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Nuclear Blackmail

(N.B. Due to the upcoming President's Day holiday, the next report will be published on Feb. 27th)

During the 1950s, in the early days of nuclear weapons, there was much discussion about the potential for nuclear blackmail. The world had recently defeated fascism but the problem of an aggressive and amoral leader like Hitler worried geopolitical strategists. If Hitler had developed a nuclear weapon, would the war have ended the way it did? And, if a similar leader emerged and possessed nuclear weapons, would he engage in blackmail by using the threat of a nuclear attack?

As the Cold War evolved, the U.S. and U.S.S.R. (the superpowers during the Cold War) created a workable solution to reduce the chances of a nuclear exchange. Both parties built formidable nuclear arsenals that had second strike capabilities, meaning that either side could not "win" such a war by attacking first. By treaty, defense mechanisms against nuclear missiles were limited, reducing the likelihood that either party would conclude it could strike without fear of retribution. Although the U.S. was not the only free world power to have nuclear weapons (the U.K. and France did, too), and China had developed nuclear weapons within the Communist bloc, the two superpowers generally controlled the decision to deploy a nuclear strike. In other words, nuclear proliferation was limited and thus controlling the global nuclear arsenal was manageable.

As time passed, nuclear strategists became less concerned with nuclear blackmail. The world was divided into areas of influence. The U.S. managed and protected the free world and the Soviets did the same for the Communist bloc.

People usually explain outcomes in terms of narratives. Stories are powerful tools for helping us understand why outcomes occurred. Two characteristics often emerge from narratives. First, the simplest narrative becomes the most powerful. Second, because the narrative is simple, outcomes can sometimes be seen as inevitable. A well-developed narrative not only explains why an event occurred but also critically examines the factors that might have led to a different outcome.

The Cold War narrative suggests that nuclear weapons are primarily defensive because of the threat of a second strike and nuclear annihilation. Thus, unless a nation fears regime change, there is little reason to develop a nuclear weapons program. However, this thesis assumes that nuclear weapons decisions will always follow the Cold War pattern. Just because nuclear blackmail did not develop during the Cold War doesn't mean it won't happen in the future.

In this report, we will define nuclear blackmail and differentiate it from blackmail in a nuclear context. We will discuss why this didn't develop during the Cold War but why it could happen now. We will also analyze how nuclear blackmail might be used as part of coercive diplomacy as well as part of conventional conflict. Finally, we will examine the likelihood of either form of

blackmail occurring in the future and how it may change international relations. As always, we will conclude with potential market ramifications.

Definitions

Nuclear blackmail is the threat of a state or non-state actor using nuclear weapons to force the behavior of a nation.¹ This is different from nuclear deterrence which is the threat of retaliation to prevent unwanted behavior.² The existence of second strike capacity in the U.S. and U.S.S.R. not only prevented nuclear war between the two parties, but it also constrained the international activities of both powers. The following are two examples of how this worked in practice: 1) the U.S. did not intervene in the 1956 Hungarian Revolution, and 2) the U.S. was able to get the Soviets to remove nuclear missiles from Cuba. In both cases, fears of nuclear escalation led the U.S. and U.S.S.R. to refrain from taking aggressive actions in each other's sphere of influence. An example of nuclear blackmail would be the U.S. threatening to deploy nuclear weapons against the Taliban in Afghanistan if they didn't extradite Osama bin Laden after 9/11.

Blackmail in a nuclear context is different from nuclear blackmail; it is defined as standard threats by a nuclear power that implies the potential for nuclear weapons to be used. A good example of the difference is in how the U.S. secured Pakistani cooperation in operations against the Taliban in the response to 9/11. Pakistan actually had good relations with the Taliban at the time; geopolitically, it is critical for Pakistan to have a friendly government in Kabul. Pakistan lacks the strategic depth relative to its archenemy India. If Pakistan

can rely on a supportive power on its western flank, it can, in theory, fall back to that border safely if invaded by India. On the other hand, if Afghanistan is aligned with India, Pakistan is in a precarious position. Thus, it wasn't clear whether Pakistan would cooperate with the U.S. as military operations were prepared.

Operations against Afghanistan would have been very difficult without Pakistani cooperation. Afghanistan is landlocked, reducing the impact of naval forces. It borders Iran, which would not allow the U.S. to use its airspace or transfer military equipment across its borders. Although the "stans" nations border Afghanistan on its north, the logistics of moving material through these areas is daunting. The U.S. really needed to use Pakistani land routes and airspace to effectively attack Afghanistan.

According to former Pakistani President Pervez Musharraf, Richard Armitage, then-Assistant Secretary of State, threatened to "bomb Pakistan into the Stone Age" if Pakistan didn't cooperate with U.S. operations against the Taliban in Afghanistan.³ It should be noted that Armitage disputes Musharraf's claim, but given how critical Pakistani territory was to the logistical conduct of the conflict, it would behoove the U.S. to secure cooperation. Although the Stone Age threat doesn't necessarily mean nuclear weapons (the U.S. may have the capacity to meet this goal with conventional weapons alone), it would not be surprising for Musharraf to conclude that he was being threatened with nuclear weapons. Since it isn't clear that Armitage was making a nuclear threat, this would likely be considered blackmail in a nuclear context.

¹ <https://warontherocks.com/2017/02/blackmail-under-a-nuclear-umbrella/>

² Ibid.

³ <https://www.theguardian.com/world/2006/sep/22/pakistan.usa>

Why Didn't Nuclear Blackmail Occur During the Cold War? Has anything changed?

As noted above, nuclear blackmail was a major worry early in the Cold War.⁴ However, there were three reasons why nuclear blackmail didn't develop. First, the U.S. and U.S.S.R. proved to be rather cautious in how they managed the nuclear situation. By the late 1960s, it became apparent that each side had enough weapons that neither country could expect to survive a nuclear war. Second, both powers did a good job of preventing widespread proliferation. As we noted above, other nations did develop or acquire nuclear weapons but these were generally under the control of either the U.S. or the U.S.S.R. Nuclear weapons programs are expensive and, during the Cold War, no power outside the U.S. and the U.S.S.R. had enough warheads to ensure complete destruction. Thus, developing an independent deterrent seemed illogical. Third, the two powers had rather well-defined spheres of influence and so they were generally content not to interfere in each other's areas. At the same time, areas of competition, outside the spheres of influence, were usually not important enough to risk a nuclear war.

These conditions no longer remain in place. We have seen greater proliferation of nuclear capabilities. Although Israel has never officially acknowledged having nuclear weapons, it is (probably by design) a poorly kept secret. In fact, there is evidence to suggest that Israel possesses the "nuclear triad," meaning it can deliver warheads by missile, bomber and submarine. Having multiple delivery methods increases the likelihood of possessing second strike capability. Since Israel doesn't officially have a program, no outside power controls

it. However, the U.S. probably exerts some control over Israel's program.

Pakistan and India have both developed nuclear weapons. The former has two delivery systems, missile and aircraft, and has purchased Chinese submarines which may eventually give it a triad. India has all three delivery systems.

The nuclear weapons situation of India/Pakistan/China is a good way to examine how nuclear policy can become complicated. India developed a nuclear program in response to China's program. China and India had fought over the frontier in the Himalayas in the early 1960s, and India views China as a geopolitical rival. Pakistan, which views India as an existential threat, responded to India's nuclear program with one of its own. Unfortunately, neither India's nor Pakistan's nuclear program is controlled by the U.S. or Russia.

Other nations have developed programs as well. North Korea has detonated a device but probably hasn't built a workable warhead yet.⁵ It probably can't deliver a weapon by missile and doesn't have strategic air capability. It claims to have a submarine capable of carrying a nuclear weapon and a launch vehicle but analysts doubt its reliability.⁶

Finally, other states have had programs that have been abandoned (South Africa, Libya, Iraq) or currently suspended (Iran). Unfortunately, President Bush's creation of the "axis of evil" in his 2002 State of the

⁵ It is generally believed that it has progressed in miniaturizing nuclear material for a missile warhead but it is less likely it has mastered the ability for a weapon that can survive re-entry.

⁶<http://www.thedailybeast.com/articles/2016/04/27/north-korea-s-new-nuclear-sub-is-wickedly-unsafe.html>

⁴<http://www.rand.org/content/dam/rand/pubs/papers/2005/P1888.pdf>

Union address gave a clear incentive to nations to develop nuclear weapons. The three nations noted in the axis of evil were Iraq, Iran and North Korea. Iraq, which had its nascent program destroyed by Israel in the early 1980s,⁷ was invaded by the U.S. in 2003 and its leader deposed (and eventually executed). It is reasonable to assume that such an outcome might befall the other two nations and, sure enough, North Korea detonated a device and Iran made it abundantly clear that it was nearly capable of building a weapon. It should also be noted that Libya was mentioned in the same State of the Union address; Muammar Gaddafi had given up his nuclear program and found himself ousted from power and later killed by anti-regime forces in 2011. The U.S., France and the U.K. participated in an air campaign against Gaddafi after he threatened to crush a rebellion. Again, the “lesson learned” is that not having a nuclear program puts a leader unpopular with the U.S. at risk for ouster and death. So far, Ayatollah Khamenei and Kim Jong-un remain alive and in power.

As the U.S. continues to retreat from the superpower role, the incentive will likely increase among other nations to develop nuclear weapons. If our assessment is correct, nuclear blackmail or blackmail in a nuclear context would become more likely. Simply put, nuclear proliferation could increase the likelihood that a nuclear power will try to use the weapon to coerce behavior.

Blackmail Scenarios

Limited Nuclear War: In this scenario, a nuclear power threatens to deploy tactical nuclear weapons to achieve limited gains. An example might be that after NATO

forces successfully invade Crimea, Russia threatens to retaliate by launching tactical nuclear weapons against Ukraine unless these NATO troops are removed. The calculus is that NATO nations don't have enough invested in Ukraine to risk escalating a tactical nuclear war into a strategic one; in other words, the U.S. won't risk nuclear annihilation for Kiev.

This scenario gets to the heart of the “borderland” problem. In an area that could be considered in one nation's sphere of influence, where that nation has a great interest in exerting control or influence, an outside power probably won't be willing to risk a nuclear war. Here is another potential example: China may show how important its island outposts are in the South China Sea by putting tactical nuclear weapons in place, assuming the U.S. would not be willing to risk losing warships, at a minimum, over small Pacific islands.

This scenario is a growing risk because areas of influence have become contested. If this continues, deploying nuclear weapons becomes an option. From a game theory standpoint, this is a game of “chicken” and, in that game, the first side to act aggressively tends to win.

No Unconditional Surrenders: If a nuclear power is faced with an invasion by an aggressor using conventional weapons, there would be a tendency to threaten the invader with a nuclear strike with the goal of negotiating an end to the invasion. Strategists have thought that if Nazi Germany had developed a deliverable nuclear weapon it might have used this form of nuclear blackmail. This outcome is similar to the famous “doomsday weapon” characterized in the movie *Dr. Strangelove*.

⁷<http://www.nytimes.com/1981/06/09/world/israeli-jets-destroy-iraqi-atomic-reactor-attack-condemned-us-arab-nations.html>

Coercion: If Richard Armitage did threaten to take Pakistan into the Stone Age, it could be a form of either nuclear blackmail or blackmail in the context of nuclear power. As noted earlier, the U.S. might have been able to achieve this goal without using nuclear weapons, although the implied threat probably would have achieved America's goals. In this example, the fact that the U.S. possessed a massive nuclear arsenal was enough of a threat to ensure compliance.

Ramifications

As global geopolitical conditions become more fluid, it makes sense that (a) more nations will find going nuclear an attractive option, and (b) the chances of nuclear blackmail and blackmail in a nuclear context will increase. There are two areas of concern. The first is Asia. With North Korea actively pursuing a nuclear weapon, other nations in the region must either rely on the U.S. nuclear umbrella or build their own programs. President Trump has indicated he is generally in favor of Japan acquiring a nuclear weapon, suggesting that the U.S. deterrent may not be reliable. The nuclear threat from the Kim regime and the uncertainty of the U.S. response may lead Asian nations to acquire nuclear weapons to prevent North Korea from engaging in nuclear blackmail.

The second area of concern is the Middle East. Although the Iran nuclear deal, in theory, should reduce this risk, there is no guarantee the agreement will hold. If the treaty falls apart, we would expect Iran to rapidly advance its program to discourage any attempts by an outside power to enact a "regime change." However, concerns that Iran might use its weapon for nuclear blackmail might encourage other nations in the region to acquire weapons as well.

To some extent, the potential for nuclear blackmail is a consequence of America's slow retreat from its superpower role. As security concerns rise, the chances of new and unexpected behaviors increase. And so, even though nuclear blackmail or blackmail in a nuclear context didn't occur during the Cold War, it may arise as nuclear proliferation transpires.

It is difficult to gauge the market effects. In general, anything that increases risk tends to support safety assets, such as gold and Treasuries, and weaken risk assets, such as equities. However, it will be nearly impossible to predict discrete events, which argues for some allocation to safety in portfolios.

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