yard."

**Crisis: The Resumption of History**

In December 2012, after several decades of negotiation, Japan reacquired the Kurile Islands from Russia. The Russian government, broke and in disarray, reportedly agreed to accept a large payment from the Japanese to cede the northern islands it had taken at the close of World War II. Clearly the Japanese move sprang from motives beyond mere fellow feeling for the islanders. Ever since the Korean reunification and expansion of Chinese influence, the Japanese had been looking for a way to shore up their northern flank. They could not have anticipated the Chinese reaction to this diplomatic move — nor could the U.S.

***New York Times, June 2, 2013:***

*CHINA ATTACKS RUSSIA*

*VLADIVOSTOK THREATENED*

On June 1, 2013, the Chinese Army attacked across the frontier with Russia at Khabarovsk. The Russian armed forces had been alerted to increased Chinese activity across the border, but there was little they could do to stem the tide of the PLA attack. Within several days the Russians had been pushed back to the outskirts of Vladivostok, where their resources for defense were greater, though still inadequate. Frightened by the imminent loss of this vital Far East port, the Russians threatened nuclear retaliation. At this point, the U.S. Navy asserted itself, bringing into striking range of the battle a carrier battle group that "luckily" had been cruising in the Pacific East of Japan. A cease-fire was called on June 13, and the battle lines have remained pretty much as they were ever since.

The Khabarovsk war enlivened the Russian political scene almost immediately. The government fell immediately and was replaced by an elected nationalist government, causing tremors on the European exchanges. The U.S. was forced to beef up its naval presence in the Northwest Pacific, greatly stretching its naval resources, and altering nearly beyond recognition its doctrine of "flexible force projection." A large permanent presence in the Northwest Pacific now is projected for the foreseeable future. This has lessened the Navy's roles in homeland defense and power projection elsewhere (such as in the Middle East).

**The Push to the South**

Although the U.S. has remained committed to preserving the peace between Russia, China, and Japan, the war has pushed public opinion into an even more isolationist or, to be more accurate, "hemispheric," orientation. This has suited the U.S. federal government, which had made integration with the rest of the hemisphere its Holy Grail ever since trade with Asia collapsed and economic rivalry with Europe became its main economic threat. The American drive to develop and integrate with its long-neglected southern neighbors is probably the single most surprising development of the past 20 years, and deserves particular attention.

The first decade of the new century had seen seismic shifts in U.S. domestic government policy. By 2005 the momentum of devolution (the transfer of governmental programs, control, and accountability to state and local governments from the federal level) had begun to wane, and there were calls from many to reverse the process. In particular, the mishandling of education in some states and the extreme variations between states and localities regarding civil rights, welfare, and tax policy inspired calls from every part of the political spectrum for national standards and national control. Conservatives began to demand federal protection from local laws restricting their rights to bear arms, conduct business in an unfettered manner, and dispose of their property as they saw fit. Liberals and moderates decried the "unjust variability" in education, housing, and segregation. By 2010, Congress had gotten the message, and was beginning to pass legislation that re-injected the federal government into many of these issues.

The drive to make a single market out of the hemisphere was the final straw that broke the back of "Reaganism" and *laissez-faire* government economic policies — but what a straw it was. With markets elsewhere difficult or impossible to enter, Latin America must be developed, reasoned government officials, and the private sector could not possibly provide investment funds sufficient to do the job. Accordingly, the 2010 budget contained vast appropriations for infrastructure improvement projects, especially in the area of transportation. The Department of Transportation had been the first federal agency to reorganize itself to focus on hemispheric development and, after 2012, a large minority of its appropriation was being spent on south-of-the-border projects.

Europe, in response or in parallel, expanded its EU infrastructure programs, once targeted on laggards among the original 12 such as Greece and Portugal, to places farther south and east — Ukraine, Belarus, and Morocco. But to the extent that true integration — economic, political, and cultural — was ever pursued by the EU, it was far less ambitious than its Yankee counterpart.

By the end of the decade, the American effort had shown some impressive results — at an impressive cost. The economy had responded to the massive stimulus of the Latin American investments, and was booming along at a nice clip. Inflation was a bit higher than in the old Greenspan days, and the budget surpluses predicted by the Clinton administration had mostly disappeared. There was grumbling by the Baby Boomers about Social Security — a fix would have to be found if it was not to go bust in a decade or so hence. Yet the hemispheric initiatives were exciting to the "Baby Busters," who had sorely lacked a unifying mission, at least since the Gulf War.

The road and rail nets being constructed will take decades to complete, so a final judgment of the success of the American investment is impossible now. However, the new, high-tech, intermodal mega-port facilities at Veracruz, Kingston and Halifax have already redirected much of the flow of American maritime traffic. Long Beach has been upgraded on the West Coast, but results have been disappointing to date because the perennially expected recovery in imports from Asia always fails to materialize. Most transport is regulated by hemispheric authorities, dominated by the U.S., with most U.S. maritime regulations, such as the Jones Act, reformulated on a hemispheric basis. Investment in Mexican rail has shown some impressive results.

One beneficiary of the new American focus has been the Western Hemisphere's tourist industry. In the first few years of the century, terrorism against American targets overseas drove American tourism behind the U.S. border. Once the U.S. government became committed to development of the "third world countries" in its back yard, however, the American tourism industry raised the standard — and security — of vacations to Central America, the Caribbean, and even South America. In addition, reports home by the vastly increased numbers of U.S. citizens working (permanently or on temporary assignment) in these countries gave them far greater marketing exposure than they had ever experienced.

The American shift toward the south also has had the effect of massively increasing migration in both directions, but decreasing the illegal element of the exchange. There are still restrictions on Latin Americans entering the U.S., but they are fewer, and in any case the massive U.S. investment in the countries of Latin America tends to keep potential migrants at home, where opportunity is knocking for the first time in living memory.

In addition, the extensive involvement of the U.S. in Latin affairs had the happy effect of dealing what some thought a mortal blow to the drug cartels in Latin America. Critics point out that the impressive decrease in U.S. consumption of South American narcotics has been matched by an increase in consumption of Southeast Asian products, and the springing up of similar cartels in troubled Asian countries that have yet to recover from the economic devastation of the 1990s and early 2000s.

**Elsewhere . . .**

These same Asian drug cartels have in many cases begun to exert a pernicious influence over their host governments. This has not helped Asia get back on its feet or join in the fairly decent level of prosperity that obtains in Europe and America, and it has made the Europeans and Americans notably reticent about measures to revive sea-borne trade with Asia, which has stagnated since the late 1990s. The Chinese-Russian conflict has not helped matters either. In light of these obstacles, and continued occasional currency instability, one could say that things ought to be a lot worse for Asia. But they are bad enough to push many unemployed Asians onto unsafe and aging ships to try their luck across the Pacific.

In fact, things are not so great in most of the non-dollar, non-Euro world. Sub-Saharan Africa simply has been left out of the game, except where critical and unique resources have been identified (e.g., Nigeria for oil, other countries for industrial-grade diamonds and rare metals). The Middle East's chronic political instability has caused its customers to seek alternate sources of petroleum, as well as alternative fuel sources. And, except for keeping a weather eye out for threats of weapons of mass destruction, the United States has more or less washed its hands of the region.

**The Future**

Now what, one might ask?

- The world of 1999, seemingly destined to unify or suffer from economic depression, has done neither. It has solidified into two prosperous economic blocs, with almost all countries outside the dollar or Euro zones suffering from economic volatility and currency instability. A single world market now seems unlikely in our lifetimes.
- Military conflict between nations, once deemed “illogical” and “extinct,” remains a constant threat, and a new, multi-polar “balance of terror” in the Middle East keeps people awake at night (except in America, which has decided, with admirable if doubtful logic, not to worry).
- Although communism is not in any danger of reappearing, extensive government intervention into economic affairs has reappeared on a scale not seen since at least the 1960s.
- And world trade, instead of branching out and becoming ever more global, has settled into an increasingly regional pattern: Americans trading within the Americas, Europeans trading within Europe and its environs, and Asians trading with each other when conditions allow.

It is not a world this newspaper would have predicted 20 years ago. We believe that a world of freer trade and more widespread political liberty could have occurred if short-term economic and political interests could have been put aside.

Perhaps it is unreasonable to expect human beings to act with such rationality and restraint. But it also would have seemed unreasonable in 1999 to expect the world we have now . . . and it could have been a lot worse.

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## Scenario Characteristics Matrix

| Mission Drivers \ Scenario | Pan American Highway |
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| **Role of Federal Government** | Substantial |
| **U.S. Economic Vitality** | Strong |
| **Threats to U.S. Society** | High |
| **Demand for Maritime Services** | Low |
| **Global Economic Health and Stability** | Global economic health is uneven with strength in the Americas (the "Dollar Zone") and Europe (the "Euro Zone") and a few select pockets elsewhere. Unstable growth in some regions because of discrimination with various trade barriers, including security. The China/Japan/Russia standoff is the major issue on the international scene; it clouds the whole economic, security picture. |
| **U.S. Society and Economy** | In early 2000s, Pacific Rim collapsed economically in response to devaluation of the yuan in China. The EU was doing well, with the Euro developing into a true rival for the dollar. With the world rapidly dividing into dollar- and Euro-dominated zones, the U.S. federal government decided that it had to ensure as large a sphere of economic influence as it could. With many Latin American countries deciding (as Argentina had proposed as early as 1999) to dollarize their economies, and the vast majority of the remainder pegging their currencies to the dollar, the U.S. was more or less forced into a regional economic and political focus. This turn toward its own hemisphere was also attributed to a series of frustrating and fruitless attempts to influence events overseas — in the Balkans, the Persian Gulf, and in the United Nations.<br><br>Nuclear proliferation in the Middle East and South Asia, the standoff in the Northwest Pacific, and a reduction in U.S. military presence in Europe and the Middle East, have forced the U.S. to invest heavily in missile defense and homeland defense, as well as satellite and other remote intelligence capabilities. Although it has abandoned its role as "global cop," the U.S. still will intervene overseas when its important national interests are affected and desirable ends and reasonable means can be clearly identified.<br><br>The EU succeeded brilliantly in leveraging its economic might via the Euro. By the mid-2010s, the world had divided itself into three basic zones: the Dollar Zone, composed of the western hemisphere; the Euro Zone, now extending across Europe and influencing Russia; and the Non-Aligned Zone, essentially the rest of the world. The U.S. decided that ensuring markets for its products for the future meant a massive effort to raise the standard of living of Latin America. They did this by<br><br>promising significant concessions on free trade, foreign aid, and economic and infrastructure development.<br><br>By 2020, the U.S. economy is reaping the benefits of government-led investment in Latin America. U.S. economic growth is strong. U.S. society has been heavily "Latinized," but not without friction. A focus on Western hemisphere affairs has emerged. Only the military is focused on affairs beyond the hemisphere.<br><br>One of the most obvious changes in American society has been a move back toward a more centralized, federal government-dominated political consensus. Part of this change has been attributed to supposed failures of the devolution movement, with fragmented state and local approaches inadequate to solving national and global problems. Much of it, however, resulted from the dollarization of the entire hemisphere; this made the Fed the effective central bank for the Americas. Private interests (U.S. as well as Latin) as well as the usual non-governmental organizations saw it in their interests to push for a Free Trade Association of the Americas, with the federal government influencing events from Alaska to Tierra del Fuego. |
| **NAFTA/Latin America** | NAFTA has expanded into a true Free Trade Association of the Americas (FTAA) in which almost the entire hemisphere (even a few remaining territories of European nations) is now included. MERCOSUR (the southernmost South American economies), the Andean countries, and the Caribbean community (CARICOM) have been combined with NAFTA into a hemispheric trade bloc.<br><br>U.S. commitment to the FTAA is stronger than ever. Currencies throughout the Americas have been |

| Scenario / Mission Drivers | Pan American Highway |
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| | "dollarized."<br><br>Intensive U.S. investment in Latin American infrastructure and political and economic reforms throughout the countries of Latin America, combined with strong multilateral counter-drug efforts, have made drug cultivation far less profitable and much more dangerous, which has pushed the narcotics trade out of the hemisphere and into Southeast Asia. |
| **Cuba/Caribbean Nations** | Cuba after the death of Fidel and Raul Castro has been peacefully integrated into the Americas bloc, though many say that gangster capitalism has returned to the island. Most agree, however, that crime, though rising, is nowhere near as bad as in pre-1959 days. Exiles have moved back in respectable numbers while maintaining American citizenship; economic growth on the island has limited emigration. |
| **European Union (EU)** | Strong, integrated European Union built around the Euro Zone trade bloc and fear of instability to the east. With Latin America turning away from Europe and joining the FTAA, the EU and FTAA are competing for markets in the non-aligned zone, especially the countries of Asia/Pacific Rim and South Africa. The top EU priorities are to stand against Russian nationalism and to extend the sphere of influence of the Euro. |
| **Japan** | Economy has rebounded fairly well from late 1990's crash. Banking and financial systems have reformed. Japan, which partially remilitarized with America's blessing after the U.S. downsized its presence in the Pacific, reabsorbed the Kurile Islands via diplomacy through economic concessions to a weakened Russia.<br><br>China perceived this move as a direct threat, which responded with a sudden attack on Khabarovsk, the sliver of Russia that extends south toward Vladivostok, Southwest of the Kuriles and roughly due West of Sapporo on the Japanese island of Hokkaido. The undermanned and demoralized Russian garrison in Vladivostok initially was all that stood between the Chinese force and the Sea of Japan. Chinese troops reached the outskirts of Vladivostok before threats of Russian nuclear retaliation and intervention by the United States (which dispatched what remained of the U.S. fleet to the vicinity from Yokosuka) froze the battle lines, causing a Korea-like stalemate.<br><br>Since this incident, Japan has not only continued its remilitarization but also has formed a formal trading bloc with the countries of Southeast Asia, ostensibly to compete with the FTAA and EU, but also to counterbalance the weakened but still expanding Chinese giant. Because Asia has yet to recover fully from its millennial crash, foreign trade volumes with the U.S. and EU have stagnated, and Japan, though the strongest economy in the region, remains a less potent force than it was in the 1980s. |
| **China** | China is a destabilizing force, selling arms (including mid- to long-range missiles and missile technology) worldwide to developing countries and rogue states for hard currency and oil. But it continues to achieve barely adequate growth in a mixed economy. The devaluation of the yuan in the early 2000s set off a destructive regional round of competitive devaluations that left Asia even more of a shambles than in 1998.<br><br>China also is a large polluter, especially in terms of air pollution. Undependable supplies of Middle East oil force China to continue burning its own coal even as it continues to industrialize, creating downwind problems for both Japan and Korea. (The inability of the United Nations and other international bodies to enforce environmental restrictions on or impose sanctions against China and Russia contributed to the U.S. decision largely to withdraw from participation in these organizations in favor of a more unilateral, Western-hemispheric approach to trade and political-economic affairs.)<br><br>China, despite serious economic problems, has ambitions to be the regional superpower competing with Japan. This China/Japan power struggle has been the single biggest story of the past decade.<br><br>Korea was reunited after the collapse of the Kim Jong Il regime. A military takeover and a public repudiation of the old regime paved the way for four-party talks (N. Korea, S. Korea, China, and U.S.), with the United States secretly consulting with Japan throughout the negotiations. The result has been a shaky reintegration of the country, with continued squabbles between the Chinese and the U.S. The Chinese, financially strapped at home, and unwilling to foot the bill for the monumentally expensive Korean reconstruction and reintegration, allowed the U.S. and old South Korean establishment a far freer hand in setting the tone for the new government, though the establishment of a truly democratic regime has been put off, some cynics say permanently. |
| **India** | Poverty, population and environmental problems are overwhelming — AIDS is epidemic and educated Indians are leaving in droves. Students are going to U.S. and Europe for education and not returning. The economy is in a shambles. Shut out of the nascent Southeast Asia/Japan economic community, as well as the Euro and dollar zones, and maintaining import controls, India's economic progress is on hold. Tensions are high with Pakistan and occasionally China. |

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| **Southeast Asia** | Volatile growth, with no full rebound from the crash around the millennium. The destructive competitive devaluations that followed the yuan devaluation in the early 2000s led to a prolonged depression, effectively removing Asia from the world trade scene for a period of years. Japan has, since its own slow recovery in the 2000s, made serious investments in the Asian Tigers (Singapore, Indonesia, Taiwan, and Korea, but not Hong Kong)— forming a (less effective and integrated) trade pact to compete with EU and FTAA.<br><br>Regional instability still exists, arising from both the booming illegal narcotics trade (pushed out of the Americas, it has become powerful in unstable countries such as Burma, Cambodia and Laos) and the China/Japan/Russia military standoff. |
| **Russia** | The Russian economy is in serious disarray after widespread and violent social upheaval in the 2000s. Some pieces of the Russian Federation were sliding toward secession prior to the Japanese acquisition of the Kurile Islands and the subsequent Chinese attack on Siberia, which provoked a revival of nationalistic feeling and the installation of a popular military government.<br><br>The former southern republics of the USSR (Azerbaijan, Kazakhstan, Uzbekistan, Turkmenistan) have aligned economically with Turkey and secondarily with the Middle East. The Baltics and the Ukraine are tightly aligned with the EU (their currencies are starting to be pegged to the Euro) and are very nervous about the new Russian nationalism. |
| **Middle East** | The Middle East is characterized by Arab-Israeli and Arab-Arab instability. A "balance of terror" between Israel and its Arab neighbors, and between Iran and Iraq, maintains a tense peace. To the extent that the U.S. has a consistent Middle East policy, it relies on Turkey, Israel, and to a lesser extent Jordan and Saudi Arabia, to push its interests.<br><br>Arms race: individual countries are accumulating large arms and weapons stockpiles; Iran and Iraq are either on threshold of possessing nuclear weapons or already have them, though delivery systems remain problematic. Iran likely is receiving assistance with its delivery system needs from China, which needs hard currency from Iran to fund oil purchases from other Gulf states. The "Islamic bomb" is the greatest threat to regional stability, and is perhaps the greatest worry of the U.S. military aside from the crisis in the northwest Pacific.<br><br>The UN, stymied by Russian and Chinese vetoes, is no longer participating in peacekeeping or the enactment or enforcement of sanctions.<br><br>The U.S., after a series of oil price shocks and supply cutoffs and frustrating attempts at intervention, has made the decision to promote hemispheric self-sufficiency. The U.S. therefore has become less dependent on Middle East oil and is thus less focused on the region than in the past.<br><br>Due to their large arms expenditures, most Middle Eastern countries have fragile economies. |
| **Africa** | Sub-Saharan Africa is desolate, as negative political and societal trends from the end of the 20th century continue. Some countries have fractured along tribal lines, erasing boundaries drawn long ago by the Western Powers and redrawing them along more "natural" lines, but only after much blood had been shed.<br><br>Both the EU and the FTAA covet Nigeria as a secondary supplier of oil, but neither bloc is otherwise particularly willing to invest seriously in development on the continent. For the EU, Africa is a bad substitute for Latin America as a market and source of raw materials and cheap trade goods.<br><br>North Africa is part of an Islamic band that extends from Morocco to Pakistan. |
| **Philosophy of U.S. Government in Society** | The federal government provides a wide range of services, focusing on environmental remediation and regulation, defense/national security and hemispheric infrastructure. Bureaucracy has grown, with a doubling of Dept. of Commerce to deal with FTAA and trade issues and the expansion of the Dept. of Transportation to fund huge infrastructure improvement projects in Latin America. Some dissatisfaction among older boomers — government is stressing trade rather than welfare/quality of life issues.<br><br>New anti-FTAA labor-based party has emerged and has gathered strength rapidly in areas affected by economic dislocations resulting from FTAA. This party does not, however, achieve anything more than small minority status; most Americans approve of the success of the government in keeping the economy strong. This is |

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| | especially true of the aging Baby Boomers, who must rely on the strength of the economy to generate tax revenues sufficient to fund their entitlements. |
| **Global Economic Integration** | High intra-regional cooperation and integration; low inter-regional trade. Though the focus has definitely shifted to spheres of influence (in the U.S. case, the "Dollar Zone" of the Western Hemisphere), this is not an isolationist world. While globalization has stagnated, relatively speaking, over the past two decades due to increasing political risk, occasional wars, the Asian crash, and some reinstitution of trade barriers, trade in vital commodities continues, subject to sporadic price/supply shocks.<br><br>Trade skirmishes with Europe, as well as the collapse of Asian markets, oil supply shocks in the Middle East, and occasionally threatened sea lanes in the Pacific, also push the U.S. to rapidly accelerate its integration with Latin America.<br><br>Both the U.S. federal government and the EU have been pushed by private economic interests to expand the spheres of dominance of their currencies as far as they are able. The eagerness of neighboring countries to escape damaging currency fluctuations caused them to peg their currencies either to the dollar or the Euro. Many of them have taken the further step of "dollarizing" or "Euro-izing" their economies, completely abandoning their national currencies.<br><br>The overall effect of this dynamic has been to tie these economies into single markets, with the Federal Reserve Bank in the Americas and the European Central Bank in Europe graduating to regional regulators and lenders of last resort. Economies left out of these two mega-blocs (especially in Asia) have suffered from sporadic currency fluctuations and their attendant economic shocks. |
| **Maritime Commerce** | Global maritime trade has fallen from historic highs, largely due to the problems in Asia. Intra-regional trade, however, is growing rapidly both in the Euro-Zone and in the Dollar-Zone of the Americas. The overall level of maritime trade into and out of U.S. ports, on the other hand, is decreasing for two primary reasons:<br><br>(1) Investment in U.S. port infrastructure did not keep pace with the trend toward the use of mega-ships for transoceanic shipment, which drove this portion of the trade to mega-ports in Halifax, Kingston and Mexico. Long Beach is the sole remaining U.S. port of international importance, though its importance has declined with the continued stagnation of Trans-Pacific trade with the countries of Asia.<br><br>(2) Even though the Jones Act was repealed in favor of a hemispheric version that permits cargo to be carried in the U.S. coastwise trade by ships flagged in any FTAA nation, Congressional emphasis on funding huge land infrastructure projects throughout the Americas (which promised to provide many more American jobs and American corporate profits than investment in U.S. ports) diverted much of the coastwise trade to the Pan American Highway road/rail net.<br><br>All FTAA-nation flagged ships must meet FTAA safety/environmental standards. Technological advances allow ships to be almost entirely self-sufficient, with private communications systems and navigation only supplemented by government systems. |
| **Nature of and Changes in Maritime Jurisdiction** | (Western) hemispheric agreements covering LMR essentially restrict fisheries and seabed resources off the Atlantic, Pacific and Caribbean coasts of the Americas to the FTAA countries. Reciprocal arrangements exist off the coasts of the EU countries; it's a free-for-all everywhere else. Weak developing nations in the Non-aligned Zone of Asia and Africa, lacking the means to protect their own maritime zones, fall prey to the fleets of their stronger neighbors, such as Japan, Taiwan, Korea, and China.<br><br>Some serious over-utilization problems have developed, as each bloc (FTAA, Japan/Southeast Asia, China, and EU) tends to look out for itself. This has decimated migratory fish stocks in international waters outside the various nations' EEZs. Attempts have been made to encourage the blocs to divide entire oceans into<br><br>exclusion zones, but a lack of global enforcement capability and cooperation has held up these measures. |
| **Traditional Military Threats** | The paramount threat to the U.S., and the world, is the proliferation of weapons of mass destruction. Particularly in the Middle East (Iran, Iraq, Israel) and South Asia, there is little the U.S. seems to be able to do to reverse the trend toward a multi-polar balance of nuclear terror. Since the direct short-term U.S. interest in the Middle East and Asia has declined, however, few Americans seem concerned about this situation (though they should be).<br><br>The American military is a highly mobile and flexible force capable of fighting and winning one Major Theater War, though with the U.S. "retreat" towards a hemispheric sphere of influence, a standard small regional war |

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| | fought with a coalition of allies seems less likely now than ever. There is a Western Hemisphere mutual defense treaty that includes a joint C3 infrastructure and some inter-operability, but no forward-based U.S. forces or assets.<br><br>Chinese nationalism, which was the Communist regime's last playable card in the face of economic recession and popular discontent, has succeeded for the moment in strengthening the government. Many in the West believe that this stoking of nationalism was the real reason China invaded Russia, not China's claim that it needed the port of Vladivostok in order to counter Japan's aggressive expansionism as evidenced by that nation's reabsorbtion of the Kurile Islands and its remilitarization.<br><br>For some time after the Chinese land grab in Siberia, World War III actually seemed possible. With its conventional forces largely confined to garrison due to its poor economy, Russia responded by threatening nuclear retaliation. Quick action by the U.S., which moved its air assets to Korea and its naval assets to the Sea of Japan, putting the U.S. within striking distance of both the invading Red Army troops *and* Beijing, prevented Russian overreaction and forced the Chinese to back down short of Vladivostok. This led to a Cold War-type stalemate, with the U.S. Navy stationed offshore to prevent any further Chinese moves. The crisis seems to have reached equilibrium. The Navy has been pulled into a seemingly permanent Northwest Pacific patrol, with its resources, much reduced from even 1999 levels, stretched to the limit.<br><br>Recent Russian nationalism and militarism is worrisome, but mostly to Europeans. NATO remains in place, and there is some American presence in Europe, but the general level of cooperation between Europe and the U.S. has degraded somewhat after the failures of cooperative efforts in the former Yugoslavia and Iraq in the 1990s and early 2000s.<br><br>The reunification of the Koreas under a four-party peace treaty has allowed the U.S. to reduce its presence on the peninsula somewhat, though not to the token "tripwire force" that had been anticipated prior to the Chinese invasion into Russia. With China's attention elsewhere for now and the U.S. funding reconstruction, the military threat to Korea appears low.<br><br>Significant instability in sub-Saharan Africa poses some threat to South Africa and FTAA access to some non-American-indigenous strategic materials. |
| **Weapons of Mass Destruction (WMD)** | The Middle East and South Asia are the most prominent sources of worry on this topic, but, again, direct short-term American interest in these areas has declined greatly since the turn of the century, which reduces the likelihood America will be targeted. The American attitude is "we have a lot at stake here, but there's little we can do about it." Nevertheless, it is a significant threat. |
| **Weapons of Mass Disruption** | South American dissident groups are occasionally blowing up pipelines and construction sites and attacking American installations and symbols in their countries. Cyber-terrorism also is a problem, disrupting flows of commerce and systems intended to track goods. |
| **Terrorism** | Terrorism is up outside the U.S., practiced by rogue states and insurgent groups financed by criminal activity (e.g., narco-terrorism in Burma and some West African countries). In the United States, groups resistant to the "Latinization" of the U.S., as well as militant unionists enraged by the loss of American jobs to cheaper countries to the South, sporadically attack symbolic targets. So far, no incidents of WMD terrorism in the U.S. have been reported, but there is increasing evidence of collaboration between radical American militia/"patriot" groups and overseas terrorist groups suspected of possessing biological and/or chemical weapons. |
| **Criminal Activity** | Intensive U.S. investment in Latin American infrastructure and political and economic reforms throughout the countries of Latin America, combined with strong multilateral counter-drug efforts, have made drug cultivation far less profitable and much more dangerous, which has pushed the narcotics trade out of the hemisphere and into Southeast Asia.<br><br>The drug trade between South/Central America and the U.S. is way down, thanks to extensive economic/political reforms in Latin America, massive U.S. investment in the region, strong multilateral counter-drug agreements and operations, and to a much lesser extent subsidies to farmers who engage in crop substitution.<br><br>The demand for illegal drugs in the United States and Europe also is down, but not significantly. As a result the global drug trade has moved to Southeast and Southwest Asia, Russia and China, fostering crime, piracy, and social instability across those regions and harming America's access to some markets. Intelligence agencies report that the drug trade in these areas is controlled by criminal cartels associated not only with smuggling of illegal goods/migrants into the U.S. and Europe via Mexico and the eastern European countries respectively, but also with insurgent and terrorist groups in the Middle East and Africa. |

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| **Illegal Immigration into the U.S. (from where, how (land/sea))** | The emergence of an economically strong, unified Americas vastly reduced the amount of illegal immigration from Latin America. Even Haiti's economy has rebounded sufficiently to effectively eliminate illegal migration, though its political recovery has been neither as swift nor as complete. As a result, Haiti still bears watching. Illegal emigration from Cuba is no longer an issue.<br><br>The smuggling of illegal Chinese and African migrants continues, and may actually have increased, though U.S. ability to sense/monitor shipping has made direct waterborne infiltration so difficult that land routes appear to be the preferred means of access to the United States. The vastly increased land trade between Mexico/Canada and the United States actually may have facilitated this shift. |
| **Power & Influence of International Organizations** | Regional trading and financial institutions have grown in power. Supra-national organizations like the UN — especially the WTO, which the U.S. shunned after some rulings went against it — have lost power. The real forum is between the regional blocs. The FTAA, EU and other trading blocs set different standards for trade, shipping, finance and product specifications, leading to bureaucratic headaches and de facto trade barriers. The real rulers of these blocs are the central banks, namely, the Federal Reserve Bank for the FTAA and the European Central Bank for the EU. While the U.S. remains committed to NATO to counterbalance Russian instability, U.S. commitments to other international institutions outside the hemisphere have been scaled back. |
| **State of American Educational System** | Overall increased national emphasis on education and training, with a strong hemispheric flavor (mandatory Spanish starting at age 6). The Federal government has a stronger hand in education than it has had in decades, mandating proficiency levels, administering national skills testing, and providing tax incentives and training subsidization in areas important to hemispheric integration. |
| **Global Information Infrastructure** | IT growth has been fueled by government subsidies and military applications, and is essential for corporate competitive advantage. Worldwide IT standards are lagging, but regional standards are strong. Interoperability between countries in different trader blocs is a problem, but only at the irritant level.<br><br>Companies use the successor to the World Wide Web — a true information highway — to track individual items and to choose the cheapest, most cost-efficient transport mode and route. Telecommunications networks optimized for regional use anywhere anytime have been crucial to the success of the new regional economies.<br><br>Sensing technology has made great advances, focused on military, transportation and communications. |
| **Environmentalism (state of environ-ment, government policies, global warming, etc.)** | The lack of global standards and agreements has harmed efforts to reduce the worldwide emission of greenhouse gases, especially with the China continuing to burn coal — inefficiently — and Russia's lack of cooperation in ANY effort at protecting the environment. This has led to calls in some circles to abandon U.S. emissions standards, since without developing country support, little can be done. But the U.S. government has steadfastly held to agreed-upon hemispheric standards. The nations of Europe similarly have held to stringent EU-wide emissions standards, and there is significant European discontent with Russia's intransigence as a result.<br><br>There is continuing evidence of global warming but it has not manifested itself in anything more serious than was occurring in the late 1990s. Thanks to the emphasis on economic and political integration throughout the Western Hemisphere, which<br><br>significantly increased the quality of life in Brazil, the Amazon rainforest is under less developmental pressure than it has been in decades. |
| **Availability of Natural Resources (not environment)/ e.g., fish stocks and seabed resources** | Most resources are available within the Americas region (although some key subsidies for development purposes are employed).<br><br>Access to key strategic resources outside the Dollar or Euro Zones are subject to contentious political bargaining since no region is totally self-sufficient. The cost of strategic metals has risen accordingly. Regional instability periodically cuts off access to these resources.<br><br>Fisheries have been hard hit by over fishing in waters outside nations' EEZs; this has been a particular problem for highly migratory species. China has been one of the main culprits. Global cooperation to end overfishing has been mostly a failure, and this has had serious effects in societies dependent on fish as a food source.<br><br>Also problematic have been the suggestions that the EU, FTAA and the Japan economic "coalition" carve up the oceans into exclusion zones "to save the resources." This has led to conflicts with developing countries without resources of their own, as well as with China and Russia. |

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| | On a positive note, Western Hemispheric integration has resulted in bilateral agreements ending the 20th Century fisheries disputes between Canada and the U.S. |
| **Workforce Demographics** | While Latin American labor rates are still lower than in the North, the gap is narrowing (Latin America standard of living rising faster than in the U.S.).<br><br>Since technology innovation is focused on efficient (mostly land and air) transportation, automation has not overwhelmed low-cost manufacturing jobs. There are significant employment opportunities in Latin America, with strong emphasis on education and especially training. While the Latin American labor force is in raw numbers more than adequate to meet employers' needs, the number of skilled laborers, managers and technical specialists is still lacking. Many "Norteamericanos" thus find their way south for better pay and more opportunity, while even more Latin American unskilled laborers exist in America — even in the American Heartland.<br><br>Labor unions are on the defensive and a new labor political party has formed, though it has had only modest success so far since most Americans are more than satisfied with their lives.<br><br>The Baby Boomers are retiring in droves, demanding their entitlements, and their life expectancy is greater than ever before in history — 83 for men, 86 for women. There are ever-fewer Americans working to support an ever-growing retired population, which makes the corporate and capital gains tax revenues generated by the strong economy even more important given the U.S. governmental emphasis on investment in Latin American infrastructure. |
| **Volunteerism** | Somewhat high — integration with Latin America includes many Peace Corps-type activities. With most Americans well satisfied with their personal circumstances, they seem willing to volunteer for all sorts of worthwhile enterprises. |
| **Energy Availability and Alternatives** | The imperative throughout the Americas is hemispheric self-sufficiency, especially freedom from Middle Eastern energy imports. The EU and U.S. compete for Nigerian oil as a short-term import supplement. The Arctic National Wildlife Reserve (ANWR) in Alaska has been opened for development and production, but with stringent protections imposed on the oil companies, the increased cost of which has added to the price per gallon of domestic oil. There have been significant new finds of oil and gas in Latin America and in the deep water areas of the Gulf of Mexico, but all of these fields are expensive to bring into production. Because all of these efforts have caused the price of oil to rise, the United States is seriously pursuing alternative energy sources, but the magic bullet has not been found.<br><br>There have been some cutoffs of non-hemispheric supplies to the U.S. (and to Europe and Japan) whenever the Middle East, Nigeria or Russia suffers a disruption due to internal strife. |
| **U.S. Fiscal Health and Priorities** | The deficit spending necessitated by America's response to military threats, its investment in the Korean reconstruction, and its huge investment in Latin American infrastructure projects have eaten up the surpluses once dreamed of by the Clinton administration in the late 1990s. Paying for infrastructure improvements in South America for the U.S. is like West Germany paying the bill of East Germany (or Marshall Plan). Fortunately, the economy is strong thanks to those investments, which allows the government to continue to provide for its ever-aging population. |
| **State of Technology Investment** | Significant government directed and subsidized investment in transportation-related technologies and infrastructure. Massive investment in new and rebuilt north-south transportation infrastructure (especially land, air, offshore/Latin American ports).<br><br>Private sector participates fully with private investments in logistics technologies, sometimes subsidized by federal government. |
| **Changes in Government Decisionmaking Processes** | Ceding of some governmental functions to regional (hemispheric) groups, but only to the extent that these are dominated by the U.S. A re-surrendering of state and local political power to the federal level, overall. "Devolution" of federal functions to the states and local governments has been mostly reversed, as critics have decried the wide variations of quality in education, infrastructure, etc. State and local bids for autonomy are decried now as "from the people who brought you the Department of Motor Vehicles."<br><br>"What's good for the FTAA is good for us" is the stated U.S. federal policy, but the reverse is the true U.S. principle: as long as Washington has the final say in how things are done, hemispheric integration is good. (This has left the door open to Latin critics of U.S. "hegemony," but the economic benefits of integration with the "Yanquis" has kept this a minority view. Business constituency is influential and is focused on regional |

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| | economics, not global political issues. Harmonization of U.S. regulation and<br><br>legal framework with Latin America results in some wrangles. U.S. is looking south because other global markets have dried up.<br><br>Big government doing big infrastructure projects; a lot of pork to spread around, though there are fiscal drawbacks. In order to be a player in this world, you must be hooked into the big hemispheric projects. |
| **Government Restructuring** | All governments throughout the hemisphere are in the process of pursuing and improving cooperative North-South America programs. Regionalism is a popular new political theory, but giving up U.S. sovereignty is not in the picture. These regional cooperative ventures are being done for practical economic reasons.<br><br>Government everywhere is engaged in North-South infrastructure programs that are funded and managed regionally.<br><br>There are political limits to how far the U.S. will go toward regionalism. The newly formed labor party is opposed to regionalism; there is an undercurrent of isolationism left over from the failures in Somalia, Yugoslavia, and Iraq.<br><br>While there has been some consolidation of departments, the U.S. government is growing in size and most key parts of the bureaucracy have reorganized to focus on hemispheric issues. |
| **Global Standards; Regulatory Harmonization** | Standardization by region. New standards tend be developed on regional basis first. This has been particularly true for logistics and transportation.<br><br>Global standards and regulatory harmonization tend to either default to old pre-regional standards or flow out from the first region to develop them. The trend is toward the adoption of any standard that facilitates commerce. The attempt to make accounting standards transparent internationally after the Asia crash in early 2000s failed but has been applied with success within the Dollar and Euro Zones. |
| **Leisure Time and Activities** | The Caribbean is the hemispheric playground. U.S. tourism is up, but most is within FTAA — the best bargains are in the western hemisphere. Leisure boating has remained relatively flat, but the proportion of “personal watercraft” has grown. |
| **Privatization** | To leverage the reach of the government, privatization and outsourcing is pursued as it makes fiscal and economic sense. However, privatization is not the favored way to do government business. |