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White Paper



Strategic deterrence is more challenging for the U.S. today than it has ever been in the past. The bi-polar world of the last century has undergone a tectonic shift. The U.S. now faces two peer great-power competitors, China and Russia. Both are competing for regional hegemonic aspirations and to change international order, along with a plethora of state-backed terror threats, three nuclear equipped antagonists (and another on the cusp of a nuclear weapons capability), wide ranging strategic threats in cyber and space, and ongoing wars involving our allies and partners that are shaking global strategic stability. Geo-politics has returned to center stage.

Strategic Deterrence

From a U.S. perspective, a deterrent strategy aims to dissuade a potential adversary from undertaking actions that would be unacceptable to the United States, its allies, and partners. When students of strategy discuss deterrence theory, they speak of a need to attain capabilities to affect an enemy's risk-reward calculation. Inextricably linked to having such capabilities is to ensure they are credible – the adversary must believe the other side has the will to employ them in certain scenarios. These time-honored fundamentals have not changed – modern deterrent strategy is still about having the right capabilities to dissuade an adversary and the perceived will to use them.

To credibly affect an adversary's decision calculus the deterrer must know a great deal about the enemy's motivations and their limitations:

- **Stakes:** What is driving the adversary to consider a particular action and how important is this action to the enemy – what are the stakes involved? Are the U.S. stakes similar? Do we value what is at risk as much as the adversary?
- **Risk of inaction:** Beyond a static risk-reward calculation related to an action, is there a perceived cost of inaction to the enemy that might be heavily weighing on his decision calculus (for example, internal pressures to bolster the leader's political position)?
- What does the adversary value and can that be credibly held at risk?
- Are there ideological motivations that might affect what we would normally consider a "rational" risk-reward decision? This weighs heavily on the deterrability of the adversary.
- Are there cultural factors that create limitations on the effectiveness of certain potential retaliatory response options? Dr. Keith Payne highlights a scenario where the specter of a large loss of civilian life may not deter an authoritarian leader that does not share the West's value on human life.

Modern Strategic Deterrence Complexity

In the latter part of the last century, U.S. strategic deterrence strategy was less complex. In the bi-polar world that emerged following WWII, the U.S. was almost exclusively focused on deterring a monolithic adversary, the Soviet Union, which arguably thought much like we did. This understandable fixation on deterring nuclear conflict led to a blurring of lines between strategic deterrence and nuclear deterrence (the two became almost synonymous for a period, though they have key differences). That said, the deterrent strategy that evolved proved effective and aspects are still effective at some level today.



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Contrast this former bi-polar strategic landscape with the myriad of strategic challenges the U.S. faces today. Of course, the threats briefly discussed in this paper are not equal (vis-a-vis their potential strategic impact on U.S. policy, objectives, global position, and survival), but each is a serious deterrent challenge in and of itself and when taken together, the complexity of the strategic deterrent challenge comes into focus.

Modern Strategic Deterrence Complexity

China: U.S. elected and military leaders, as well as most Western analysts, are unified in their assessment that China is the U.S./West's greatest threat both regionally and globally. While many suggest Xi Jinping's desire is regional hegemony, there is no doubt from public statements, policies, and Chinese actions that upending the U.S.-led global order is a requisite goal to attaining regional hegemony and beyond. Xi has taken bold steps in his quest to realize his "China dream of national rejuvenation" by 2049. Before and since engineering constitutional changes to allow him to remain president for life, Xi's efforts have been strong, consistent, and diverse. His efforts include a weaponization of the Chinese economy using unfair trade practices, forced labor, market manipulation, and theft of intellectual property. China's soft power expanded into states to increase access/dependence typified by the Belt and Road Initiative, emboldened confrontation of regional competitor states/areas (e.g., Taiwan, Philippines, South China Sea), and increased diplomatic initiatives to elevate Beijing's international influence. Further, its dramatic military investment plan aims to create a world-class military by mid-century. Recently, China revealed a robust, growing, and modernizing nuclear weapons capability approaching 500 weapons, with increasingly diverse delivery systems. China has the world's largest navy and ground army, an enhanced and modernizing ballistic missile force, highly effective space capabilities, an air force numerically second only to the U.S., and cyber capabilities that are capable, active, and persistent as described by the Director of National Intelligence (DNI). Bottom line, China is a great power competitor whose transparent aims are to become the dominant force in the region while simultaneously undercutting the rules-based, U.S.-led world order of the past 80 years.

Russia: In Russia the U.S. faces a nearly isolated, arguably fading great power whose petro-chemical resources and military forces are its last claims to great power status. Putin's Russia may not be as mighty as his pined-for Soviet Union, but it is potent. The shine on Putin's conventional forces has dimmed as we watch the slog continue in Ukraine, but it remains robust. And, in many ways quantity in conventional forces has a quality of its own – especially in the hands of a leader willing to use them aggressively in a war of attrition. Then, there are Russia's nuclear forces. In some analysts' minds these forces are Putin's last legitimate claim to great power status. But this may be enough to substantiate that claim. Consider Russia commands the world's largest, most diverse nuclear arsenal and they are modernizing systems across the board. To get a complete appreciation for the threat of these numerous, diverse, and potent forces one must also consider recent apparent lowering of Russian nuclear use thresholds, increased public threats of use, and Russia's disengagement with strategic arms treaties and discussions. Added to this are Russia's expansions in hypersonic weapon development and a potent cyber warfare capability and all of this makes deterring Russia's Putin very hard, but very necessary.

Iran: The Islamic Republic of Iran remains the world's greatest exporter and supplier of terror and the largest threat to stability in a critical region. Iran's heavily sanctioned economy is largely a mono-polar economy focused on oil and is the home of the Shia arm of the Muslim religion. Iran's publicly espoused hatred of the U.S. and the West and the United States' ally Israel is well documented and demonstrated with its sponsorship of anti-West/Israel militant organizations such as the West Bank's Hamas, Lebanon's Hezbollah, and Yemen's Houthis rebels and others. In recent months, Iran and its proxies are responsible for attacks on U.S./Western and Israeli forces in the region following the October 2023 attacks on Israel, which includes attacks/threats to shipping in the Red Sea (where 10% of world trade flows), Hezbollah's recurring destabilizing attacks on Israel, and continuing support for Syria's Assad. Also, Iran's renewed nuclear activity with increased uranium enrichment, largest ballistic missile program in the region, regionally competent conventional forces, and effective and active cyber capabilities will continue to challenge the U.S. and its Western allies and partners.

North Korea: Kim Jong Un (KJU) is the third of the Kim family to lead the Democratic People's Republic of Korea in the last 70 years. The "Supreme Leader of North Korea" has continued and advanced his father's and grandfather's virulent hard line on relations with the U.S., South Korea, and the West while simultaneously oppressing his people who experience cycle after cycle of starvation and deprivation. KJU has continued his

predecessors' military build-up that now includes a large ballistic missile program, a small but expanding nuclear arsenal, and potent cyber warfare capabilities. KJU remains a purveyor of regional instability and his routine provocations towards the South and U.S. include: prohibited nuclear activity and testing, ballistic missile development and overflight, shelling and barrages of shorter-range missiles, and much more. The heavily sanctioned and isolated "Hermit Kingdom" has few allies, but in very recent months we've seen new evidence that the on-again, off-again relationship with Russia is again "on."

U.S. Strategic Approach

These summaries describe the four greatest individual deterrent challenges faced by the U.S. and the West. Developing deterrent strategies for just one threat is problematic, but the U.S. must do so for all four threats simultaneously. Another challenge is that all four belligerents are increasingly engaged with each other economically, diplomatically, and militarily.

Russia and China are closer now than in recent decades (note recent high-level visits by Xi and Putin and record trade levels to include Russian oil). Russia is likewise drawing closer to Iran and North Korea economically and militarily. A recently announced military support agreement with Russian President Putin solidifies and formalizes North Korea's support for Putin's war in Ukraine and appears reciprocal. An example of Russian collusion is the shipment of hundreds of short-range ballistic missiles to Russia to aid in the stalemated Ukrainian war that follows earlier agreements to supply drones.

And China, while quieter about it than their Russian counterpart, has kept trade and security agreements active with North Korea, helping thwart sanctions and keeping the North viable as a separate state on the peninsula. Likewise, Chinese relations with Iran appear to be growing. China is the leading purchaser of sanctioned Iranian oil. China also supports Iran's inclusion as a BRICS member state (Brazil, Russia, India, China, South Africa – an organization whose aim is to create a new trade/economic system separate from the U.S./West-led status quo). In 2021, these countries signed a 25-year China-Iran Comprehensive Cooperation Plan. And, according to the Congressional Research Service, China has supplied products bolstering Iran's nuclear, ballistic missile, and other weapons programs in recent years.

Clearly, the four authoritarian regimes are showing high levels of cooperation and mutual support. While each is acting in its own national interest, it is clear they are drawn together by at least one common goal: to disrupt the U.S.-led world order and diminish U.S. relevancy in their respective regions and around the world.

Aligning U.S. Instruments of Power – Essential to Deterrence

The first step in developing an integrated strategy between all instruments of national power is clearly understanding what we are trying to achieve. At the highest level, we strive to bolster (or re-establish) strategic stability – regionally and globally – and maintain or create conditions to allow free markets to flourish and states/self-determining peoples to co-exist and flourish. While these aims may sound lofty, they closely resemble those of the Economic Cooperation Act of 1948 (known as the Marshall Plan). The Marshall Plan and subsequent reinforcing political and economic structures/regimes helped resurrect European allies, reestablish open market economies, and enable the solidification and spread of democratic, free-market ideals in the West.

Integrating all Instruments of National Power (IOP) into a deterrent strategy is vital, yet difficult. While there are differing opinions on how to categorize instruments of national power, for the purposes of this discussion we will use the categorization most-often used in the U.S. military: Diplomatic, Informational, Military, and Economic. The definitions below are tailored for a discussion on U.S. strategic deterrence.

- **Diplomatic:** This is the use of negotiated agreements to garner support for U.S. interests to include military alliances, mutual support agreements, trade agreements, treaties, etc. Successful diplomatic measures can strengthen our economic standing, build coalitions to thwart (or deter) aggression, demarche bad actors, and build international consensus aligning with U.S. interests. This instrument, in a discussion of strategic deterrence, must be tightly linked to the use of economic and military IOPs.

- **Informational:** It is important for a nation to message its intent and actions in a way that ensures the deterrent message you intend is received in the right context by those it seeks to influence. Having a military deployment/exercise, spending billions on a new weapon system, creating a coalition, admitting new coalition/alliance partners, passing a large defense budget, conducting a nuclear missile test, positioning forces abroad (etc.) will have no impact on an adversary's decision calculus if the appropriate, intended message is not sent and received. Careful alignment of the informational IOP with other instruments is fundamentally important to deterrence.
- **Military:** It is critical to create and/or maintain credible warfighting or defense capabilities whose use or threat of use will influence an adversary's risk-benefit calculation. Three considerations are important for the military instrument to deter an adversary. First, the capability must be perceived as able to hold the right things at risk (what the adversary values). Second, the capability must be demonstrably robust enough and believably usable. Third, an adversary must believe that the U.S. would actually employ the capability if red lines (announced or perceived retaliatory triggering events) are crossed. The latter gets to the credibility of a deterrent tool – to be a credible deterrent, the adversary must believe it would be employed given certain scenarios. For instance, if the United States' only nuclear option in response to an adversary contemplating employment of a small tactical battlefield nuclear weapon is to hold an enemy population center at risk with a large-yield nuclear missile launched from North Dakota, this threatened response would not be credible. This is because the United States' views on the value of human life and proportionality would render this threat not credible. The importance of credibility in a threatened response is critical. Since actions we seek to deter span a large spectrum of possibilities, potential military deterrent tools span all service capabilities at all levels of potential conflict – from small special forces units to right-sized and diverse nuclear systems. Said another way, one size does not fit all. To be credible, our potential adversaries, who collectively are capable of engaging across the entire spectrum of conflict, must see some capability that they believe can hold at risk that thing(s) they highly value. And they must believe that we have the will to use it.
- **Economic:** In a discussion of strategic deterrence, the economic IOP is the use (or threat of use) of a suite of economic tools to compel or dissuade an action. These can be carrots and sticks. Such tools include conferring or withholding favored trade status; closing (or opening) markets; investments and aid (or threats to withhold); imposition of tariffs, embargoes, or sanctions; asset freezes, etc. In addition to these deliberate, "tactical" tools, the overall U.S. economy and its ability to benefit friends and allies through trade and open markets is a great enticement for collaboration as well.

An effective strategic deterrent strategy then must identify our national objectives and priorities, understand adversaries' capabilities and threats, arrange the right mix of elements of national power to deter priority threats, and of course clearly message potential adversaries to ensure they understand what we hold dear and what we are prepared to do to defend those things we value most.

This is difficult, but the U.S. government has an annual process to assess the security environment, develop a comprehensive strategy, and coordinate all IOPs. This deliberate process in and of itself serves a strategic deterrent function by demonstrating a deliberate process to address strategic threats. We make the products of this process public to ensure our intent is known to allies and potential adversaries. Overall responsibility for this integrated strategy process rests with the Executive Branch, typically within the National Security Council. Strategic guidance is published annually such as the National Security Strategy, which is promulgated to departments and agencies. Each department/agency has subordinate processes to develop guidance used for planning and budgeting. For the Department of Defense (DoD), that subordinate guidance comes in the form of a National Defense Strategy and National Military Strategy. These documents inform planning and budgeting guidance that feed Unified Commanders, who organize and plan to fight in their respective areas of responsibility, and the Services, that organize, train, and equip forces. This lengthy process is subject to Executive Branch and Congressional oversight, the latter of which controls budget outlays in the form of the annual National Defense Authorization Act (NDAA).

This hierarchical, and admittedly bureaucratic, process is lengthy. And, given its static nature, priorities often shift as unforeseen events flash around the globe. Crises demanding immediate attention shift the focus of our IOPs as we respond and, in many cases, attempt to reestablish deterrence after a breach. Unfortunately, crises are not uncommon, sometimes dramatically shifting our strategic objectives. We often characterize these events as “intelligence failures” – but in some cases, they are also strategic deterrence failures.

For the reasons stated, it is challenging for deterrence planners to match what we want to deter (the end-state) with how they intend to do it (the ways), along with the resources to apply it (the means).

This brings out another aspect of strategic deterrence. Sometimes an adversary will have high stakes to achieve a particular end state, to the point that they may be undeterrable. For example, in 1941, after a very successful U.S. led oil embargo against Japan to attempt to compel Japan to end their horrific occupation of China, the Japanese regime was left with two bad options. One was to withdrawal from China and risk regime change since it had invested huge resources and blood to secure its hold in China; the other bad option was to go to war with the West, especially the United States. When Japanese leaders developed plans to dominate the Western Pacific (to include the surprise attack on Pearl Harbor) and major portions of Asia, it required elimination of the U.S., UK, and other Western Powers. The Japanese also understood, that after a year or so of success, if the U.S. chose to, the U.S. could methodically defeat Japan. Knowing this, the Japanese leaders chose war as their least bad option, as they valued their hold on power over Japan and their acquired Chinese territory more than acquiescing to the United States and the West. Thus, Japan was in essence, undeterrable. But this was not fully recognized or appreciated when the U.S. initiated its very effective oil embargo against Japan. This is not to say that aggression to international order should be tolerated, and that bold steps should not be taken in response to such aggression to include escalation. However, it must be acknowledged that when actions are taken in an attempt to contain or compel an adversary to change its course, the adversary in many cases, has options to escalate instead of backing down if it deems the stake or desired end state is superior to the risk of escalation. One side cannot control the other side from escalating. At best, one side can only attempt to influence perceptions and decisions by the other side to not escalate – this is a fine point sometimes missed when there is a building crisis between nations.

Another challenge is that U.S. actions are over-labelled as in support of deterrence, where in many cases they are for competition. For example, in 2022, Russia was not deterred from attacking Ukraine or Georgia by NATO, and within it, the United States. Simply put, NATO only deterred Russia from attacking NATO nations, meaning NATO was only willing to go to war with Russia if a NATO nation was attacked and would not go to war if Georgia or Ukraine was attacked. So, this was not a case of a strategic deterrence failure. Rather, NATO deterred exactly what it intended to deter. Too often after incidents or crises, a deterrence failure is proclaimed, when in fact, deterrence did not exist in the first place.

Similarly, deterrence cannot prevent all bad behavior. Using NATO once again as an example, it has a collective plan to deter Russia from attacking it. The plan is credible – Article V of the NATO agreement is clear – if Russia were to attack NATO, Russia would face the fury of all 32 NATO nations. This does not deter Russia from all bad behavior, such as actions below the level of armed conflict like elections meddling, cyber events, assassinations, etc, but it deters major aggression.

Finally, going back to the point on China’s and Russia’s intent to change the International Rules Based Global Order to their favor, it can be argued that the U.S. and West are not trying to deter this. Rather, the U.S. is largely using competition with China and Russia to prevent it, or at least, mitigate it. Deterrence and competition can be blurry. Deterrence threatens to impose costs that are so great that our adversary will decide not to take an action, whereas competition is attempting to achieve a geopolitical position of advantage.

Economic Considerations:

- The risk of strategic deterrence failure is low, but likely to increase for reasons described in this report.
 - The challenge is that most strategic deterrence failures not only happened with short notice, but in several cases, the attacks came out of left field. The examples are many. Pearl Harbor in 1941, the North Korean invasion of South Korea in 1950, the Tet Offensive in Vietnam in 1968, the Yom Kippur War of 1973, Iraq's invasion of Kuwait in 1991, 9/11, and of course the October 7, 2023 Hamas attack on Israel.
 - Some of these attacks and with others, the U.S., an ally, or a partner had the appropriate intelligence of the impending attack, but other factors influenced leaders that the threat was overstated and an attack unlikely.
 - Thus, while the risk to the U.S., its allies, and partners may be low, the threat is increasing, and “black swan” or “wildcard” scenarios can and will occur.
- A strategic deterrence failure involving the U.S. and/or its allies can have tremendous impacts on global and domestic economies. This is especially the case in scenarios where the U.S. and its allies or partners could be in general conflict with either China or Russia – or both, either sequentially or simultaneously.
 - Companies that conduct substantial business with potential adversaries that turn into enemies after a strategic deterrence failure, will see most if not all of those transactions cease. Enemies in a hot war stop all economic connections with each other, as each side attempts to damage their adversary's warfighting potential especially by striking at their economy, if not literally, then at least through cessation of trade, sanctions, blockades, etc.
 - Conversely, companies that either are in areas that the U.S. and/or its allies would need massive increases in production of critical materials and resources for a war footing, would see major growth. This includes areas such as energy and other strategic resources, military weapons and weapon systems writ large to include munitions, and a strong industrial base along with agility to shift to new required materials to support the war effort.
- The U.S., along with its allies and partners, will need to consider incentives for Public – Private investments to enable a multi-dimensional and collective approach to enhancing our deterrent strategy through increasing capabilities by diversifying and scaling elements of the value chain in key sectors. Ecosystems for all investment sectors, and especially in the technology, energy, industrials, utilities, and healthcare sectors, need to be evaluated for dependence on global trade with China and Russia and strategies developed for derisking and investing in alternatives.
 - The ecosystems include rare minerals, supply chains, power sources, manufacturing capacity, and innovation development.
 - The U.S. has started this process through initiatives like the CHIPS and Science Act to maintain and increase our innovation and manufacturing capacity for dual use capabilities for both commercial and military objectives. A greater focus on these types of incentives across multiple sectors has both economic and national security benefits. A strong innovation cycle could deter as well as provide incentive to China to cooperate globally in order to not fall behind. Today, the U.S. has a strategic advantage due to its financial assets and thought leadership. This advantage needs to be maintained in order to deter through increased capabilities in the future.
- Cultivating relationships with emerging nations, particularly in the Global South, will also be important to deterrent strategies to increase global stability through investment and economic support across the region to deter expansion of the scale of the current threats.

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