

Revisions

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Letter from the Editor

Dear Readers,

In choosing the theme “Revisions”, the Bologna Center Journal of International Affairs seeks to capture the prevailing manner of discourse at this moment in history. As the digital revolution provides us access to a seemingly endless supply of information, our modes of thinking have become explicitly referential and retrospective. The wealth of knowledge readily available allows us to understand ideas in terms of their contexts and their precedents. The truism that “there are no new ideas” resonates deeply with the contemporary mindset, as we are exposed to so many sources of inspiration and comparison. Our articles cover a wide range of subjects, but they share one common element—all of them take a forward looking approach to existing ideas, processes, and paradigms, exploring ways to reinvigorate current approaches and overturn conventional wisdom.

Additionally, we applied the concept of revisions to the publication itself, incorporating new content elements such as interviews, commentary pieces, and a graphic feature. This year we compiled a truly exceptional volume of articles that showcase compelling voices in the international relations community, and we believe that our new format will engage a broader audience in the intellectual conversation. We have also taken the BCJIA digital, publishing a regularly updated blog that features original contributions and commentary

from members of the Bologna Center community.

Our contributors this year include some of the most prominent thinkers in international affairs. Among them is Josef Joffe, editor and publisher of *Die Zeit*, who evaluates the major schools of international relations thought in a contemporary context. James Mann, author of *Rise of the Vulcans* and *The Obamians*, provides an updated take on his 2007 book *The China Fantasy*. Our editors sit down with the influential academic Stephen Walt to discuss the connection between the formal study of international affairs and its real-world applications. We also receive an insightful look into the future of the EU from one of its leading former officials, Sir Michael Leigh, currently a senior advisor to the German Marshall Fund. And in our opening piece, we introduce the new dean of SAIS, Vali Nasr, to the BCJIA with a conversation on the Arab Spring and current US foreign policy.

We are also proud to showcase the next generation of international relations thinkers with our student contributors, many of whom currently attend SAIS. Their insightful analysis and commentary on issues like impact investing, institutional governance, international trade, and conflict management promises a bright future for the field.

The BCJIA is an entirely student-run publication. As the flagship publication

of the SAIS Bologna Center, it serves as a testament to the students who have devoted much of their time to ensuring that the BCJIA reflects the high caliber of our academic community. Our entire team demonstrated throughout the year the excellence that we can readily expect from Bologna Center students. Many thanks also go to the authors and to the faculty advisors, whose contributions and support have made our publication possible. Special mention goes to Mark Gilbert, whose steady and cheerful counsel guided us through the process from start to finish; to Emily Clark and Patrick Zubin, our managing editors; to Leslie Yun, our executive editor; to the dedicated associate and copy editors; to our fundraisers, Tristram Thomas and Svenja Heins; and to our finance manager, Evan Fowler. All of these individuals poured countless hours of their efforts into the BCJIA and deserve the utmost levels of appreciation.

On behalf of the BCJIA staff, I am pleased to present the 16th edition of the SAIS Bologna Center Journal of International Affairs. We hope you enjoy this issue as much as we have enjoyed producing it.

Rachel Marcus
Editor-in-Chief
April 2013

Letter from the Director

The Bologna Center Journal of International Affairs is now in its 16th year, and producing the Journal has become one of the defining activities of the SAIS Bologna year. Through the themes it has chosen, each year the Journal has sought to develop a coherent framework rich enough to be explored from a number of viewpoints, and at the same time robust enough to provide a number of real world examples. In a sense it reflects a goal of SAIS itself: to combine the intellectual analytical tools of graduate study with the practical focus of a professional school, to look at issues through many disciplinary lenses and to recognize and respect the diversity of the world.

This year's theme, "Revisions", is a rich one in that respect. It is also a challenging one, inviting, as it does, course corrections, new ways of looking at old tried and true approaches, and prescriptions for change. Analysis and prescription; you will find both in these pages. Each takes a certain amount of intellectual courage, particularly from the younger authors, but we all benefit from challenging and testing long-standing paradigms, if for no other reason than that it promotes a usefully skeptical look at accepted wisdom, leading either to reaffirmation or to change.

As always, the Bologna Center Journal presents the work of both graduate students and established scholars which, given this year's theme, is especially

appropriate. Beyond this, it has taken the theme of revisions to heart in its own design and production. The Journal has been enriched this year in new ways by interposing traditional articles imaginatively with interviews, commentaries, and a book review.

The Journal is entirely the work of SAIS Bologna students, from the selection and editing of the papers to the production functions, and even to the imaginative and enterprising fundraising activities undertaken to pay for it all. Thus, without taking credit for any of it, I am nevertheless pleased to introduce you to this year's volume. I think you will share my view that it is an interesting and constructive contribution to the public debate on international affairs.

Kenneth H. Keller
Director of the Bologna Center
March 2013

INTERVIEW

Vali Nasr: On Egypt, Libya and Foreign Policymaking

Editorial Staff

We are proud to introduce our readers to SAIS's new dean with this interview. Vali Nasr, who joined this institution in the summer of 2012, is a prominent scholar and policy advisor on Middle East issues. He was a senior advisor to U.S. Special Representative to Afghanistan and Pakistan Richard Holbrooke, and is a member of the State Department's Foreign Affairs Policy Board. He previously taught at the Fletcher School of Law and Diplomacy at Tufts University, among other leading institutions.

*In your last book, *Meccanomics* (Forces of Fortune in the U.S.), you argue that the key to social freedom and political liberalization in the Middle East is the "battle to free the markets". How is that "battle" related to the Arab Spring?*

For me, the question began as wanting to find out whether there was a possibility of change in the Middle East. The belief among most people was that change could only come through religious moderation. But based on the work I was doing, I thought there was actually a lot more good news than people were seeing based on that preconception. That doesn't mean the good news was overwhelming or suggested a massive trend, but as social scientists you look for evidence of the beginnings of trends.

The most promising kinds of trends were associated with the middle classes. The middle classes seemed to want greater

integration into the global economy and more moderation. When you went to a place like Dubai, it became very obvious that people's main interest was shopping, not martyrdom. And by middle class I didn't just mean people who worked for the government and had a salary, but really the bourgeoisie: that middle of society that's connected to the market and that generates economic means.

So it was possible for the Middle East to have a middle class, and it was possible for the middle class to imagine the Middle East in a much more liberal way. The question became, 'Where does the middle class come from?' Where I parted with conventional wisdom was that the middle class, in my opinion, is not built top-down. The Middle East already had middle classes that were built top-down, by Egyptians, by Iranians, by the Turkish government. But what you really want is a middle class that looks like the middle

classes of India, China, Brazil, or Europe. A middle class that may have different views but is grounded in market forces. If you look at history, you see that the middle class is responsible for democratization in Europe, for liberalization of theology, and for greater moderation. But there are also certain points in time, some spikes, in which middle classes don't behave in ways you might expect.

My thesis was that the main story was not that Middle Easterners were genetically preprogrammed towards certain ideas or behavior. If there were market economies in the region, there would be middle classes, and they would look a lot more like Indians, Thais, Singaporeans, Japanese, Koreans, and so on. The problem is not religion, but the market. The problem is not that the Middle East has too much religion, but rather that it has too little capitalism. And by capitalism I don't mean taking billions of oil dollars and spending them, because you haven't created that. By capitalism I really mean the production of wealth.

That was the thesis of the book, and it was relevant because the Arab Spring proved that the Middle East can embrace progressive ideas. The forces that started the Arab Spring were grounded in the middle classes in Egypt and Tunisia. At some point it got derailed. Other forces took over, and in the end you have civil war in Syria, a bloody uprising in Libya, and parts of the Arab world lacking a robust middle class. It's not a coincidence that Egypt, the most globally integrated part of the Middle East, the one with

the biggest middle class, is where these events were born.

I would say that there are two values to this argument. One, at the level of academia, it allows us to deal with the Middle East not as an exception to everything we know about social sciences—that this is the one place in the world where everything is about religion and stable authoritarianism and somehow the Middle East sits outside everything we know—but to prove that the same historical forces that changed Scotland, the Netherlands, England, Brazil, or Poland could change the Middle East as well. The second is for policymakers, to argue that if you really want moderation in this region and if you really want change, start with the economy. I finished my book with this sentence from someone in Pakistan: “Focus on the economy and everything else will work itself out.”

In Egypt, protests have re-erupted over dissatisfaction with the pace and direction of political reforms. How have “Meccanomics” played a role here?

The classic account of the Arab Spring is that because the middle class did not produce enough leadership, it wasn't able to dominate the movement. They lost out to the Muslim Brotherhood, which does not have a leader that can claim leadership of the whole country either, so you end up in a seesaw battle between liberals and Islamists over who controls Egypt. This instability causes money to leave Egypt. Along with the fact that the international

community is not engaged on economic reforms, this means you don't really have a focus on the economy at all. Because the middle class has lost its way, because you don't have that dynamism, I don't buy the argument that Egypt is actually still democratizing, that these are just short-lived problems.

What should the international community be doing to help that process along?

Generally, the international community has been fairly disengaged with the Arab Spring in Egypt. If you compare this to its historical level of engagement with Southeast Asia, East Asia, Latin America, or Eastern Europe when they became democratic, engagement with the Middle East has been less. We can hide behind many arguments, but the reality is that there has been this disengagement. Now the Europeans say, 'We're busy with Greece and Spain.' The United States says, 'Well, we're busy with our own economic issues.' At the end of the day, whatever it is, there is not really a strong desire in Europe or America to say, 'What can we do to make sure this goes in the right direction? What kind of economic reforms do we need? What kind of economic investment do we need?'

What about regional rivalries in the Middle East—does this impact or limit how involved the U.S. could get in the Arab Spring?

The U.S. definitely could have done a better job of managing this. If you had

a friend who was a dictator but was a close friend for 37 years, and overnight, you tell him to get out... I don't think they look at Mubarak's departure and feel very comfortable about it. So there is a dilemma here. The dilemma is that we were very hopeful about peace and democracy, but we still have a lot of dictatorial friends. This requires a lot of nimbleness, to be able to say, 'We are excited about democracy, but we are still committed to you.'

I don't think this was done sufficiently well, and a lot of our friends ended up being unhappy. There are times, like in Bahrain or Syria, where they actually started to work at cross-purposes with us. They ignored us, openly disagreed with us, or started doing their own thing, which we all of a sudden found shocking. I think the U.S. had a very difficult time being so close to dictatorships in the region, advocating democracy and yet still dealing with whatever dictators were left.

Does the model of international intervention used in Libya offer a blueprint for effecting change in the future?

The thing with Libya was that this had not been tested, so the Europeans made it clear that they would be willing to carry a lot of the heft. They were willing to do the air strikes, they were willing to do a lot of the work. This was not an American expedition charging into Iraq or Afghanistan, this was the French. Secondly, the administration looked at the Libyan opposition and thought that

they were far better organized. This is very different from Syria, where our job is actually to get them together. Thirdly, there was a sense that this would happen quickly. You have to notice that even in Libya, right up to the minute that Gadhafi died, there were the beginnings of great worry in Western capitals that it was going to become a drawn-out effort. When Tripoli fell, there was a huge sigh of relief.

It's been marketed as an unbridled success, but I think that the people who were involved know how close this was. Next time, it's not going to be a slam-dunk. The lesson learned by the administration is not, 'Let's do more of these.' It's to say, 'You know, we got lucky one time. Let's not try our luck again.'

Finally, the United Nations, and especially China and Russia, believe that NATO abused the resolution. The U.S. and the Europeans interpreted the resolution, which was for the protection of Benghazi and its refugees, to be regime change. China and Russia are not willing to give that authority to NATO again. The precedent might be legitimacy for intervention in the domestic issues of other countries during an uprising in, say, Chechnya or Tibet.

You have criticized the manner in which this administration has let foreign policy become beholden to domestic electoral politics. Can you tell us more about your experience with the current administration, and how it represents a departure from the way foreign

policy decision-making has been conducted in the past?

Well you have to examine foreign policy at any given point in time given what the challenges are in the world and at home that you confront. Of course, every foreign policy is subject to domestic opinion. During the Cold War, it was always a big part of presidential campaigns. There's the famous case of Kennedy playing with missile numbers during his presidential campaign with Richard Nixon in 1960 to win. But what I'm criticizing is that it has reached a level that the balance has broken in terms of when you respond to domestic political imperatives and how you conduct foreign policy based on what ought to be our national interests. I think that, partly, the policy of disengaging from the Middle East is very much driven by what would make sense in terms of a domestic political agenda, as opposed to asking whether or not this is in the long-run interest of the United States.

So you're saying that we should be staying in the Middle East?

Yes, not with 300,000 troops, and our engagement should not only be with the military, but yes. The question shouldn't be between having troops or being completely disengaged. There is economic engagement, diplomatic engagement... you have ongoing relationships that you build. First of all, during the Bush period and also during the Obama period, our relationships in the Middle East became very narrowly focused, largely

military, and revolved around the security imperative. So when the democratic opening happened, we did not rush in to build relationships with the new order in the region. We just didn't engage with it. The president hasn't been to any of the Arab Spring countries since the uprisings started two years ago.

Now we have decided to rapidly withdraw troops from the region, driven largely by economic needs at home. Whether or not the Iraq War was a good idea, we did go in. And we changed things on the ground. Now whether it's a good idea to just disappear overnight, I think that has to be judged on the merits of what it will do to Iraq and the Middle East, and not only by the fact that it was George Bush who went in.

Is it fair to say that the world still needs America, that it is still the only country that has the 'bandwidth' to assert its influence around the world?

There's no doubt that the world is changing; nobody should come away saying that this is the same old world. At the moment, until there is another set of global powers that are able to take responsibility for global governance, the United States has the most capability economically, militarily, and diplomatically. Even as it transitions out of that role, it will still be leading during the period in which another leader arises. It can't just disappear from the scene. That would leave a vacuum.

We also have to consider the possibility that some of these rising countries are not going to be good for the world. To say that emerging markets are going to take responsibility for global leadership should give us pause, at least before we know which emerging markets, how they are going to take leadership, and based on which values. Take the case of climate change: as much as you criticize the United States, at the end of the day the most reluctant parties in this have been the emerging markets. So what sort of leadership are they going to be playing on these sorts of issues?

We kid ourselves if we think that we can very easily just step aside, or that somebody else is capable and willing to take over right now. American leadership matters, and not exercising it does have certain costs internationally.

Why Not? The Case for an American-Iranian Alliance

Renad Mansour and Ben Hartley

In an age of global uncertainty, allies and enemies must be scrutinized, and we must question why we choose to be in conflict. Iran, as it pursues a nuclear weapon as a security guarantee, is perhaps the most important case to re-examine. This paper argues that the United States should not only prevent Iran from obtaining a nuclear weapon, it should try to make Iran an American ally. What this would look like in practice is difficult to say. This paper merely initiates discussion of a scenario long considered impossible, and shows that there is significant mutual interest in pursuing it. While shared trust cannot occur in the current situation, offers of cooperation from both sides offer the only recourse to a future without a prolonged nuclear standoff akin to that with North Korea. The scope of this paper is confined to laying the groundwork for establishing potential areas of cooperation and identifying the mutual benefits that would arise as a result.

"The only difference between me and these people is my place of birth, and this is not a big difference."¹

— Howard Baskerville

Howard Baskerville fought for constitutional democracy in Iran during the 1930s, dying at the age of 24 while leading revolutionary forces against the Qajar royalists. Baskerville's legacy among Iranians serves as a reminder that what separates the United States and Iran is less than what brings them together.

Tehran in a Bind

Tehran has pressing economic, domestic, and geopolitical reasons to engage in dialogue with the United States. Looking first at Iran's economy, there is no doubt that the sanctions regime has had a crippling effect. As a result

of sanctions, the rial has depreciated by over 75 percent.² The government's subsidy program, although moderately effective for segments of the population such as the extreme poor, has squeezed the middle class. Prices for bread, rice, vegetables, and milk doubled in 2012, leaving Iranians without money for food and shelter.³ Unemployment is believed to be up to three times the government's official figure of 12 percent.⁴ Continued losses in oil revenues exacerbate this dire economic situation. Although Iran has managed to trade with China, the Central Asian republics, and India, the burden of sanctions on its population is undeniable. To end the suffering, Iran will eventually need to return to its former position in the global economy.

The second indicator of Iranian anxieties is the domestic political situation. The

“Green Revolution” that followed the 2009 elections came too early to harness the momentum of the Arab Spring. However, there is no doubt that with the 2013 Iranian general election coming up, the elite worries about the precedent set by Tunisia, Egypt, and Libya. Iranians feel cut off by a retreating state unable to solve their economic woes. The regime has isolated members from the Green Movement, and in many prominent cases, has placed them under house arrest in fear of a doomsday scenario of civil unrest or revolution. Some experts have even reported that the reformists no longer have a platform for organization and are unlikely to be a real threat in 2013.⁵ Nevertheless, the population continues to harbor memories, if disorganized ones, of the successful populist agitation in North Africa. This threatens the elite.⁶ In the coming elections, the Ahmadinejad camp is likely to field a candidate who will challenge the regime’s hold on power. At the very least, Tehran will be anxious about demonstrations. American acquiescence, rather than outright support for a protest against the status quo, can therefore act as a carrot at the bargaining table.

The past decade was promising for Iran, leading to Jordanian King Abdullah’s infamous warning of a ‘Shi’i Crescent’. The American-sponsored regime changes in Afghanistan and Iraq allowed Iran to extend its influence and export the ideals of its revolution (*vilayet-e-faqih*). But the tide is changing. Sunni-led protests as part of the Arab Spring have been upsetting the status quo in recent years. Nowhere is this more troubling for Iran

than in Syria. The Assad regime has long been a strong ally that has carried Iranian influence across the desert to the Levant. Losing Syria could prove decisive for Iran and its proxies, especially Hezbollah. In desperation, Iran is trying to make inroads with alternative forces inside Syria to prepare for the possible emergence of a threatening Sunni-led, anti-Shi’i government.

The growing influence of Turkey as a direct challenger to Iranian regional hegemony, with U.S. and NATO backing it, exacerbates the threat of changing regional power dynamics. Ankara’s role, not only in Syria but also in Iraqi Kurdistan and other disputed Iraqi territories, is threatening the stability of the Iran-backed Maliki government in Iraq.⁷ Talks of establishing an oil pipeline between Iraqi Kurdistan and Turkey, which would bypass Iraq, have antagonized Baghdad. Adding fuel to the fire, Turkish Prime Minister Erdogan called Maliki a ‘dictator’ in April 2012 and continues to harbor Iraqi fugitive Vice President Tariq al-Hashimi.⁸

Finally, uncertainty about the future of Afghanistan, which has continued to house a strong Taliban foothold, is also worrying Iran. Although relations and bilateral trade between Kabul and Tehran have improved, the latter remains anxious about the former’s ability to maintain stability along their shared border.

As a result of this regional equation, the Iranian elite is growing uneasy. On the surface, resolving the multi-faceted

geopolitical and economic crisis is not in the best interest of these leaders, many of whom would lose their hold in a democratic, peaceful society integrated into the world economy. The financial, political, and security interests of Iran's elite depend on the idea of a constant crisis.⁹ Nonetheless, the elite's anxiety may open doors to explicit or implicit collaboration with Washington, which itself is facing similar geostrategic dilemmas, and cannot rely on the sanctions regime as a long-term solution. Tehran's tightrope walk, while seemingly beneficial to its ruling class, means that any error or miscalculation can have immense consequences. The fragility of the current course can prove too difficult to bear. At the very least, American cooperation and sympathy, in the form of select carrots, will have the veiled effect of giving voice to the moderate leadership currently confined to the margins.

Maintaining Hard-Fought American Gains

Although the Arab Spring helped prevent the emergence of a Shi'i Crescent, U.S. gains in the region are far from solidified, and the loyalties of new regimes are still undefined. The constitutional crisis in Iraq now threatens to result in another civil war. Meanwhile, stability in Afghanistan is far from guaranteed after American withdrawal, despite the weakening of the Taliban's leadership since 2001. Indeed, the neglectful governance of U.S. 'ally' Pakistan ensures a continued security threat from the Federally Administered Tribal Regions (FATA) on the

Afghanistan-Pakistan border. Across the region, American influence has waned as regional powers like Turkey have pushed for leadership roles, bringing former American stalwarts, such as Egypt, under their influence. As a result of growing uncertainty with respect to U.S. allies, the nature of American commitments to the region has changed.

The United States can afford neither a nuclear arms race in the region, nor the requisite commitment to security against asymmetric terrorism. In a return to the Nixon-era doctrine of 'Vietnamization,' the United States has 'led from behind' in the Arab Spring. This policy seems fitting for a time of austerity and limited liability, when political objectives are not necessarily supported by the military means needed to achieve them.¹⁰ Fresh from the costs of two prolonged wars, the United States has no capacity to maintain control unilaterally—something that Iran's acquisition of a nuclear weapon would require. Since the end of World War II, the United States has sustained a nuclear umbrella that came at enormous financial cost but can now be maintained with explicit guarantees, such as the American commitment to the security of Israel. An Iranian weapon would require a significant investment of financial and political capital to provide the necessary security commitment for preventing a regional arms race and the dissolution of the Non-Proliferation Treaty.

President Nixon preferred to support allies that were able to maintain American interests in their regions. Indeed, to

implement Nixon's 'Twin Pillars' strategy, the United States sold sophisticated weapons systems to Saudi Arabia and Iran, thereby building up these countries as regional guarantors of U.S. interests.¹¹ Outside the context of the current nuclear standoff, Iran would fit the same bill perfectly today.¹² Tehran would be ideally situated to use its relations with Iraqi and Afghan elite to prevent a civil war in Iraq and block Taliban resurgence in Afghanistan. On its eastern border, Iran has already displayed its distaste for Taliban rule by aiding the Northern Alliance in 2001. Tehran could be instrumental in maintaining the current status quo that the United States holds so dear.

Since the American withdrawal from Iraq, sectarian violence has plagued a country now deeply divided on the legitimacy of Nouri al-Maliki. Preparing for the post-U.S. environment, the Iraqi Prime Minister sought a strategic partnership with Iran. This proved pivotal in wresting power from secularist Ayad Alawi, whose al-Iraqiya bloc had won the popular vote and a majority of parliamentary seats. Between March and October 2010, Iran held key talks over the elections results, thereby keeping Saudi Arabia out of the process and pushing Muqtada al-Sadr and the Kurdish bloc to accept al-Maliki.¹³ If Washington was on friendly terms with Tehran, Iranian influence in Iraq could hypothetically be leveraged into positive outcomes for the United States in Baghdad. At the very least, the relationship could prevent continued threats to U.S. interests in Iraq.

Moreover, the United States is not as reliant on its allies as it once was. A domestic natural-gas revolution will bring about U.S. energy self-sufficiency by 2030, diminishing the value of a Saudi regime gradually challenged by popular resistance.¹⁴ The U.S. government has long been uneasy about the House of Saud's repression of popular dissent. The Iranian regime, by contrast, has in the past bent to liberal demands in order to retain power. In fact, Iran is one of the few Middle Eastern, let alone theocratic, states that has a wide political spectrum, ranging from moderates such as Mohammad Khatami to conservatives such as Ahmadinejad. In the last few years, however, the former group has been marginalized. To summarize a core premise of this paper, Iran's moderate segments face more pressure when relations with the United States are hostile.

A strategic alliance with Iran is little more than a theory. Earning Iran's trust would take daring steps, but the gains would be significant. The United States would win a regional proxy to shield itself from criticism over Washington's non-involvement in the Arab Spring. Most importantly, mutual trust would end the threat of a costly conflict with Iran itself.

(Mis)Perceptions

Myth 1: "The United States cannot ally with Iran as long as the Israel lobby exists."

On the contrary, an alliance with Iran would undercut the Israel lobby and lead

to a regional peace dividend. A major catalytic event perpetuating the lobby's existence is the tension between Iran and Israel. Remove it, and groups such as AIPAC lose their *modus vivendi*. The lobby was successful in bringing down a Senate bill that would have reduced U.S. arms shipments to Egypt, despite Israel's antagonism toward Mohammed Morsi's government. It did this in order to retain influence in unstable Islamist countries. Likewise, a U.S. security guarantee for Iran, matched by an Iranian non-aggression pledge toward Israel, would render the aggression of Iranian client Hezbollah toward Israel superfluous. Prior to the 2006 Lebanon War, Hezbollah relied on its hostility toward Israel for legitimacy. Today, however, Hezbollah delivers a wide variety of social services to the people of Lebanon, which gives the organization legitimacy, and in turn acts in place of anti-Israeli populism. Hezbollah, not threatened with the absence of a *modus vivendi*, would theoretically be able to maintain this role without posing a threat to Israel, thus rendering the concerns of the Israel lobby moot.

A major sticking point in U.S.-Iran rapprochement, however, is the CIA's classification of Hezbollah and Hamas as terrorist organizations. The United States accuses Iran of supporting international terrorism by dint of supporting these two groups. John Brennan, currently Director of the CIA, told a conference in May 2010 that "there are certainly the elements of Hezbollah that are truly a concern to us... And what we need to do

is to find ways to diminish their influence within the organization and to try to build up the more moderate elements."¹⁵ This belief offers an alternative recourse and acts as a carrot. If Hezbollah could be transformed from a Shi'i militant group to a Lebanese nationalist party, it could create political space within the United States to pursue changes to its enigmatic and politicized terrorist list.

Myth 2: "The Iranian elite are not willing to resolve the current crisis because they benefit from non-cooperation with the United States."

Much of the Iranian regime's legitimacy stems from constructing a 'Great Satan' to rally nationalist pride. That is not to say, however, that the price of cooperation with the United States is prohibitively high. At times, Washington and Tehran have collaborated when their interests converge. Iran was, for example, a key partner in enabling a swift end to Taliban rule, which fell within weeks in 2001.¹⁶ At the Bonn Conference that followed that December, the Iranian delegation cooperated with the United States and convinced the Northern Alliance to relinquish claims to power in favor of U.S.-backed Hamid Karzai.¹⁷ Post-2003 Iraq provided another ground for tacit cooperation, via the Iranian-backed and Khomeini-inspired Islamic Supreme Council of Iraq (ISCI), which served as America's chief ally in post-conflict state building. The pragmatic Iranian elite have proven that on some occasions, albeit rare, opportunistic, or anxious, they can and will work with the 'Great Satan'.

Although any form of collaboration has thus far been confined to Iranian proxies, direct cooperation on some scale will be the next step to a precedent of indirect relations.

Myth 3: “Iran needs a weapon to hold as an ultimate guarantor of regional dominance.”

Ayatollah Khamenei has repeatedly deemed nuclear weapons un-Islamic.¹⁸ The motivation for nuclear development, therefore, is security and regional dominance, both of which the United States is in a unique position to provide. Iran does not necessarily require a nuclear weapon to achieve this aim. The regional dominance of an Iran allied with the United States would allow Iran to achieve new U.S. aims while acting as a bulwark against any challengers. The critical issue is creating an equivalent to the guarantee that a nuclear weapon represents. As we have discussed, however, a gradual strengthening of relations based on a mutual understanding of strategic regional needs and anxieties may turn Tehran away from an over-reliance on the ‘un-Islamic’ nuclear guarantor.

Myth 4: “There is no one for the U.S. to talk to in Iran.”

On the contrary, many Iranian leaders have been willing to engage in conversation in the past. For example, former President Khatami famously appeared on CNN promoting a ‘Dialogue of Civilizations’ between the two foes. Shortly afterward, U.S. President George W. Bush labeled Iran

part of a three-country ‘Axis of Evil’, obstructing any attempt at bilateral talks. The public shame that resulted only benefited Khomeini and conservative elites. Since then, the moderate camp in Iran has seen no gains from pursuing talks with the United States, creating the illusion that the only actors to talk with are the conservative clerics. As Congress continues to unanimously act against Iran in every recent sanctions vote, fewer Iranian citizens can legitimately entertain the idea of any sort of dialogue. Mutual lack of understanding, fueled by divergent narratives and facts, is at the core of this myth. Counterintuitive policies based on antagonizing the relationship reduce the capital and the ability of those Iranian leaders willing to talk. Although pushed to the margins of society, they are nonetheless ready to return to the forefront, should their legitimacy reemerge.

Myth 5: “Sanctions can act as a long-term alternative.”

The only comparable instance of deterring proliferation via robust internationally imposed sanctions occurred during the 1990s with Ba’athist Iraq. In that case, other states eventually grew disillusioned with sanctions and found opportunity in cheap oil. Germany, France, and Russia, to name the most famous cases, began dealing with Baghdad. Russia in particular secured approximately 40 billion dollars’ worth of prospective deals with Saddam Hussein.¹⁹ Likewise, Iran has found opportunistic partners weary of long-term trading bans.

Several states, like China and India, have begun ignoring the stringent sanction prohibitions and secured deals with Iran. Consequently, the effectiveness of sanctions will increasingly deteriorate. As the example of Iraq in the 1990s demonstrated, sanctions cannot serve as a long-term alternative or sustain a policy of containment.

Approaches to the “Axis of Evil”

Two models have dominated attempts to resolve proliferation concerns deemed a threat to international peace and security. In the first, sanctioning regimes and the prospect of their removal serve as a means of bringing a potential proliferator to the bargaining table. Otherwise known as the use of ‘positive incentives’, this strategy aims to take away critical resources and offer to return them as an inducement for non-proliferation.²⁰ The second model applies the use of force (whether unilateral or within a collective security framework) where other options, such as sanctioning regimes, have failed. In all cases since 1980 when force was used to prevent proliferation, it was successful in either the first attempt or in a later strike.²¹

Both options have inherent limitations that make them undesirable in the case of Iran. Weary from two wars, U.S. constituents are unlikely to support a military campaign that would destroy Iran’s weapons program permanently. Proponents of the ‘light footprint’ approach in the early 2000s saw that this option only yielded undesirable security

commitments to the protracted civil and sectarian conflicts it aided. Moreover, a military campaign that only utilized air strikes, similar to Israel’s destruction of Syrian reactors at al-Kibar in 2007, would in all probability be ineffective since Iran’s geographically vast nuclear network makes total destruction unlikely.²² Such a campaign would simply push the time frame of weapons development back in Iran by two to five years.²³ Cyber attacks, such as the Stuxnet virus, have also proven ineffective in the long term, with the IAEA verifying in May 2012 that the targeted facilities had regained full operational capacity.²⁴ Most worrisome, an attack by the United States or Israel would galvanize the Iranian regime and its people toward the pursuit of nuclear weapons. Again, extreme antagonism only adds fuel to the fire of Iranian radicals.

North Korea displays the limits of the alternative: sanctions and treaties in political systems subject to change. Negotiated in 1994, the Agreed Framework provided North Korea with a multilateral guarantee of nuclear energy, as well as a commitment from the United States “against the threat or use of nuclear weapons by the U.S.”²⁵ But the execution of delivering the benefits to North Korea was flawed. Construction on new reactors was slow and in 1998–1999, after North Korea attempted a long-range ballistic missile test, U.S. policymakers turned on the Agreed Framework. Doubt in the agreement provided impetus for North Korea to pursue nuclear technology undetected

on the black market, in particular from the network headed by Pakistani native A.Q. Khan.²⁶ After the 2000 presidential election in the United States, the administration of George W. Bush began an immediate review of its North Korea policy, ultimately abandoning the Agreed Framework. While U.S. policymakers saw the missile test and black-market purchase as aggression and reason to doubt the regime, from a North Korean perspective, the two were maneuvers to hedge against an increasingly unreliable security framework. Under pressure from the United States, North Korea chose a path of weaponization over the implicit U.S. guarantee of security, which was later revoked.

North Korea's case has many parallels to that of Iran. Facing hardship that required the regime to place an enormous burden on its population, North Korea chose a path that required co-opting its citizens into accepting short-term pain in exchange for a long-term security guarantee. While the sanctions on Iran may be crippling, Tehran is gradually finding new trading partners that allow elites to finance projects of critical national importance, such as nuclear energy. Agreements such as the 'Peace Pipeline' to Pakistan, a project worth \$7 billion USD that aims to deliver 21.5 million cubic tons of natural gas to an American 'ally', show that Iran is able to work around sanctions and find buyers for its exports.²⁷ In this respect, Iran's natural resources give elites an advantage that North Korea does not have. As long as Iran, like North Korea, perceives the

United States as a threat, it will persist on the path of proliferation, which it sees as a guarantee of long-term security in exchange for short-term difficulties.

Conclusion: Toward a Third Model

The United States cannot afford a nuclear Iran. Meanwhile, Iran, in seeking to alleviate the security threat posed by the United States, faces two options: to capitulate to U.S. demands, or to push forward and seek the ultimate security guarantee of a nuclear weapon. We suggest a third possibility, whereby cooperation is possible and mutual interest exists. Iran, a historic civilization with an educated and vibrant population, can be a crucial ally for the United States in the region, especially vis-a-vis fears of instability in Afghanistan, Iraq, and Syria. The reality of internationally imposed and crippling sanctions is that they do not last forever. If the United States waits too long, options become reduced to either attacking Iran or witnessing more states grow disillusioned and wanting cheap oil. Another option, however, is the premise of this paper: that the time has come to rethink the U.S.-Iran relationship.

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Realism, Constructivism and Institutionalism: A Tale of Partial Theories in Search of General Relevance

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This article is based on a lecture the author delivered at SAIS Bologna on December 20, 2012.

Realism, the doctrine associated with Richelieu and Bismarck, Hans Morgenthau and Kenneth Waltz, has fallen on hard times. It is being overshadowed by Liberal Institutionalism and Constructivism. Liberal Institutionalism asserts: National interest, the central variable of classical realism, and international structure, the pillar of neo-realism, can explain less and less. Hence, international relations theory should focus on the impact of international institutions on state behavior. Constructivism sees values as the key; it is norms, cultures and identities that truly matter.

Both schools have a point. Liberal Institutionalism stresses the obvious: a plethora of international institutions ranging from the E.U. to the U.N. These bid us to look at the hundred ways in which nation-states are constrained by international conventions and institutions like the Land-Mine Ban, the U.N. Security Council and the International Court of Justice. The E.U. is a particularly significant case in point. Its members are yielding ever more prerogatives to the apparatus of

European integration. Qualified majority voting implies that states must submit to the will of the greater number. Even before a candidate can join, the country must accept the 'acquis': a body of laws and legal precedents spanning thousands of pages.

E.U. members have sacrificed their sovereignty in many realms: what apples they may grow, what light bulbs they may use, how they must treat minorities and women. Any citizen can take his human rights complaint to the European Court of Justice, and national governments must obey the rulings handed down by the ECJ. As a famous number has it, half the bills that come before national parliaments originate in Brussels; the national sovereign just puts its stamp of approval on them. Institutional power is enshrined in a slew of treaties with the names of European cities attached to them: Rome, Maastricht, Amsterdam, Lisbon.

In short, we cannot understand the behavior of Britain, France, Germany, or others, without taking into account an expanding web of European-wide

legislation and institutions. If they came back to earth, neither Richelieu nor Bismarck would be able to understand the behavior of the EU-27 in terms of their own experience accumulated in centuries past.

Constructivism is a trickier animal, laden as it is with postmodernist language. Here is one definition that catches its flavor: "Constructivism primarily seeks to demonstrate how core aspects of international relations are, contrary to the assumptions of neorealism and neoliberalism, socially constructed, that is, they are given their form by ongoing processes of social practice and interaction." So what is imagined matters. In opposition to concepts like 'national interest', 'balance of power', and 'systemic structure', contrary to the sacro egoismo of nations, values, norms and ideas are the variables to watch.

Put in such simple terms, constructivism makes a valid point. In our days, statesmen no longer orate like Frederick the Great who in 1740 explained his attack on Silesia, a Habsburg possession, in these terms: "My coffers were filled, my troops well trained." In addition there was the "vivacity of my temperament" and the desire for fame - "le désir de faire parler de moi." Hence, he had decided to "make war against Maria-Theresa of Austria."

Today, anybody who goes to war invokes universal principles, such as justice, democracy, or the fight against weapons of mass destruction. Even a hundred years ago, Woodrow Wilson wanted to

"make the world safe for democracy." Conversely, nobody cites the national interest as justification for grabbing this piece of land or that naval passage. There is more than rhetoric in play. Nations, at least Western nations, seek international approval for their actions. They want to act with others. Hence they appeal to the UN Security Council to pass resolutions authorizing force. The International Court of Justice prosecutes war crimes. There are climate conventions and bans of certain kinds of weapons. Other conventions protect refugees and civilian populations.

Hardly a day goes by without a debate on humanitarian intervention and the 'responsibility to protect' - waging war for the sake of those who cannot defend themselves. Value trumps - or seems to trump - interest. The list is endless: Rwanda, Sudan, Bosnia, Libya, Syria, Mali. In the constructivist's world, humanitarian intervention is supposed to obey moral duty, not strategic interests like 'blood for oil'. To sum up: institutions and norms have come to play a large role in the conduct of nations, or at least some nations. Among those one would not list the Greater Middle East and Africa, nor China or Russia. This is where Hobbes, not Kant, rules in various degrees. Let us first focus on the West. Is it really Good-bye to realism?

There are two versions of realism. The older one emphasizes international anarchy, hence the existence of a 'self-help system' wherein states act autonomously to preserve their interests. In this

model, nations cannot count on those institutions that buttress peace at home: a legitimate legal system wherein conflict is adjudicated by independent courts, and verdicts are enforced by the police and ultimately by the army. Hence, lacking these institutions, they must take care of themselves. They must maximize security and balance the power of other nations.

The more recent version of realist theory adds another variable: the structure of the international system, as defined by the distribution of power like bipolarity and multipolarity. From structure, neo-realism draws conclusions about systemic behavior. Multipolar systems have a certain set of outcomes, such as the high frequency of realignment and war, while bipolarity is marked by stable alignments and great-power peace. The classic, even fifty years after its publication, remains Kenneth Waltz's "Stability of the Bipolar World". Compellingly, Waltz's argument explains both the persistence of the bipolar system and the absence of great-power war.

Looking at the distribution of power, Structural Realism must also deal with the nature of power. Though Waltz tends to downplay the role of nuclear weapons, they have transformed world politics like no other technology has done in the past. It is hard to explain the absence of major war in the last 60-odd years without recourse to nuclear deterrence and its simple rule: 'Whosoever shoots first, dies second.' Another problem of Waltzian realism is the issue of system transformation. Why did the Soviet Union collapse, giving way

to a kind of unipolar world? Structuralist theory cannot explain momentous changes inside the "billiard balls." The Soviet Union went down because of domestic failure: a shrinking economy, a dysfunctional political system, sinking life expectancy, and low birth rates.

How do we test these various theories? One problem of Liberal Institutionalism and Constructivism is that they attack Structural Realism for the wrong reasons, assuming that it pretends to explain what it has not set out to do. Structural Realism does not explain why leaders say what they say, or why states pursue certain policies. Above all, it tries to explain systemic outcomes. This is what Kenneth Waltz calls 'third image' analysis.

This analysis abstracts from a myriad of other variables: domestic politics, ideology, economics, national culture.... It is a sparse theory in two ways. First, it depends on only one basic variable – structure as defined by the distribution of power. Second, it does not seek to explain specific foreign policies, but systemic outcomes like stability and war. Waltzian analysis has done rather well in explaining the stability (though not the end) of the bipolar world (and the instability of the multipolar world).

Can Structural Realism do more? Yes, it can explain basic choices, as conditioned by structure. Let us look at the United States and Europe and at their power and position in the international system. How well do these two variables elucidate their roles on the international stage? No

nation has gone to war more often in the postwar period than the U.S. Why is this so? The answer of Structural Realism: There is nobody else to assure America's security; this is the price of vast power. Now look at Europe. Since the wars of decolonization, the Europeans have fought only rarely, and then only in a manner of speaking: in Serbia, Iraq, Afghanistan, Libya and Mali. The first three were basically symbolic actions (leaving out Britain, which deployed real force in Iraq and Afghanistan). In the Balkans, in Iraq and Afghanistan, the Europeans followed the United States' lead, which has carried the largest part of the burden. The explanation is simple: the U.S. has the interests and the wherewithal that come with being the world's no. 1. The Europeans do not. At best, they will intervene close to home as in Libya and Mali, and they quickly ran out of ammunition in both cases.

Why don't the Europeans raise forces commensurate with an EU GDP that is larger than the American one? The system is destiny. The Europeans know full well that the U.S. is their security lender of the last resort; this is why they have practically stopped being strategic actors, Britain and France, yesterday's powers, being partial exceptions. The U.S. can rely only on itself. This is why it has to be a global military player. Nations that are sheltered by others behave differently from those who provide the shelter. They are also free to obey different values. Hence, the E.U. takes pride in being an "empire of peace."

An obvious counter to this argument would draw on non-structural factors. Europe, once the most war-ridden place on earth, has become a different society in the second half of the 20th century. Its culture has changed. It remembers its almost-suicide in two World Wars. It has done away with force as central tool of grand strategy. It has dispensed with its ancient warrior culture, and it has learned that it can do quite nicely without the internecine struggles of the last 500 years.

Europe's changed culture and values buttress the tenets of Constructivism. But this raises another question: why the new culture? This miraculous transformation is largely due to a weighty system-level variable called 'Big Brother' from across the sea. The United States has guaranteed Europe's security for almost seventy years – a magnificent gift. Europe behaves in a non-Hobbesian manner because it no longer lives in a Hobbesian universe, thanks to the US, a player mightier than any European state. It is the United States that has lifted the curse of self-defense from Europe's shoulders.

If this is the case, structure does remain destiny, though at one step removed. A new distribution of power has allowed all these nice features blossom that have turned Europe into such a pacific continent. International structure has shaped culture, values and society. Obviously, there is no hard proof for the connection between structure and culture, but the evidence is suggestive. Just compare and contrast. In the past, the European self-help system spawned

regular war. Afterwards, the system underwritten by the U.S. has brought enduring peace. On a rhetorical note: Would Sweden be Sweden if it lived in the Middle East? In the 16th and 17th century, this paragon of pacificity was the scourge of Europe.

The moral of this story: the global power structure changed first, then values followed. Now let's look at the explanatory punch of Institutional theory. At first glance, Europe is Institutional heaven. Wars and arms races are gone, and institutional power is flourishing. But national interests have yet to bow to the will of E.U. institutions, even as the web of cooperation has thickened. It is hard to explain the behavior of Germany, Britain, France, Italy and the smaller nations within the E.U. without recourse to the sacro egoismo of nations and their position in the hierarchy of power.

A telling example is the Euro crisis that erupted in 2010. Why did Germany assert its will on the austerity issue for two years and then yield to a rudimentary transfer and debt union? Initially, Berlin tried to 'Germanize' the rest of Europe: no bail-outs, no unconditional aid to the crisis countries, no European Central Bank that would act like the Federal Reserve as a money machine. Instead, the marching order from Berlin was: You must reform your labor markets, rein in corruption, and become more competitive. In other words, you have to become more like Germany. We might call this "soft" power politics - with the strong trying to impose their will, though peacefully, on the rest.

The distribution of power also explains the responses of the smaller countries. Greece, Portugal, Ireland and Cyprus did submit to fiscal discipline - as in the famous Melian Dialogue where the Athenians orate: The strong do what they can, and the weak do what they must. But the larger countries - France, Italy and Spain - did not capitulate. Their national debts continued to rise, and so did unit-labor costs, which is the best single measure of competitiveness (and lack of reform). In short, size matters when it comes to inter-EU politics. The Big Three called Chancellor Merkel's bluff, knowing that the country with the greatest interest in the monetary union and with the richest resources would do almost anything to save the euro. This bet was correct, and so the German chancellor shifted from whip to cornucopia.

This outcome can hardly be chalked up to the power of European institutions. The Big Three well understood the nature of public goods, which is the common currency in case. The theory of public goods predicts that the player with the deepest pockets and with the greatest interest in maintaining the public good will pay. This is the nature of old-fashioned international politics, with nations obeying not international institutions, but calculating power and interest.

Interest and positional power were in play from the very birth of the monetary union. The common institution, the euro, closely mirrored German preferences. The country's export machine, faced with

relentless revaluation pressures, needed a common currency in order to redistribute the burden of revaluation among many players. A rising euro would lift the entire boat, keeping internal European parities unchanged and so preserve Germany's price advantage. It would also end the game wherein France, Italy and Spain could devalue faster than they inflated in order to stay competitive. Indeed inflation was the devil's work, and so the Germans insisted on strict fiscal discipline all round. The European Central Bank was not to be a lender of the last resort (like the Fed), but the guardian of the "value of the currency." It was to be the Bundesbank writ large.

Yet the bet of "Germanization" went sour; the common institution could not impose fiscal discipline on 'Club Med', which merrily went into deficit and debt without tackling structural reforms (or "internal devaluation"). Indeed, the latter were still missing in the fourth year of the crisis, as powerful vested interests in the Big Three resisted what communal virtue demanded. The test of institutionalism is still to come. That is the moment when Germany runs out of money before 'Club Med' has brought its house in order.

How are Liberal Institutionalism and Constructivism doing outside Europe, in the arc of power politics running from Ankara via Damascus and Tehran to Kabul and thence to Islamabad and Beijing? In these places, the self-help system is in full swing. As a result, the system suffers from a high frequency of conflict and war, and not just between

Israel and the Arabs. The longest and bloodiest war was between Iraq and Iran in the 1980s for a full 8 years. Egypt has gone to war against Yemen and into border skirmishes with Libya. Saudi-Arabia arms against Iran, and Iran threatens the sheikdoms of the Gulf.

Above all, the Hobbesian system rules within. The civil war in Syria mirrored an earlier one in Algeria with hundreds of thousands of victims. Smoldering civil war besets Yemen, Libya and Iraq. Iraq is particularly apropos. The withdrawal of American forces has reignited Hobbesian politics. Civil war will probably resume in Afghanistan once the U.S. withdrawal is completed. As in the international sphere, the intra-state self-help system breeds internal conflict because there is no actor strong enough to assure domestic order. Institutions fail because the state, the supreme institution, is too weak.

East Asia is a self-help system, as well. Hence, it remains in the grip of the 'security dilemma' in which one state's quest for security breeds insecurity among the others. As a result, they go into 'balancing mode' by way of arms and alliance, which in turn spurs security fears and arms racing on the part of the initial offender. International institutions remain rudimentary and weak. As China seeks to challenge the reigning world power, the U.S. is 'rebalancing' or 'pivoting' from Europe to the Pacific. So balance-of-power politics is alive and well. As the strong face off in the Pacific, smaller nations are huddling beneath the American umbrella. QED. Structure

qua distribution of power is the key to understanding the world outside the West.

To get a grip on the contemporary world requires dividing it into two. One part is the Berlin-Berkeley Belt that extends to Tokyo and Canberra. The other is the Baghdad-Beijing Belt, branching off to Russia and to the Ukraine, to Pakistan, the Maghreb and sub-Saharan Africa. Protected by American power, democracy and institutionalism could flourish in the Berlin-Berkeley Belt. Yet the swath extending from Damascus to Pyongyang remains Hobbes Country. The game is about power and position; the drivers are fear and insecurity. Arms races abound, and war remains an ever-present possibility. In this part of the world, norms and institutions are weak to non-existent.

To make it worse, a large part of this realm—the Islamic part—is caught in a double-conflict. One is Samuel Huntington's "Clash of Civilizations" – Islam against the West. The other is a 'Civilization of Clashes', as Niall Ferguson has put it: Islam against itself, with states, sects and classes competing for primacy. The struggle is about ideology and interest, and where those two rule, institutions and norms lack the power to change behavior.

To conclude, realism was a general theory when the international system was basically coterminous with Europe plus the colonial world and the oceans in between. As it stands, realism is a partial

theory that fits the Baghdad-Beijing Belt very nicely. Yet institutionalism, too, is only a partial theory – one that fits the West best, though with the qualification that power and interest have by no means disappeared. Only war has been extruded from the Berlin-Berkeley Belt. Hence, there is no one-size-fits-all theory; the theoretical battle will remain inconclusive. The moral of this story is a cautionary one: don't try to apply either theory to the wrong part of the world.

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INTERVIEW

Stephen Walt: International Relations and the “Ivory Tower Problem”

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It seems that International Relations, more so than some other disciplines, suffers from a gap between academics and policymakers. Could you explain why you think this might be the case?

People have complained about the gap between the ivory tower and the policy world for decades. You can go back and find Hans Morgenthau writing very angry essays about this problem, so it's not as though it has just happened. But I do think the problem has gotten worse in recent years for several different reasons. First of all, you've had the emergence of what you might call a “shadow intellectual community” inside Washington, D.C. itself. Thirty or forty years ago, if you wanted to get detached policy advice, you pretty much had to go to universities. Now, if you're a policymaker and you want to get some advice on what to do about say, India and Pakistan, or what the American role in Latin America should

be, there are people inside the Beltway at various think tanks who are ready to pick up the phone and talk to you. That's one reason.

A second reason is that in the academic world itself, there's less and less interest in developing ideas that would be of direct relevance to policymakers. Younger academics have essentially no incentive whatsoever to be policy relevant. Their future depends on impressing other academics, who will be determining whether or not they get tenure, and therefore there's just not much reason for them to care about policy issues or to get involved in the policy world at all. Some of them will decide to do that after they get tenure, when they get bored by writing articles for an audience of twenty or thirty people, but the vast majority probably will not.

A third contributing factor is that

the methodologies that have become increasingly popular in the scholarly world make the work of many academics less accessible to policymakers. The point is that even if policymakers wanted to learn from what was going on in academia, a lot of it would be very time consuming for them to try to master, and very hard to understand if they did. As a result, they're even more inclined to go and listen to people from think tanks, who are producing short little policy memos. So for all of these reasons, it seems to me that the gap between the policy world and the academic world is growing. I don't think that this is a healthy development.

Is this the fault of academics, policymakers, or both? And how can we bring the two closer together?

I think it's mutual, and probably even self-reinforcing. An academic wants to get as close to the right answer as possible, and if it takes an extra six months to do that they're likely to take that extra six months. A policymaker doesn't have the luxury of that kind of time. For a policymaker, getting a pretty good answer right away is more important than getting the absolutely right answer a year from now.

Also, academics tend to be interested in general tendencies, either universal laws or empirical generalizations that apply most of the time. But a policymaker might be interested not so much in what the general tendency is, but rather what's going to happen in the particular case that's on her desk this week. As a result,

there are somewhat different incentives or goals that each group has.

That said, reminding people in the policy world that academics have the great luxury of being essentially independent thinkers is one thing that can be done. If you're looking for creative thinking, or for people who can challenge the prevailing orthodoxies, I think you're more likely to find them in the academic world.

In terms of academia, addressing this problem involves convincing people in the academic community to place more weight on scholarship that makes a real contribution to public and policy understanding of important issues. For example, instead of just giving scholars credit for articles in refereed academic journals or books published by university presses, we could try to give people credit for writing articles in journals like *Foreign Policy* or *Foreign Affairs*. Instead of looking only at how often scholars' work is cited by other scholars, we could also look at how often a scholar's work is mentioned in the *New York Times* or the *Washington Post*. To what extent is someone really contributing to public discourse on these issues?

And one final suggestion: very few universities will give academics any credit for actually working in government or in other forms of public service. But if they wished, universities could adopt policies that made it easier for scholars to acquire some real-world experience. You don't have to give a junior scholar explicit credit towards tenure for this, but we shouldn't

penalize them for it. Why not agree to stop someone's tenure clock if they take a year off to work in government? They would still have to do the usual academic writing, but they would have the same amount of time to do it and they wouldn't face a stark trade-off between acquiring real-world knowledge or cranking out another academic article or two.

How do think tanks play a role here?

First of all, there is an activist bias in almost all of the major foreign policy think tanks. I'm thinking here of institutions such as the Council on Foreign Relations, Brookings, the American Enterprise Institute, Heritage or the Carnegie Endowment. These organizations don't agree on every single policy issue, but all of them are strongly in favor of what you might call American global leadership. They think the United States should be actively involved in every corner of the world, and should generally be very energetic in trying to solve global problems. There's nothing inherently wrong with that, but the central problem is that it means the intellectual community that tends to dominate the foreign policy establishment is almost always collectively in favor of doing more. By contrast, there are relatively few organizations whose purpose is to get the United States to be somewhat more restrained.

The second issue is the nature of the intellectual work that gets done in these organizations. I think a good example of

this is what's happened to the Brookings Institution over time, at least with respect to foreign policy. Back in the 1980's, the staff of the Foreign Policy Studies group at Brookings was really quite impressive, and a number of the people who were scholars there could easily have gone to teach at universities. They wrote books and articles that academics took seriously. But if you look at the people who are now in the Foreign Policy Studies program today, hardly any of them would be qualified for a tenured appointment at a top-rank academic institution. I'm not saying they aren't smart or anything like that; I'm saying that the priorities of the organization have shifted away from doing serious scholarship that really advances knowledge, and has moved towards doing the kind of short-term policy analysis (op-ed writing, memo writing, things like that) that is part of public discourse in Washington, D.C. If you're looking for more rigorous or more long-lasting work, you can't find it in most of these institutions anymore.

That makes sense. In a working paper with John Mearsheimer, you discuss the role of theory in the academic world of International Relations, and argue that the field may be deteriorating into what you call "simplistic hypothesis testing". How is this notion connected to the idea of academics and policymakers developing a better working relationship?

I think the connection is straightforward. The basic problem we have, and it's particularly true in the field of

International Relations, is that this is a world of extraordinary complexity. There are millions of different things that might shape international outcomes or foreign policy behavior, and ordinary citizens (but also policymakers) need some way of making sense out of all this confusion. You need theory to do that, to tell you which factors are important and what the key causal relationships are. You particularly need that when you're trying to look ahead and figure out what's likely to be happening down the road and what steps you need to take in order to be ready for new circumstances. What developments in the world are likely to affect the policy agenda going forward? You can't answer that question without at least some sort of theory, however crude and imperfect it might be.

Let me give you just one example. Trying to figure out what do to about the rise of China is an inherently theoretical question, because you can't just look at Chinese behavior today, or Chinese behavior over the last ten years, and conclude we know what China is going to do in 2025 or 2030. Because if China's power position shifts, if it continues to rise and becomes more-or-less equal to the United States, its leaders are likely to define China's interests differently and its behavior is likely to change. So you have to look at different theories of international politics and see what they tell you about the behavior of states when the balance of power is shifting.

Moreover, if you look at the current debate about how the United States

should respond to a rising China, it breaks out along theoretical lines. You have realists like me who would argue that the rise of China is likely to produce an intense security competition between the United States, China, and perhaps some other countries. And you have people of a more liberal persuasion, who argue that in fact this conflict won't be that severe, that there are tight economic ties already between the United States and China, and a number of other states, and that that will significantly attenuate any possibility of real competition. This is a theoretical argument we're having, but it's a theoretical argument of tremendous policy importance.

Now, going back to where we started, one of the things that has tended to make I.R. scholarship less and less relevant to policymakers is that it's become the narrow testing of increasingly a-theoretical hypotheses. There are times when that can be useful for a policymaker who just wants to know what the general tendencies are, but the problem is that if hypothesis testing isn't guided by a clear and well-articulated theory, it usually yields unreliable results. This sort of work also tends not to cumulate over time: you just get lots of different social scientists touting their particular model and mostly arguing past each other. That's not very useful for policy.

What do you think the dominant theoretical perspective has been in terms of American leadership in recent years?

I'll tell you something that maybe won't surprise anybody, and that's to say that I'm convinced the United States has almost always followed fairly Realist policies in terms of the way we've actually behaved in the world. But we always dress it up with a lot of self-serving liberal rhetoric. You never hear American politicians, or politicians in most countries for that matter, saying they're doing things strictly to enhance their own power position, that they're making sure they continue to be the world's number one power and don't allow any competitors to emerge, that we're going to take advantage of our adversaries when they're weak and play hardball with them when they're strong. You don't find people saying things like that, but that's basically what the United States has done throughout most of its history, I think even going back to before we were a great power. American leaders were always sensitive to the balance of power and bent on dominating the Western hemisphere. Once we did, we also wanted to make sure nobody else established a similar position of power in their neighborhood.

What I think you see with Barack Obama is very much a sort of Realist adjustment to a sense of American over-commitment, but one that's designed primarily to restore America's position in the world and defend what he regards as key American interests. He wants to do this with support from lots of other countries, but if he doesn't have their support then to go ahead anyway. The Obama administration has been willing to rely upon drone attacks in a variety

of other countries, which is something we would find completely unacceptable if someone was doing it to us. The administration has also relied on special forces in various places, which again we would not regard as acceptable if someone were doing it to us, and it has threatened the use of military force in a number of other contexts. The bottom line here is that great powers tend to act more or less the way that Realist theory depicts, but great powers like the United States rarely talk that way openly because we like to think of ourselves as much more idealistic than we really are.

We're curious, do you think your own work has had an effect on policymaking?

That's a great question. I think some of my earlier theoretical work may have had a very modest impact in shaping how some people thought about alliance relations, but I can't say that it had sort of an immediate direct impact that I could point to a policy initiative or a body of legislation or some aspect of military doctrine that's directly traceable to my own work. My greatest impact as a scholar came from the book that John Mearsheimer and I wrote about the Israel lobby and US foreign policy. There, the impact was not so much directly on policy as in altering popular discussions of this issue. I think we helped open the door to a much broader and healthier discussion of the U.S.-Israeli relationship and where it comes from, but also some of the problems that this causes for American policy in the Middle East.

For a variety of reasons, you haven't seen American policy shift dramatically, because you're not going to stop a powerful interest group in its tracks just by writing a book. But once we do get a more open discussion, then it at least creates the possibility that the policy will begin to shift over time. You could argue that we had some indirect impact in some other developments—such as the emergence of groups like J Street and others—but you'd have to do a more detailed investigation to verify that. But I think we were clearly part of a shift in the overall constellation of political forces revolving around that issue.

COMMENTARY

Nebulous NATO: A Quest for Relevance

Timothy J. Sandole

The North Atlantic Treaty Organization (NATO) is considered the most successful military alliance in history, and yet, its future is clouded in uncertainty. With the end of the Cold War, followed by the breakup of the Soviet Union, NATO has suffered from a structural problem that has become more acute over time—the absence of a clearly defined existential threat to Europe. This makes for a dubious *raison d'être*. If NATO's future was ambiguous immediately following the Cold War, it is disquieting to consider its role in an environment of draconian defense cuts, fiscal woes in the United States, a Europe-wide financial crisis, and a U.S. military shift toward the Pacific.

Yet NATO is not going to disappear anytime soon, no matter how bleak the prospects for its existence might appear. First, European security, though lacking a clear antagonist, is still important; second, NATO has evolved from an organization dedicated to collective defense into an institution “complete with transnational command structures, a permanent bureaucracy, buildings, regular meetings and ceremonies, its own logo, website and so on.”¹ Like any bureaucracy, NATO has a self-preservation instinct and seeks to maintain autonomy, prestige, and

influence. Secretary-General Anders Fogh Rasmussen's Smart Defense initiative, unveiled at the 2011 Munich Security Conference, aims to keep NATO's influence intact as the cash-strapped United States draws down its military presence in Europe.² Smart Defense intends to pool military resources and encourage European member states to specialize in areas where they display a competitive advantage.

While certainly no panacea, Smart Defense must be encouraged. This initiative will not solve the Alliance's structural problems, but it can incentivize European member states to take on significant responsibility for their own security and that of the European periphery in light of U.S. retrenchment. Some European nations are heeding the call, although it remains unclear whether their behavior will influence other countries. NATO will remain relevant if member states increase defense spending, or, at minimum, begin trying to do more with less.

Robert Gates Drops a Bomb

In June 2011, the then U.S. Secretary of Defense Robert Gates dropped a

retorical bombshell on Brussels: NATO faced “the real possibility [of] a dim, if not dismal future.”³ The outgoing secretary used the bully pulpit to speak sternly about the Alliance’s languishing abilities, most notably its 2011 intervention in Libya, and how the United States was constantly making up the difference.⁴ NATO’s lackluster performance was due in part to the failure of a vast majority of member states to meet the individual designated defense spending benchmark of 2 percent of GDP.

Gates’s remarks hardly surprised Stephen Walt of Harvard University’s John F. Kennedy School of Government: “NATO has been on borrowed time ever since the Soviet Union collapsed because military alliances form primarily to deal with external threats, and they are hard to hold together once the threat is gone.”⁵ At present, there exists no significant threat to the continent comparable in destructive potential to the Soviet Union, which means that “Europe has little reason to invest a lot of money in defense these days, no matter how much Americans implore them to, and so they turn a deaf ear to American entreaties.”⁶ Combine this with the Europeans’ incentive to free ride on the appropriations historically set aside by the United States for NATO, and it becomes easy to understand the asymmetries that compromise the cohesion of the Alliance.

The absence of a commonly defined threat has allowed member states to prioritize their disparate national interests. Members’ reluctance to demonstrate a

full show of force has been evident in every conflict involving NATO since the Alliance’s contribution to ending the genocidal war in Bosnia-Herzegovina in 1995. Disunity over mission objectives has contributed to lackluster capabilities and force employment, as displayed most prominently in Libya, but also in Afghanistan. In the same bombshell speech given in Brussels, Secretary Gates unambiguously stated, “Despite more than two million troops in uniform—not counting the U.S. military—NATO has struggled, at times desperately, to sustain a deployment of 25 to 40,000 troops [in Afghanistan], not just in boots on the ground, but in crucial support assets such as helicopters, transport aircraft, maintenance, intelligence, surveillance and reconnaissance, and much more.”⁷ If the policymakers of a member state do not perceive a strong national security interest in toppling brutal dictators such as Muammar Qaddafi or maintaining Alliance forces in Afghanistan, that state is unlikely to expend blood and treasure to achieve such goals. A withdrawal of U.S. military presence from the European theater, however, is causing some Alliance members to reevaluate their positions.

The Asia Pivot: A Precipitate for European Action?

With no adversary on Europe’s horizon, coupled with U.S. fatigue from protracted and strategically questionable counter-insurgency operations in Iraq and Afghanistan, the Obama administration has rediscovered its national-interest bearings and begun shifting valuable

resources to the Pacific—a region where future great-power competition (and cooperation) is destined to occur. U.S. national security policy is thus refocusing on major, nuclear-armed powers—countries that could threaten the destruction of the United States. Although Russia satisfies this definition, Richard Betts of Columbia University convincingly argues that “Russia is less of a potential challenge than China given the lopsided distribution of power in Europe since the Cold War, the fragility of Russia’s economic recovery, and the lack of a *casus belli* as insoluble as the Taiwan problem could prove to be.”⁷⁸ China, on the other hand, is a ‘returning power’ with high expectations. Furthermore, it is a party to numerous unresolved grievances and maritime disputes in the South and East China Seas, some of which have come close to open hostilities. America’s rebalancing toward Asia will last because of the pressing need to maintain the status quo: preserving access to the global commons and the regions necessary for upholding America’s economic prosperity and security. What does this mean for Europe?

A wake-up call, no doubt. Tomas Valasek, president of the Central European Policy Institute in Bratislava, Slovakia, points out that “NATO will either adjust to this new state of affairs or its credibility will shrink further...Never before in NATO’s history were America’s allies of so little use for the kinds of scenarios that most occupy defense analysts.”⁷⁹ A first step in preventing this gap from widening is to encourage the implementation of Smart

Defense, whereby military capabilities and resources would be pooled to maximize Europe’s security responsibility in its own backyard.

Recognizing the new strategic reality, Norway has gone a step further by appropriating more money for defense in 2013, including a 30 percent funding increase for cyber security.¹⁰ Denmark’s Defense Minister Nick Hækkerup recently completed an arrangement whereby all five Nordic countries will jointly operate C-130s, among other military transport aircraft.¹¹ These countries may indeed become a collective poster child for Smart Defense, but it is too early to tell whether other nations will follow their example. Prosperous Germany, which Polish Foreign Minister Radek Sikorski memorably described as Europe’s “indispensable nation,” remains the biggest question for R. Nicholas Burns, the former U.S. ambassador to NATO. Burns argues that a robust German defense posture would “be the greatest boost to NATO.”¹² Wolfgang Ischinger, Germany’s former ambassador to the United States, goes a step further, arguing that NATO should rebalance with the United States toward the Pacific.¹³ Burns’ prescription is commendable, though Germany continues to lack strategic ambition proportionate to its stature as Europe’s most powerful country. Ischinger’s proposal is unreasonable given Europe’s dismal fiscal state of affairs. Germany is too busy saving the European Union from itself to worry about supposed military threats to Europe. What incentive does it have to behave

otherwise, given the unprecedented 'Kantian peace' in Europe? Why should any European NATO member state behave otherwise?

European Security Is Still Important

There will come a time when the European financial crisis subsides, at which point NATO members can seriously consider spending more of their tax revenues on defense. There may also come a time when a security crisis, most likely unforeseen, grips Europe's attention—in the Balkans, the South Caucasus, Kaliningrad, the Mediterranean, the Middle East, Central Asia, or the Arctic. The civil war engulfing Syria is such a concern for Turkey, for example, that it has reached out to its NATO partners for help. The United States, Germany, and the Netherlands have each agreed to provide their NATO ally with two Patriot missile batteries, along with 400 troops, in order to deter any Syrian missile attack on Turkey.¹⁴ The even contribution of military resources made by the three allies is intriguing, considering the lopsided distribution of military power among them.

Whether this is proof of a more activist Germany, however, remains to be seen. Similarly, whether the tragic civil war in Syria represents a serious threat to Europe is unclear, making European security and NATO a relevant topic of discussion. If the Europeans are serious about maintaining NATO's relevance in the wake of U.S. recalibrations, they will have no choice but to become more active in their sphere of influence and

re-energize an alliance suffering from an identity crisis. Though lacking munitions to complete their mission, the British and the French in Libya displayed leadership that could be a harbinger of NATO's future operations. Over the next decade, more attention and pressure is likely to be focused on Germany in this respect.

To be sure, the United States is not jettisoning its NATO Article 5 commitments in Europe. Washington will remain a steadfast guarantor of European security under conditions of significant threat. However, discretionary missions like those in Bosnia-Herzegovina and Serbia during the 1990s—or Libya in 2011—will no longer be of primary strategic concern for the United States. Accordingly, Europe will be the likely target for the \$487 billion reduction in U.S. defense spending planned for the next decade. As Barry Pavel and Jeff Lightfoot of the Atlantic Council point out,

[Europe] must tend to its neighborhood with greater care and call in the reinforcements of the United States only when absolutely needed...The United States will do what it must—playing roles and providing surge capabilities that only it can provide—and Europeans will bear the rest of the burden for operations that are more in its own interest than those of the United States.¹⁵

Ties That Bind

The bonds between the United States and Europe are strong. A common history, culture, and political and economic

philosophy have made the alliance formed in 1949 even more robust. Common bonds, rather than overwhelming strategic concerns, have played a significant role in keeping NATO up and running since 1990. But strategy has no room for nostalgia, and ties that bind need not be maintained solely through bullets and armor. The interests of the United States have changed, and so have those of Europe. As the United States moves from a grand strategy of primacy to selective engagement in Europe, NATO members will be pushed to invest more energy and resources in an alliance that has, to an unprecedented degree, denationalized their respective defense apparatuses. NATO has provided an arena for conflict resolution among member states and their sometimes contentious neighbors, ultimately facilitating a continent-wide peace. It is time to recognize the new strategic reality and plan accordingly, in large part to avoid any unintended consequence that could undermine Europe's unique democratic peace.

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Austerity: A German Prescription for a Greek Tragedy

Benjamin Locks

Due to Germany's weight in the Eurozone, it has an outsized role in policy prescriptions for the region. It is imposing a reform package that it itself passed in the early 2000s, which is widely credited with turning around the German economy. However, these reforms are suited for the export-driven economy of Germany, not the demand-driven economy of Greece. In Greece, the reforms have led to a massive drop in GDP, high youth unemployment, and a rise in debt to GDP. Meanwhile, the Greek government is becoming less capable of enacting the reforms demanded of them. As a result, citizens are turning towards more extremist political parties that want to end austerity. All of this will make it harder for Greece to pay back its debt and remain in the Eurozone at an acceptable cost to society. If things do not change soon, the troika may be creating conditions for the same Greek exit that it has been trying to prevent.

"Your empire is now like a tyranny: it may have been wrong to take it; it is certainly dangerous to let it go."

— Pericles

Ten years after the introduction of the euro, several countries face bankruptcy, threatening the very existence of the currency union. Greece has had a particularly hard time and was forced to turn to the European Commission (EC), European Central Bank (ECB), and the International Monetary Fund (IMF), commonly referred to as the troika, for a bailout to keep the country solvent. As the richest country in the Eurozone, Germany's financial and political support has been essential for any bailout to move forward. Germany's prescription for the crisis is an austerity package closely modeled after the reforms it implemented in the early 2000s, when it faced high

unemployment and stagnant growth. The "Agenda 2010" reforms were designed to reduce government expenditures and open labor markets and have largely been successful in transforming its moribund economy into a world-beating exporter. However, these reforms are suited for the export driven German economy, not the domestic demand driven Greek economy. Applied to the Greek economy, these reforms are creating terrible side effects. Greece's debt-to-GDP ratio and unemployment figures are rising. Greek institutions are becoming less capable of enacting reforms, and pro-austerity parties are losing ground to the far-left and far-right, making it more difficult for reforms to be politically sustainable and for the Greek economy to grow and remain within the Eurozone.

An exit from the Eurozone might give

Greece more flexibility, but it must be managed in an orderly fashion over an extended period of time. Spain, Italy, other peripheral countries, and European banks are in such a weak position that a premature Greek exit could threaten their ability to borrow from financial markets and with economies many times larger than Greece's, the rest of the Eurozone is not in a position to offer them a similar bailout. Without the commitment to a perpetual transfer union or Eurobond system, which seems unlikely given current German sentiment, the troika must redirect some of the bailout funds toward improving the economic prospects of ordinary Greeks. This would give the current Greek coalition some breathing room to survive the next election, while making preparations for other institutions to withstand a Greek exit. If the troika does not adapt, it could be creating the very conditions for the Greek exit that it has been trying to avoid.

Original Sin

The purpose of economic integration in Europe has always been about the prevention of another destructive war. As French foreign minister Robert Schuman declared on May 9, 1950 in setting up the European Coal and Steel Community (ECSC), the forerunner of today's European Union (EU), economic integration will make war "not merely unthinkable but materially impossible".¹ In this sense, the euro is politics by other means, or an economic tool being used for the purpose of political integration. In 1998, Spanish President Felipe

Gonzalez admitted as much when he said "The single currency is a decision of an essentially political character...We need a united Europe. We must never forget that the euro is an instrument for this project".²

The decision to let Greece into the euro was accordingly based on political rather than economic grounds. Greece's initial application to join the Eurozone was rejected by the European Commission in May 1998 due to its high debt to GDP ratio, but this decision was reversed just 18 months later. The debt criteria was changed to "approach the reference value of 60% at a satisfactory pace."³ Rumors abound that Greece had cooked its books to show improvement in this regard, but similar statistical irregularities had been apparent since the beginning of its relationship with the European Union. Before the introduction of the euro, one European official complained, "We did send a mission to Greece, but they had a lot of problems getting their numbers right. We had to establish a small [working] group, which reviewed all of their statistics. All the figures contradicted".⁴

Greece was nevertheless let in, because, according to John Palmer of the Centre for European Studies, "The Greek economy appeared to be doing well, and there was a strong desire to reward countries that had faithfully committed to the integration process. There was a political wish to be helpful".⁵ The political idealism of European policymakers and their desire to see a united Europe overrode their

intuition on the questionable nature of Greece's statistics. And so, Greece entered the Eurozone in 2002 with a debt-to-GDP ratio of 101%.⁶

Credit Boom

European leaders believed that once Greece and other peripheral countries joined the euro, their economies would converge with those of the richer northern European states. On the surface, their hopes were rewarded. Between 2000 and 2008, Greece's GDP grew at an average rate of 3.8%. However, this masked underlying problems. Like many other peripheral countries, Greece's interest rates for borrowing dropped and consumers went on a spending spree. In the same time period, the country's public debt-to-GDP ratio rose from 103.4% to 110.7%, and its current account deficit almost doubled, from 7.7% to 14.7%. In fact, 97% of GDP growth in that time period can be attributed to public and private consumption, a full 15 percentage points higher than its peripheral Eurozone colleagues and 26 percentage points higher than the Eurozone's core countries.⁷ Similarly, corruption indicators in Greece began to worsen as well (see graphs in later section). When the financial crisis struck in 2008, Greek banks looked like they might go bankrupt. But with so much public debt, markets wondered whether Greece could bail out its banking system, and Greek bond yields began to rise. By 2010, Greece was in dire straits. Germany wavered as to whether it would bail out Greece. Borrowing rates exploded and

the Greek government was forced to turn to the international community for help.

The European Commission, the European Central Bank, and the International Monetary Fund eventually formed a working group known as the troika to administer a bailout of Greece's financial system, conditional on Greece slashing budgets and implementing labor market reforms. The troika has demanded massive cuts in government spending, equivalent to 9.1-9.4% of GDP in three years, as well as the elimination of 150,000 workers from the public sector by 2015, a cut of nearly 20% from July 2010 levels.⁸ The troika is also demanding a 22% cut to the minimum wage for workers over 25, a 32% cut for workers under 25, and the deregulation of many protected labor industries.⁹

The German Prescription

Germany is the largest economy in Europe and has contributed €211 billion, or nearly one third, of the bailout funds.¹⁰ Accordingly, they have an outsized influence on the policies demanded by the troika. Germany views the crisis as Greece's fault. Angela Merkel has said that the periphery must "do their homework" and "atone for their past sins."¹¹ However, Germany's understanding of the crisis and its remedies are informed by the German economic experience of the past 50 years. Germany has certainly been through its share of traumatic events, many of which have shaped the country's economic and political culture. While most current literature points to the

experience of hyperinflation during the 1920s under the Weimar Republic, or problems of reunification following the fall of the Berlin Wall, recent events have made a more enduring contribution to the German economic perspective.

In the early 2000s, Germany was widely considered to be ‘the sick man of Europe.’ The country was experiencing stagnant growth and stubborn unemployment hovering around 10%. However, in 2003, the German chancellor, Social Democrat Gerhard Schröder, implemented the Agenda 2010 plan, which focused on structural reforms to make labor and product markets more flexible.¹³ The government reduced employers’ contributions to the personal healthcare system, made it easier for companies to hire and fire workers, reduced unemployment benefits, slashed subsidies, privatized publicly held properties, and cut taxes.¹³

Although these reforms cost Schröder the support of his center-left Social Democrat party and his position as chancellor, they were maintained in the subsequent Merkel government. In her first address as chancellor, Merkel said, “I would like to thank Chancellor Schröder personally for bravely and resolutely opening a door with Agenda 2010, so that our social systems could be adapted to a new era.”¹⁴ Since 2005, German unemployment has dropped from 11.7% to 5.4%; the youth unemployment rate is 8.1%, the lowest in the EU.¹⁵ Germany is now the economic motor of Europe and third largest exporter in the world. The country’s resilience was on display during

the financial crisis, as its economy grew by 4.2% in 2010 and 3% in 2011.¹⁶

Square Peg, Round Hole

The reforms being pushed by Germany are shaped by its own unique conditions and experience, and are not suited for the Greek economy. Under similar reform packages, it will take significantly longer for Greece to rebound, if it can implement such a package to begin with. Germany is a very open, export-driven economy. In 2003, when Germany began to implement the Agenda 2010 reforms, the country’s private consumption, exports, and current account surplus accounted for 59%, 36.1%, and 4.3%, respectively, of GDP. By 2006, private consumption stayed level at 58.5%, but exports and current account surplus as a percentage of GDP both rose to 45.1% and 5.5%, respectively.¹⁷ By comparison, in 2011, private consumption in Greece represented 74.6% of the country’s GDP, and exports only 25.1% of GDP, the lowest level of exports in the Eurozone. Greece was running a current account deficit of 8%.¹⁸ German consumption was never as high as in Greece, nor did it fall significantly with a rise in exports. Germany actually had a current account surplus at the time it began to implement the Agenda 2010 package. Reforms in Germany were simply meant to leverage a competitive advantage the country already had, not create a new one.

In contrast, the depression of wages and consumer demand has had significant repercussions for the Greek economy.

Since Greek businesses are structured for serving their domestic markets, it comes as no surprise that a drop in wages has damaged the Greek private sector. The troika believed that by implementing its reforms, the Greek economy could regain its competitiveness by reducing labor costs, increasing exports, and returning to growth. Unit labor costs have declined, but exports have not increased enough to sufficiently compensate for the precipitous drop in domestic demand. In 2011 and 2012, Greek exports increased by 2.4% and 2.9%, respectively, yet domestic demand fell by 10.1% and 9%.¹⁹ Projections show that only under the rosiest scenarios does Greece achieve a current account surplus by 2016. In fact, the average projection shows that Greece will continue to run a current account deficit between 4% and 6.6% of GDP by 2016.²⁰

Greece's international creditors are forcing the country to transform into something entirely new—an export-driven economy. However, the Greek economy is facing extreme readjustment costs including a massive displacement of its workforce. This makes reforms less politically sustainable in the short term, and Greece's membership in the Eurozone questionable in the long term. Even if Greece's leaders can survive this political challenge, readjustment costs will scar the Greek economy, hurting its ability to pay down its debt, and possibly negating any gains the troika's reforms might make.

Short-term Consequences of Austerity

2013 will be the sixth consecutive year of depression in Greece. The country's GDP has contracted by nearly 25% from its 2007 high. Unemployment has risen from 9.5% in 2009 to 26% in 2012 while youth unemployment has risen from 25.7% to 57% during the same period.²¹ Wages have been falling as inflation has been rising. Despite the fact that Greece's large debt-to-GDP ratio was the determining factor behind the country's first bailout in 2010, the ratio is predicted to rise from 126.8% in 2010 to 188.4% in 2013, as Greece's GDP has fallen even faster than its government spending. Greek voters are beginning to take notice. Polls show that 78% of the population believes that the worst of the economic crisis is still to come, and 99% of the population believes their economy is in a bad state.²² This is certainly a difficult position for any incumbent government. While the European Commission forecasts that Greece will return to growth in 2014, at a paltry rate of 0.6%, the more immediate concern is whether Greek politics will sustain the troika's austerity package.

Despite European pleas for unity, Greeks are moving towards the extreme ends of the political spectrum. Over the last few years, the traditional center-left and center-right Greek parties, PASOK and New Democracy (ND), have lost support to parties on both ends of the political spectrum. In the most recent election, these parties received their lowest share of the vote total in history, receiving the support of just over 40% of the electorate.

Syriza, a leftist anti-austerity party, became the second largest party, earning 26.9% of the vote and 71 of the 300 seats in Parliament. Polls have shown Syriza virtually tied with ND at 28%.

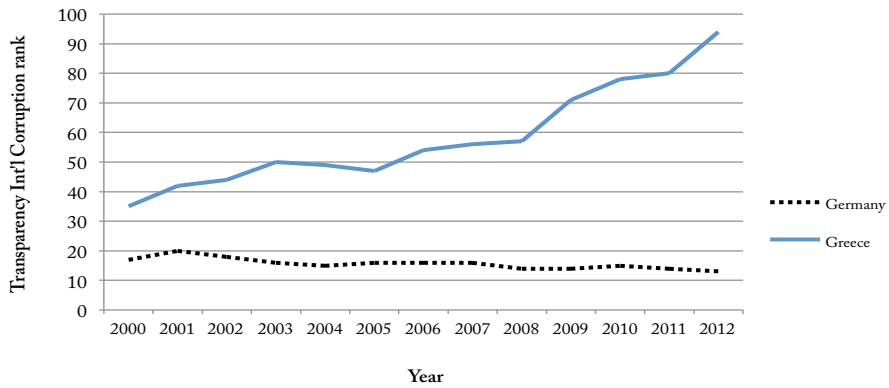
The potential election of a Syriza-led coalition therefore presents the biggest short-term threat to the euro. Syriza leader Alexis Tsipras has threatened that “The first act of the new Left government, immediately after parliament is formed, will be to cancel the bailout terms and the laws passed to implement (austerity).”²³ Even if Syriza does not win an outright majority in future elections, the Greek constitution awards the party finishing first an extra 50 seats in Parliament, giving it a strong hand in forming any government. Syriza is betting that the troika would not dare let Greece leave the euro, because this would create chaos in financial markets, threatening German banks as well as Spanish and Italian government borrowing rates. The question of whether Syriza actually intends to drop the common currency is debatable, but the party’s electoral success alone might reveal their threats as a self-fulfilling prophecy. Because Syriza’s rhetoric has challenged the terms of the bailout, which is the only thing keeping Greece in the Eurozone at the moment, their election would likely spook markets, causing an increase in bond yields, capital flight, and a further deterioration of the economic prospects for Greece and the Eurozone as a whole.

Long-term Consequences of Austerity

Even if Greek politicians can maintain their country’s membership in the Eurozone, Greece will pay the long-term costs of the readjustment period. If these costs are great enough, they could potentially outweigh any gains made by following the troika’s reform agenda, making the whole process self-defeating. Recent research documents the negative effects of youth unemployment and large government indebtedness on personal income and economic growth.^{24,25} Young people in the US and the UK, who experience unemployment, face earning losses that are significant and persistent, with measurable effects 20 years later. Currently unemployed youth are also at a higher risk for future unemployment. Work skills atrophy in times of unemployment, and employers generally have negative perceptions of youth who have been out of work for long periods of time.²⁶ With a youth unemployment rate of 57% in Greece, there will likely be a large aggregate loss of income in the medium to long term, retarding Greece’s economic growth and ability to pay down its debt.²⁷

Although Greece’s large debt-to GDP ratio was a catalytic cause of the crisis, the same ratio has risen under the auspices of the austerity package from 126.8% in 2010, to a projected 188.4% for 2013. Recent empirical research has found that, historically, debt-to-GDP ratios above 90% cause a one percent drop in GDP growth. Emerging markets face even lower thresholds for external debt

Corruption Perception Rank in Germany and Greece (2000-2012)



Source: Original Graph from Transparency International figures

(public and private), which is usually denominated in a foreign currency. When external debt reaches 60% of GDP, annual growth declines by about 2%, and, for higher levels of debt, growth rates are roughly cut in half.²⁸ The IMF predicts that debt will fall to a “sustainable level” of 124% by 2020 if Greece sustains the troika’s policies.²⁹ If it continues to cut debt at the same percentage rate, it would still take until 2024 to drop below a 90% threshold, and until 2028 to fall below a 60% threshold. Greece’s debt problem has ironically been exacerbated by austerity, and will have a lasting negative effect on the country’s prospects for economic growth.

Unfounded Optimism

The endemic corruption that has worsened over the last decade will only make reforms more difficult to implement. When Germany introduced its reform agenda in 2003, it was ranked

16th in the world in Transparency International’s Corruption Perceptions Index. It is ranked 13th today. Over that same time frame Greece has fallen from 50th to 94th, and is currently tied with countries such as Colombia, India, Benin, Djibouti, Mongolia, and Moldova.³⁰

The issue of tax collection reform clearly illustrates the difficulties of reforming the Greek public sector. Studies estimate that tax evasion costs the government between 5-15% of GDP each year. In 2012, the government only collected half of the \$2.6 billion it was hoping to collect and conducted only a third of the audits of wealthy individuals and corporations that it had planned to do.³¹

The European Commission forecasts that a return to economic growth in 2014 and beyond, depend on “the crucial assumption of timely and rigorous implementation of the adjustment program.”³² This may be a crucial assumption, but it is not one based

in reality. Since Greece's accession to the euro in 2002, it has seen a steady increase in corruption perceptions and a decline in various indicators of governance. Given these trends, it is unlikely that Greece's implementation of the adjustment program will be either timely or rigorous.

A New Hope

The forces of integration have been pushing European countries closer together for over 60 years. Together, they have managed to weather many other crises, so why should they turn back now? Oddly enough, public support for the euro remains higher in Greece (67%) than it does in Germany (54%).

³⁴ As repugnant as bailouts are to the German and northern European public, Greece is paying the brunt of the cost of readjustment. Greece's exit would impose these costs on the rest of Europe. The ECB has €177 billion worth of exposure to Greek government debt, which represents more than 200% of its own capital base. A currency switch could also put Greek private debt owed to banks and corporations outside its borders in jeopardy. Eurozone banks are owed €28 billion by Greek banks and €21 billion by Greek non-financial corporations. Given the risk of contagion to other distressed economies, Portuguese and Irish debt would become considerably more risky. External obligations among these three countries alone totals €1.4 trillion. The German Finance Minister has reluctantly recognized these risks, stating, "A Greek bankruptcy could lead to the break-up of the Eurozone."³³

In the long term, the reforms necessary to make Greece competitive again will take a substantial amount of time. According to Mujtaba Rahman, a European analyst at the Eurasia Group risk consultancy, "The program is much, much more ambitious than economic reform. This is state building, as typically understood in traditional low-income contexts".³⁶ However, reforms would be much easier in the context of an improving economic situation, not a worsening one. In the short term, the consequences of a sudden Greek exit are too much to bear. Though Germany does not want to commit to permanent fiscal transfers, it has come to the conclusion that a Greek exit in the short term will be much more costly than a bailout. Right now, PASOK and ND are the euro's best friends in Greece, as a Syriza victory in the 2014 Greek elections would only create more political and economic chaos in Europe. Excoriating Greece by saying they need to "do their homework" and "atone for their sins" and referring to them as a "bottomless pit" is counterproductive. The troika needs to ease the conditions on loans in order to bolster the pro-austerity coalition in Greece and buy time for Spain, Italy, other peripheral countries, and European banks to get their houses in order. If other European institutions were standing on more solid ground, it would give European policymakers more breathing space to deal with problems in Greece, removing the systemic threat to the euro.

The euro has always been about political and economic integration. Yet, after six years of austerity with few tangible

benefits, the political terrain in Greece is like dry tinder in a forest; it only requires a bolt of lightning to set the whole thing on fire. It may never happen, but the continued depression is only providing opportunities to polarizing extremist political groups. A far greater danger to the European project is not the economic consequences of a Greek exit, but the rise of radical parties to positions of power that would challenge the status quo in the European Union and sow discord between member states. The political, social, and economic system cannot continue to bear the extreme costs of readjustment within the euro under the current austerity program. The next generation will already be scarred by high unemployment and huge debt. If Germany and the troika do not address the fundamental economic necessities of ordinary Greek citizens soon, the ability of Greece to grow its way out of debt will be severely damaged. Support for the euro remains high, but the ability of Greeks to persevere is being tested. If things do not change soon, Germany and the troika may be creating the very conditions for a Greek exit that they have been trying to avoid.

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Sir Michael Leigh: Transatlantic Relations, Economic Crisis, and the Future of the E.U.

Editorial Staff

As the European Union emerges from an economic crisis that caused deep internal tensions and at times threatened to undermine its very existence, it is also growing in size and engaging with the international community in new capacities. During this period of rebuilding and transformation, Sir Michael Leigh, senior advisor at the German Marshall Fund, tells the Journal why he believes that EU cooperation will prevail in the coming years. Europe's unity in the 21st century is a hard-won victory for a region that has a long history of conflict and division, he says, and the continuation of this peaceful partnership is crucial to the success of its member states and to the larger global community as well.

What do you think EU membership will look like in the next twenty years?

If we were to fast-forward about twenty years, the countries of the Western Balkans will probably have joined the European Union, although at the moment there are some complications in the region. Turkey probably will not join the EU during that period, but it might begin discussions with the EU on a new framework for membership. In terms of Western Europe, Iceland will be a member. It's conceivable that Norway might be reconsider after Iceland has acceded and applied for membership. Probably the last country in Western Europe to apply for membership will be Switzerland, which is nowhere on the horizon right now. Beyond that, it seems unlikely that other countries will accede, although under the EU treaty any European country

that shares the foundational values of the EU may apply for membership. It's conceivable that in a longer time period, say twenty years, countries like Ukraine and Moldova might shape up and apply for membership, and possibly even join the EU.

Do you think these countries will want to join at that time? Will membership in the EU still be an attractive prospect for them?

One of the striking things of the present situation is that, although the Euro crisis has undoubtedly harmed the EU's international image, countries in the EU's immediate environment are still intent on membership. Take the case of Serbia, for example. For them, the EU offers a kind of blueprint for modernization and development. Scarcely a decade and a

half ago, Serbia and many of its neighbors experienced dreadful wars—with those memories still relatively fresh on their minds, they know there are worse things in the world than economic crises. Then there are the countries like Ukraine that are caught between Russia's attempts to entice them into a customs union and the prospect of a very far-reaching association agreement with the EU. Yet ultimately these countries know that the path of modernization and development means adopting the standards, the values, and the norms that prevail in the European Union. In fact, no significant public figure even in Ukraine raises a question about that. Although we're doing a lot of navel gazing during this economic and financial crisis, it's clear that for the countries on our periphery that hope to attain living standards similar to those that prevail in the European Union, there really is no alternative than the path to EU membership.

What is the short-term economic outlook for the Eurozone? Will they come to a resolution to end the crisis anytime soon?

If we were to fast forward three to five years from the present, it's clear that the Euro crisis will be behind us in one form or another. Even today some of the most beleaguered countries in Southern Europe are on a path to getting their public finances in better order, although the search for growth still remains elusive. Yet I think that the countries that are now caught up in the Euro crisis will find a new model for development.

They are going to adapt to lower living standards. They're going to find that as a result of the shrinking of their economy and the shrinking particularly of their public sector, they're going to be more competitive in the future, and labor is going to be more productive. Economies are more diversified than one imagines—despite the image of these countries still as having very important agricultural sectors, countries such as Spain, Italy, and even Greece do have a number of high-tech industries.

Therefore if we look back from the perspective of three to five years, I think we're going to see the Eurozone retaining much of its present membership. The EU will be grasping for a new growth model. Economic competitiveness, which has been put on the back burner because of the crisis, will return to the forefront.

Then there is the demographic crisis. How do we cope with an aging population? How do we cope with pensions? Can we develop an immigration policy to meet our labor market needs and to equip the labor force with relevant skills? Can we re-allocate resources away from entitlement policies and toward growth-promoting and innovation-based policies, at both the EU and national levels? All these issues existed before the crisis struck. And when the crisis recedes, they will be at the top of the agenda.

There will be a transition period as countries adjust to new economic realities and attempt to move toward a more sustainable path.

How difficult do you think that this will be, and will there be political consequences?

It is a painful process. Even the IMF has warned that there is a price to pay for fiscal consolidation and there will be a painful period before the benefits are seen. There is no doubt that this has been the experience in Southern Europe today and that this explains some of the turn from traditional political parties to protest parties like the Five Star Movement in Italy. But it is not only the countries under fiscal distress that will have to make sacrifices. Other countries that value solidarity as the basis of the Eurozone, particularly in Northern Europe, will have to accept higher inflation rates in order to increase consumption demand within the currency union. There must be a concerted effort toward recovery by all Eurozone members. I think there is a dawning awareness that one simply can't blame the weaker economies for imprudence; there are economic imbalances throughout the Eurozone that need to be addressed. But little by little this progress is being made, and I believe within three years or so it will begin to bear results.

How would you evaluate the state of the currency union and its prospects in the coming years?

With the risks and uncertainties that remain, it would be premature to suggest that the problems in Eurozone have been resolved. We could wake up any morning and find that a protest movement in one member state or another has resorted to

violence and frustration at the recession and unemployment. We could find that the markets have not been reassured to a sufficient extent. There are risks of another Eurozone country—France for example—not being in position to meet in own obligations in the future. It would be quite wrong to sound complacent.

Nonetheless, a kind of grand bargain has been evolving in the Eurozone. On the one side, there is solidarity expressed by institutions like the European Central Bank and the European Stability Mechanism and on the other hand, there is a growing acceptance of the EU supervision of member states' political stances and budgets. The question for the future is whether the EU is headed in the direction of true political and economic union or if it will stop after reaching the minimum of cooperation necessary to retain market confidence and currency stability. For the time being, it does not seem there is willingness in Germany to go the whole way towards a banking union. In France, there is apparent resistance to the prospect of a fiscal union. There are always elections on the horizon, and one feels that perhaps after the next round of elections, further steps will be taken. In other words, will Europe progress through a series of diagonal, incremental steps towards a higher degree of integration in the Eurozone or will it stop at the level it deems just necessary to maintain the credibility of the Euro?

Turning to the international sphere, the United States and the European Union

are negotiating a new trade agreement, the Transatlantic Trade and Investment Partnership. From a European point of view, how significant is this?

Politically, the commitment of both the United States and the EU towards the Transatlantic Trade and Investment Partnership is an extremely positive signal. It assures the Europeans that from the US perspective, Europe still counts. And it shows the Europeans that despite the much-discussed pivot towards Asia, the United States itself is aware that its trade and investment activities are highly integrated with the European Union. After all, the United States and the European Union still constitute over 40 percent of world trade.

It could also potentially bring enormous economic benefit to both sides. There's no denying that part of the impetus of this new partnership is related to the rise of China and the awareness that by integrating their two markets, they will be in a more economically competitive position in the years ahead. In effect, this agreement serves to strengthen the global economic leadership of both parties, so that norms and standards developed in the EU and the United States will continue to be the global standards in the future.

As for the policy implications, since tariffs between the United States and Europe are already relatively low, the main challenge of the TTIP will be in the area of regulatory convergence. In the past, trade has halted due to issues

like genetically modified organisms or hormone use in beef production. These types of disagreements will extend across a whole range of health and safety regulations. The challenge is for the United States and the EU to accept a set of minimum shared standards, and to move towards a mutual recognition of one another's divergent standards. There are strong vested interests in both the US Congress and the European Parliament that will raise hurdles for these changes. So it's a major challenge, particularly given the current goal of completing negotiations by the end of 2014, but I think it is a job worth taking on.

Finally, there is the relationship between large bilateral trade negotiations and multilateral trade negotiations. Given that the Doha Round has not succeeded thus far, some wonder whether the US decision to launch TTIP negotiations is a signal that it does not expect any further successful multilateral trade rounds, and is instead choosing to go down the bilateral route. It remains to be seen whether there is still life in the multilateral process, and if bilateral agreements can actually be steps toward multilateral liberalization in trade and investment.

Do you see any political implications for this new US-EU partnership? How do you think the EU views its relationship with the United States at present, and how do you think that will evolve?

It's a very complex question. I think that there is still awareness in Europe that there

are a set of shared fundamental values between the US and the member states of the EU. Both Europe and the US can benefit enormously through cooperation on foreign policy problems, whether in the Middle East, Iran, Afghanistan, North Korea, Africa—these challenges are better addressed through transatlantic cooperation than either side trying to go it alone. In Europe, there is still strong awareness still of those benefits.

One has to acknowledge that there are currents of feeling in Europe that the United States is to blame for the present economic and financial crisis began in 2008, with the collapse of Lehman Brothers. In reality I would say this was a catalyst and would not have led to the prolonged recession if it were not for the structural weaknesses within Europe itself. Yet in some quarters there is still a feeling that the United States is responsible for the current crisis, an attitude that may pose some political difficulties as the US and the EU seek to strengthen economic ties. Certainly there are divergences between the US and Europe on issues like capital punishment, the role of religion in public life, or the proportion of the population in prisons. However, with the TTIP renewing transatlantic cooperation, I think there will be a renewed recognition of the commonalities between US and Europe, which in turn will have a positive spillover in terms of foreign policy and economic issues.

What about the rest of the world? How would you characterize Europe's ties to

Africa, Asia, and Latin America, and what kind of importance does the European Union place on its relationships with emerging market countries?

There's been discussion recently that Europe, like the US, is pivoting towards Asia—in other words, that Europe understands and acknowledges the growing importance of emerging countries in Asia, in South America, and to some degree in Africa—which, for the moment is the world's main source of economic growth. To that end, the European Union has developed a number of strategic partnerships with key countries in these regions. Politically, the EU faces similar challenges as the United States in this realm. Namely, the choice between a foreign policy that is based on a projection of European values and a more pragmatic foreign policy that is dedicated to the promotion of tangible interests like security and energy. In practice it's always a subtle blend of the two—Europe maintains a political dialogue with the emerging markets, drawing attention to issues like the respect for human rights, democracy, and the rule of law, while simultaneously pursuing negotiations based on reciprocal interests. It is always a very fine balance, but it is one that both Europe and the United States contend with.

Within Europe, do you think relationships between countries have changed as a result of the EU?

In recent years, the European Union has

adopted the motto of “unity in diversity”, which I think is an accurate reflection of its current policies. There is full recognition of the cultural and linguistic diversity of the different cultures of Europe. Strong regional identities are part of Europe’s inherent richness, and the European Union project does not intend to diminish that. At the same time, over the last twenty to thirty years, the obstacles that used to exist—particularly of the free movement of persons across borders, freedom of movement of goods, capital, services and so on—have been progressively eliminated. We live in a time when young generations have only known a Europe in which one could travel across borders at 80 or 100 kilometers an hour—or in a high-speed train at 350 kilometers an hour—in which passports are no longer needed to travel within the European Union, in which the kind of long lines at the borders that existed when I first traveled on the Continent have never been experienced. So you have a young generation for whom free movement across borders, the right to work in other member states, is in a sense taken for granted. One of the main challenges of EU leadership, apart from overcoming the present economic crisis, is to find a narrative that demonstrates to younger generations the value of the EU enterprise and that it is worth strengthening and fighting for.

that took place in the former Yugoslavia in the 1990s. For this reason, peace is also something they take for granted. A commitment to celebrating diversity is a good way to approach Europe’s complexities, but at the same time our leaders have the challenge of making Europe meaningful to the young generations and ensuring that when crises come along, young generations will see the continued value of working to maintain the unity that has been achieved over the past decade.

On the whole, the younger generations in Europe have never known war on the European continent. They have never been involved in wars. Most of them are too young to remember the wars



FRENCH REVOLUTION (1789-1799)

A period of radical social and political change that ended the centuries-long rule of the Ancien Régime and set the stage for a new model of European democracy.

- The “storming of the Bastille” on July 14, 1789 was a primarily symbolic event—at the time, the famous prison contained only 7 inmates.
- “Qu'ils mangent de la brioche,” or “Let them eat cake,” was a phrase that appeared in Jean-Jacques Rousseau's memoirs a full ten years before the birth of Marie Antoinette.
- The royal family's attempted escape in 1791 was foiled when the king was recognized from his portrait on a coin.
- In an effort to erase all vestiges of the monarchy, kings, queens, and jacks in playing cards were renamed “libertés, fraternités, égalités”.

AMERICAN REVOLUTION (1775-1783)

Thirteen colonies of North America fought for independence from British rule — rallying behind the cry “No taxation without representation” — ultimately forming the United States of America.

- The American colonists of 1776 had the highest standard of living and the lowest taxes in the Western world.
- There were two Boston tea parties (1773), which collectively cost the British the equivalent of \$2 million in contemporary dollars.
- George Washington, 1st American President, refused payment for his service as Commander in Chief.
- The youngest reported soldier, was John Barry served as a ‘powder monkey’, transporting gunpowder to cannons on a naval ship.
- As many as 5,000 African-Americans served in the Continental Army, while approximately 20,000 fought under the British.

AFRICAN INDEPENDENCE MOVEMENTS (1957-1975)

During a span of 18 years, a wave of nationalist movements swept across Africa in opposition to European colonial rule.

- In 1960 alone, seventeen sub-Saharan African nations gained independence from their European colonizers.
- The bloodiest war for independence was in Algeria, where eight years of rebellion cost approximately 960,000 lives, including 25,600 French casualties.
- The last African country to gain independence from European rule was Angola, in 1975 (aided by 25,000 Cuban troops), after the fall of the Portuguese regime in a military coup, though Namibia was the last country to gain independence, remaining under South African mandate rule until 1994.

LATIN AMERICAN WARS OF INDEPENDENCE (1808-1833)

Wars of independence spread across Latin America, waged against Spanish and Portuguese rule.

- Celebrated military leaders José de San Martín and Simón Bolívar led separate forces in a continent-spanning campaign that liberated most of the Spanish-American colonies in South America.
- In 1815, seven years after the invasion of Portugal by Napoleon, the Portuguese imperial capital was moved from Lisbon to Rio de Janeiro, along with the entire Portuguese parliament and court.
- Brazilian independence came not in a moment of revolutionary fervor, but in opposition to demands by liberals in Lisbon for the return of the Portuguese court and establishment of a constitutional monarchy.

RUSSIAN REVOLUTION (1917)

A series of popular revolts, led by Lenin and the Bolshevik Communists, removed the Tsarist autocracy and resulted in the creation of the USSR.

- Lenin's revolutionary efforts were inspired by the terrorist activities of his older brother (Alexandr Ulyanov) whose execution, following the attempted assassination of Tsar Alexander III, radicalised the young student.
- Born Vladimir Ilyich Ulyanov the exiled revolutionary adopted the nom de guerre, 'Lenin', in 1901, possibly taking the River Lena as a basis.
- The growing influence of Grigori Rasputin, held by the *tsarista* to be a mystic and a visionary, helped to discredit the imperial ruling family and led to his infamous assassination.
- The abdication of Tsar Nicholas II ended 304 years of Romanov rule.
- The execution of the family led to their later canonization by the Russian Orthodox Church, as 'passion bearers' (martyrs).

ARAB SPRING (2010 - ?)

A revolutionary wave of popular demonstrations, protests and wars swept the Arab world, beginning in December 2010.

- The self-immolation by Tunisian street-vendor, Mohamed Bouazizi, is considered as the catalyst event of the Arab Spring, helping to incite the Tunisian uprisings.

To date:

- autocratic leaders have been forced from power in Tunisia, Egypt, Libya and Yemen;
- civil uprisings have erupted in Bahrain and Syria;
- major protests have taken place in Algeria, Iraq, Jordan, Kuwait, Morocco and Sudan.
- To honor the role of social media in spreading the revolutionary message, an Egyptian family named their daughter 'Facebook'.

THE CHINESE CIVIL WAR (1927-1950)

A civil war in China, fought between forces of the Nationalist Party of China (led by the Kuomintang - KMT) and the People's Liberation Army, which led to the establishment of Communist rule in mainland China.

- Fighting began after the KMT broke the KMT-CCP alliance in 1926 and purged the party of leftist elements—rounding up and executing hundreds of CCP members in what was known as the Shanghai Massacre.
- Hostilities were suspended between 1937 and 1946 when the two parties formed a Second United Front to counter Japanese invasion.
- The Nationalists fled to Taiwan, where they set up the Republic of China, which to this day remains unrecognized by the mainland Chinese government, the People's Republic of China. To this day, no peace treaty has been signed and it is debated whether the civil war has legally ended.

Revolutions *Around the World*

The African Risk Capacity in the Context of Growing Drought Resilience in Sub-Saharan Africa

Felix Lung

This research paper considers the case of the recently founded “African Risk Capacity” (ARC), a new Specialized Agency of the African Union that will set up a risk-pooling insurance fund against drought in sub-Saharan Africa. The paper first describes how the envisaged mechanism will function and how it has evolved. Subsequently, it considers the role of ARC in the wider humanitarian response framework for food security in times of drought. Looking at its role in relation to changes in the drought resilience level of African farmers, it shows that ARC can contribute significantly to the overall protection level against drought and possibly revolutionize the way the humanitarian response system functions.

Introduction

As recent disasters across the Horn of Africa and in the Sahel have shown, drought is a recurring and increasing threat to the population of rural farmers in Africa. At the same time, traditional humanitarian intervention mechanisms to drought are slow and operate on an ad hoc basis. The African Union’s newly founded Specialized Agency, the African Risk Capacity (ARC), may offer a solution to the current system’s deficiencies. This paper argues that the ARC could revolutionize the way drought interventions are conducted in Africa by shortening response time and making contingent funds available more quickly. It first considers the current humanitarian response system to droughts in Africa and how the ARC will function, and then evaluates the greater role of the ARC in

the international humanitarian response system.

Drought in sub-Saharan Africa and the Humanitarian Response

Over the past decade, sub-Saharan African countries have faced some of the most catastrophic droughts in history. In 2002, 2009, and 2011 the lack of rain had particularly devastating implications for the Horn of Africa region. With more than 12 million people affected, the Horn of Africa drought of 2011 was the worst in 60 years in some areas, and has had the most severe effects on the region since the 1995 drought.¹ The UK’s Department for International Development estimates that between 50,000 to 100,000 people died as a consequence of this crisis.² Similarly, the recent crisis in the Sahel, where UNICEF estimates 15 million

people to be at risk of food insecurity, illustrates the scale of disaster that can be brought on by drought.³ Unfortunately, the situation is expected to get worse. In the light of climate change, droughts have intensified and become more frequent, putting additional stress on future yields of African farmers and their respective livelihoods.⁴

Traditionally, the international humanitarian community responds to drought disasters on an ad hoc basis. In other words, in case of a drought, the World Food Programme commits a limited amount of immediate contingency funds to finance a first humanitarian response. Subsequently, it conducts a damage assessment in the respective country, launches a funding appeals process, and finally intervenes fully once funds have been obtained. The delay in response caused by these processes is significant; it is estimated that on average seven to eight months pass between the point in time that the rainfall ceases and the height of intervention.⁵

The length of the period between failing rains and intervention is problematic, because the severity of the consequences felt at the household level increases during this lag. An evaluation of households' coping strategies with drought shows that in the months after rains fail, farmers will usually look for non-farm work, eat less nutritious food, resort to selling non-productive assets, borrow money, and reduce durable purchases. From one month after the harvest onwards, farmers may reduce input investment,

reduce their food intake, and start selling productive assets. From nine months after the harvest onwards, farmers face increased mortality rates.⁶ Thus, it is of crucial importance to reduce the time it takes for intervention to reach those in need. The following section shows that the ARC can be an effective tool for this.

The African Risk Capacity

The ARC Mechanism

The African Risk Capacity is an innovative project of the African Union designed to improve the current response to drought-related food security emergencies in Africa and to build capacity within AU member states to manage these risks. The ARC is currently in the process of being established as a Specialized Agency of the African Union. The first Meeting of the Conference of Parties took place from the 23rd to the 27th of February, 2013 in Dakar, Senegal, and the first meeting of the ARC Governing Board is scheduled for April 2013. The ARC is based on two key elements: African Risk View (ARV) software and an index-based contingency funding pool.

ARV calculates the number of people who will need food assistance in a given country in Africa during times of drought based on rainfall data. Comparing actual rainfall data with a benchmark value derived from past years, ARV predicts at the time of harvest how many people will need food assistance and how expensive an intervention would be. Thus, it determines beneficiary numbers

and intervention costs before the spending actually needs to occur. Until now, these figures were determined by the World Food Programme via lengthy damage assessments, conducted only after farmers had begun experiencing the effects of drought. Replacing the damage assessment with a calculation that estimates the extent of drought effects before they are felt allows for an earlier humanitarian response. This, in turn, prevents the loss of longer-term development gains and yields greater overall benefits compared to how the traditional approach has fared.

Building on this mechanism, a contingency funding pool will be set up, financed through annual premium payments by African member countries. Once the ARV predicts that a certain number of people in a given member country will require food assistance as a result of drought, the required amount of assistance will be automatically released from the pool to the affected country. The received amount will be used to assist the affected households, employing national social safety systems such as cash or in-kind transfers or school feeding, to the greatest extent possible. The advantage of creating a pan-African fund rather than many national ones can be explained through the idea of risk pooling; spreading risk among multiple parties yields a financial advantage. The combined benefit of an early response and risk pooling is currently estimated to be 3 USD for every 1 USD spent, when compared to traditional humanitarian response mechanisms.⁷

The benefits of the ARC mechanism are not purely financial. By establishing the ARC as a Specialized Agency of the AU, there is ownership created among African states to manage humanitarian drought interventions on the continent. This is strengthened by the fact that the ARC employs national distribution channels for ARC-financed interventions and requires member states to revise their drought contingency plans for increased efficiency. Additionally, while the fund will be capitalized through donor funds, at first, in the long term it will be financed exclusively by African national governments. This creates the possibility of freeing up a substantial portion of the WFP's budget, since approximately one-third of total WFP expenditures are currently spent on drought interventions in Africa.⁸

Political evolution of the ARC

Project Timeline

Launched by the Rockefeller Foundation, the WFP's "Climate Disaster Risk Solutions" (CDRS) unit began working on the design of the Africa Risk View software in 2008. Initially, the work was only intended to expedite the WFP's humanitarian responses by avoiding lengthy damage assessments in case of drought. However, upon completion of the software in November 2009, the project team both realized the great savings potential of ARV in combination with a pan-African contingency fund for African countries and encountered great interest from the African Union (AU)

Commissioner of Rural Agriculture and Economy. Thus, ARC was born. A three-year consultative process between the ARC, WFP, AU Commission (AUC), AU Executive Council, and member states began, culminating in the signing of the Establishment Treaty of the ARC as a Specialized Agency of the AU by eighteen member states on November 23, 2012.

Major Challenges

In order for the ARC to be implemented, the support of three key groups was necessary: selected organs of the African Union (the AUC and the Executive Council), AU member states, and donors. There were a number of significant challenges that needed to be overcome in the process of the three year long consultations. They can be grouped as the political environment within the AU and political interests within member states.

Both institutional and cultural qualities of the AU presented themselves as obstacles to a quick adoption of the ARC. As the AU is a relatively new organization, founded in 2002 from the previous Organisation of African Unity, many institutional processes remain to be defined. For example, while member states agree to incorporate Specialized Agencies into the AU system following the UN example, no clear procedures have been established regarding how to do this. This has slowed project progress, as the legal work that was necessary was more cumbersome than expected. There was no existing precedent.

In terms of political culture, the AU is a strongly consensus-driven organization. This is reflected in the fact that decisions by the AU Assembly (made up of the heads of member states) and the Executive Council can only be made with two-thirds majorities.⁹ However, like in the UN General Assembly, member states tend to try to achieve consensus. This creates a major complication when trying to reach an outcome for two reasons. The general level of trust among member states is relatively low; unlike the European Union, African states do not share a common history of cooperation, but in fact have only been in existence since decolonisation. Secondly, immense cultural and geographic differences play a role as well as dramatic economic differences (five countries cover almost the entire AU budget: South Africa, Nigeria, Egypt, Algeria, and Tunisia). The AU lacks a pre-meeting consultative culture. Other than at the UN, where resolutions are generally negotiated and agreed upon between member state blocks before the meeting where they are to be adopted, all AU negotiations tend to occur at the meeting itself. Only SADC and, less frequently ECOWAS, adopt a country block position. In combination, a consensus-driven environment in which actors have limited trust in each other and discuss relatively little is bound to delay any negotiation process.

Political interests of states play an important role. Support from the member states was key to the ARC implementation process, as consent of the heads of states was required to establish

the envisaged AU Specialized Agency. Thus, the ARC team embarked on scoping missions to each of the interested countries and engaged in individual membership negotiations.

The significance of the internal political situation is illustrated in Senegal, where the ARC's offers to negotiate were declined by the government under President Abdoulaye Wade, but actively pursued after the new president Macky Sall was inaugurated into office in April 2012. In other cases, internal political agendas acted in favor of the ARC membership process. In Kenya, for example, by the time the government was approached by the ARC team, it had already considered contingency funding mechanisms against drought and was in the process of designing the "National Drought Management Authority", which was eventually established on November 24, 2011.¹⁰ Thus, accession talks progressed smoothly. Similarly, in Malawi, the government had already agreed to an index-based weather insurance scheme with the WB and wished to extend its coverage.¹¹ In other countries such as Lesotho, Niger, and Burkina Faso, internal political interests favored the empowerment of the ministry that was to be in charge of drought disaster management.

Finally, concern about the administrative design of the ARC project was often a determining factor in negotiations. Several countries, such as Uganda, questioned whether the ARC secretariat was "African" enough, as two-thirds of

the team were not of African descent. In addition, other countries expressed concern about the AU bearing responsibility over a project of immense financial extent and a high level of riskiness. These concerns ultimately played minor roles.

Interpretation and Next Steps

While a wide range of political obstacles needed to be overcome before the ARC could be established, African countries do not seem to have had difficulty in agreeing on the ARC as an Agency. This is somewhat surprising, as the ARC mechanism brings with it significant obligations for the signatory parties: members are required to pay annual premium fees, revise their contingency plans for the effectiveness of distributing payout, and take leadership in the lengthy process of adjusting the ARV software to their domestic environment. Yet these non-negligible commitments have not played as great of a role in the negotiations as one might expect. This might be indicative of the great need for a mechanism of this kind, or reflect the desire to either achieve greater independence from foreign humanitarian aid flows or quicker access to intervention financing in times of crisis. Considering the recent success story of African economic performance, one might interpret this as one indicator of a claim to a new, greater African sovereignty.

The African Risk Capacity in the Greater Humanitarian Response Framework

Not all farming households in sub-Saharan Africa are in need of protection against drought via the ARC mechanism. Some possess enough reserve resources or may have acquired particular coping skills in order to outlast a failing harvest without being affected. Others may have to downscale their eating habits temporarily but do not suffer any further consequences such as having to sell their productive assets. The household's ability to cope with the effects of drought is described as "resilience". The household protection achieved by the ARC complements the protection that households have through their existing level of resilience. Thus, in order to be able to determine what role the ARC should play in the overarching humanitarian response framework against drought, an understanding of current resilience levels in sub-Saharan African countries and their expected development is required. This section makes an attempt at providing this analysis.

Household Income as a Resilience Indicator

Droughts occur with differing severity. In order to assess resilience, the first step is to introduce a magnitude to measure the severity of drought. To account for individual country specifics, no absolute measurement is used. Instead, based on historical data, the average least rainfall in five, ten, and fifteen years was determined for each country. In the following section, these droughts will be referred to as 1:5,

1:10, and 1:15 events. Accordingly, a household would be "resilient" against a "1:5 event" if it were able to withstand the effects of a drought whose total rainfall corresponds to the average least amount of rainfall in five years in his country.

The second step is to determine the meaning of "withstand". As described in the second section, households employ different strategies to cope with drought. The central question is: how "well off" does a household need to be after a drought to be categorized as "resilient"? It is extremely difficult to establish an objective benchmark for this. For this reason, the model does not consider individual households' living conditions. Instead, using the Food and Agricultural Organization's Water Requirements Satisfaction Index (WRSI), it assumes that farming households are sufficiently well off when there is an average amount of rainfall.¹² Consequently, in order to be categorized as "resilient" against a 1-in-5, 1-in-10, or 1-in-15 event, a household needs to have an income that exceeds its income obtained at the benchmark rainfall level, adjusted for inflation, by the amount that it loses in such an event. For example, if a household has a monthly income of 80 USD for an average amount of rainfall and faces a 20% income reduction during a 1-in-5 event, it needs to have a monthly income of 100 USD in order to be "resilient" against 1-in-5 events.

The third step is to calculate the required income growth rates for affected households to become resilient in sub-

Saharan countries. As before, this is done based on historical data of the FAO's WRSI index. Consistent with ARC estimates, we assume a "scaling factor" of 1.5. In other words, a 1% downward deviation of rainfall from the annual benchmark level results in a 1.5% livelihood loss. All factors taken together, we can calculate the individual's loss of livelihood for the respective drought event, which enables estimation of the required income growth rate to become resilient at the farming household level.

For the ARC target countries with available data, the model yields the results found in Table 1.

The results show that the goal of achieving a certain level of resilience for the rural population at risk in sub-Saharan African countries is an ambitious but not impossible task. For example, in order to achieve 1:5 resilience within ten years, income of at-risk farmers would have to grow on average by 2.85% at the household level. Yet it is important to note that there is some significant variability, with Kenya and Mauritania as the upper outliers (8.2% and 7.1% respectively), and Zambia and Mali as the lower ones (each 0.4%).

Table 1: Required Annual Growth Rates to Achieve Different Levels of Resilience in ARC Target Countries

Country	Growth for 1:5 resilience			Growth for 1:10 resilience			Growth for 1:15 resilience		
	5 yrs	10 yrs	15 yrs	5 yrs	10 yrs	15 yrs	5 yrs	10 yrs	15 yrs
Ethiopia	6.41%	3.14%	2.08%	13.75%	6.55%	4.30%	16.39%	7.74%	5.06%
Kenya	17.09%	8.18%	5.38%	32.27%	14.87%	9.65%	56.92%	24.57%	15.63%
Lesotho	3.35%	1.66%	1.10%	5.53%	2.73%	1.81%	7.12%	3.50%	2.32%
Malawi	2.07%	1.03%	0.69%	4.13%	2.05%	1.36%	5.12%	2.53%	1.68%
Mali	0.81%	0.41%	0.27%	1.66%	0.82%	0.55%	2.14%	1.07%	0.71%
Mauritania	14.70%	7.10%	4.68%	34.87%	16.13%	10.49%	53.63%	23.95%	15.39%
Mozambique	4.16%	2.06%	1.37%	5.53%	2.73%	1.81%	6.28%	3.09%	2.05%
Niger	2.72%	1.35%	0.90%	6.59%	3.24%	2.15%	8.41%	4.12%	2.73%
Rwanda	7.38%	3.62%	3.38%	9.31%	4.55%	3.01%	10.49%	5.11%	3.38%
Senegal	4.17%	2.06%	1.37%	13.32%	6.45%	4.26%	19.22%	9.19%	6.04%
Swaziland	5.85%	2.89%	1.91%	7.34%	3.61%	2.39%	7.87%	3.86%	2.56%
Tanzania	2.82%	1.40%	0.93%	4.85%	2.40%	1.59%	5.65%	2.79%	1.85%
Uganda	3.39%	1.68%	1.11%	5.69%	2.79%	1.85%	6.66%	3.26%	2.16%
Zambia	0.78%	0.39%	0.26%	2.33%	1.16%	0.77%	2.95%	1.46%	0.97%
Zimbabwe	3.91%	1.94%	1.29%	7.29%	3.58%	2.37%	8.61%	4.22%	2.79%
Unweighted Average	5.31%	2.59%	1.78%	10.30%	4.91%	3.22%	14.50%	6.70%	4.35%
Weighted Average (by population at risk)	6.18%	2.85%	1.92%	11.82%	5.40%	3.52%	17.27%	7.51%	4.80%

Source: FAOSTAT 2012; WFP 2012; author's calculations

Achievability of required growth rates

Empirical Evidence

At first glance, agricultural growth in sub-Saharan Africa has performed on par with that of other developing countries over the last twenty years. Since 1990, sub-Saharan agricultural GDP grew on average by 2.9% annually (3.1% in ARC countries), compared to 3.3% in all low-income countries worldwide. Sub-Saharan agricultural growth has recently more momentum recently, with average annual agricultural GDP growth of 4% since 2005 (3.9% in ARC countries).¹³ Before the global financial crisis, from 2005 to 2009, eight sub-Saharan African countries displayed agricultural GDP growth of more than 6% annually (of which two are ARC countries).

However, there are three significant caveats to this analysis. Due to strong population growth, the gains for sub-Saharan African farmers have been much lower than the numbers would suggest. Sub-Saharan Agricultural GDP per worker has only grown by 0.2% annually since 1990 (1.1% in ARC countries) and 1% since 2005 (1.7% in ARC countries).

Secondly, Sub-Saharan African agriculture is still at a much lower productivity level than in other parts of the developing world. The average cereal yield per hectare in sub-Saharan Africa in 2010 was 1300 kg (1400 kg in ARC countries), compared to the worldwide average of 2100 kg in low income countries, 4600 kg in the East Asia and

Pacific region, and 3900 kg in Latin America and the Caribbean.¹⁴ Therefore, for agricultural productivity to catch up with levels in other parts of the world, growth in sub-Saharan Africa would have had to be much stronger.

Finally, the variability within sub-Saharan Africa and within the ARC country portfolio is high; for example, while Ethiopia and Mozambique achieved an average agricultural GDP growth of 9.6% and 9.5% per year respectively since 2005, agricultural GDP remained almost unchanged in Zambia and Lesotho and even contracted by 6.7% in Zimbabwe.

Determinants of sub-Saharan African Agricultural Growth

The factors impeding the growth of agricultural GDP in sub-Saharan Africa can be roughly grouped into three categories: geographic and demographic aspects, the policy environment, and the use of technology.

Sub-Saharan Africa faces geographic-demographic challenges in achieving agricultural growth. Two-thirds of the sub-Saharan African population lives in “less-favored areas” for agriculture, where either the agricultural potential or market access is low. In addition, while population density is lower overall than in Asia, and it is estimated that much of the cultivable land remains unused. In 2003, only 180 million hectare of the 420 million hectares of land with high cultivation potential in Africa were used for agricultural purposes. There

is a high degree of variability across the continent.¹⁵ For example, the land-quality-adjusted population density is higher in Kenya than in Bangladesh. This is a major obstacle to agricultural GDP growth, especially since population growth is high.¹⁶

While the overall policy environment has improved significantly over the last few decades, there continues to be a lack of national attention focused on agriculture. During the 1980s and 1990s, African agricultural growth recovered from the agricultural downturn of the 1970s. Major changes in macroeconomic policies were instrumental for this to occur. Key changes included trade liberalisation, often through disempowering national marketing boards, currency devaluation, and lowering the tax burden on producers.¹⁷ A 1995 study concluded that almost two-thirds of the improved productivity could be traced back to improvements in macroeconomic policies.¹⁸ Today, the worst of the anti-agriculture biases have been removed, but the private sector still needs to evolve as an effective player in crop supply chains.¹⁹

Yet in comparison to other regions of the world, attention to agriculture in Africa remains low. In 2003, the Maputo Declaration committed African governments to the Comprehensive Africa Agriculture Development Program (CAAPD), whereby they agreed to raise agricultural expenditure to a minimum of 10% of their national budgets, and to raise annual agricultural GDP growth to 6% by 2008.²⁰ While

absolute amounts of spending have increased in many parts of sub-Saharan Africa, relative amounts have declined in most countries since the 1990s. Only six countries had achieved the 10 percent target by 2010: Burkina Faso, Ethiopia, Guinea, Mali, Niger, and Senegal.²¹ This is particularly low in comparison with the number of Asian countries that spent 15% or more on agriculture during the Asian Green Revolution years.²² Only eight sub-Saharan African countries reached the target of agricultural growth of 6% between 2005 and 2009. Additionally, commitment to funding agricultural research and development is low; despite already low initial levels, national expenditure on R&D fell by nearly half in the 27 sub-Saharan countries with data, and, as a share of GDP, dropped for the whole region in the 1990s.²³

Meanwhile, the environment among the international donor community to support agricultural development in Africa has become warmer. Starting with the 2003 CAAPD, initiated by the New Economic Partnership for African Development (NEPAD), several new donor initiatives have been created. These include, for example, the G-8's "New Alliance for Food Security and Nutrition" (2009), the 2006 "Alliance for a Green Revolution in Africa" (AGRA), and new support for the "Partnership to Cut Hunger and Poverty in Africa" (2001). The newly available funds could offer an opportunity to boost African national budget expenditures for agriculture, after donor support declined sharply after the 1980s. However, their effect in this regard

has been small so far.²⁴

The use of technology in agriculture is extremely low in sub-Saharan Africa. The World Development Report 2008 on agriculture illustrates the lack of sub-Saharan African technology use in three different dimensions²⁵:

- Lack of irrigation: only 4% of the total cultivated area is irrigated compared to 29% in the East Asia & Pacific (EAP) region and 11% in the Latin America and Caribbean (LAC) region.
- Low use of fertilizer: while the use of chemical fertilizer has expanded greatly in the developing world (190 kg nutrients used per hectare of cultivated land EAP and 81 kg in LAC), this is not the case for sub-Saharan Africa (13 kg).
- Low use of improved seeds: only 24% of the cereal area in sub-Saharan Africa is covered by improved seeds, compared to 85% in EAP and 59% in LAC.

There has been a great deal of discussion on why Africa has not had a “Green Revolution” like Asia and Latin America have. In addition to the policy aspects outlined above (low budget commitment, low R&D spending, limited donor commitment), different reasons have impeded its realization:

- While 95% of the food grown in sub-Saharan Africa is rainfed, 45% of the population lives in regions that experience limited rainfall, limiting

the impact that improved crops can have.^{26,27} While this would encourage the construction of irrigation systems, the associated investment costs in doing so are high and sub-Saharan African countries have not been able to tackle this problem sufficiently in the past.²⁸

- There is a certain degree of diversity among cultivated crops. As crops of sub-Saharan Africa differ from those mostly used in Latin America and Asia, and display some variety (they are mainly maize, millet, sorghum), African countries have been unable to benefit significantly from the majority of improved seeds that were designed for wheat and rice in the Asian and Latin American contexts.²⁹
- Infrastructure is insufficient. The lack of roads and integrated markets makes the acquisition of fertilizer, for example, troublesome and expensive. On average, fertilizer is twice as expensive in sub-Saharan African countries than in Asian countries, due to increased transport and marketing costs.³⁰ The World Development Report of 2008 estimates that 34% of the sub-Saharan population lives in regions with limited market access.

Achievability of Required Growth in the Medium Term

Considering that average growth of agricultural GDP per worker in the ARC target countries since 2005 amounts to only 1.7%, targeting to achieve 1:5 resilience in either 10 or

15 years (requiring annual growth of 2.85% and 1.92% respectively) appear to be the two most reasonable among the available options. However, as Table 2 reveals, these averages incorporate a high level of variability within the country sample. Thus, while countries like Ethiopia, Malawi, and Mozambique may outperform what is required of them at the household level and may even achieve resilience levels of 1:10 or 1:15 within 10 years, Kenya, Mauritania, Uganda, Zambia, and Zimbabwe may not even achieve the required growth levels to achieve 1:5 resilience in 15 years. However, one also needs to consider the respective population sizes: If 1:5 resilience was achieved for only Ethiopia, Lesotho, Malawi, Mozambique, Senegal, Swaziland, and Tanzania, this would

mean an achievement of resilience for 77% of the target countries' populations.

Whether or not African agriculture can sustain the required growth level will depend on the ability of African countries to best use the current momentum in agriculture policy reform and address issues that impede growth. While the literature has presented many policy recommendations, most come down to two fundamental objectives: raising productivity and expanding market access for farmers.³¹ If African states achieve making progress towards these goals, achieving resilience for many parts of the farming population is feasible.

Table 2: Required Annual Growth Rate at Household Level to Achieve 1:5 Resilience; By Country

Country	10 yrs	15 yrs	Ag growth /worker 2005-2010
Ethiopia	3.14%	2.08%	6.19%
Kenya	8.18%	5.38%	0.28%
Lesotho	1.66%	1.10%	1.75%
Malawi	1.03%	0.69%	1.44%
Mali	0.41%	0.27%	N.A.
Mauritania	7.10%	4.68%	2.88%
Mozambique	2.06%	1.37%	7.12%
Niger	1.35%	0.90%	N.A.

Country	10 yrs	15 yrs	Ag growth /worker 2005-2010
Rwanda	3.62%	3.38%	N.A.
Senegal	2.06%	1.37%	2.78%
Swaziland	2.89%	1.91%	2.36%
Tanzania	1.40%	0.93%	1.61%
Uganda	1.68%	1.11%	-1.45%
Zambia	0.39%	0.26%	-1.72%
Zimbabwe	1.94%	1.29%	-2.90%
Weighted			
Avg (by pop. at risk)	2.85%	1.92%	1.70%

Source: Author's calculations; World Development Indicators 2012

ARC and Protection from Drought

The question of how big a role the ARC can play in the protection of farmers in Africa remains. Initially, a maximum payout of 30 million USD per country per drought emergency is planned. In line with WFP estimates, assuming a humanitarian intervention cost of 100 USD per person, this would insure a maximum of 300,000 people per country. If we further assume that these 30 million

USD would be paid out regardless of the severity of the drought, Table 3 shows its protection potential across the ARC target countries.

Although the value of these estimations is limited—after all, the concept of the ARC capitalizes on the fact that drought does not occur in all target countries at the same time, and within the countries only a fraction of the total population will be affected—Table 3 shows that the

Table 3: Population at risk for droughts of different severities and coverage of ARC

Country	Total Population at Risk			Max. Coverage of ARC in %		
	1:5	1:10	1:15	1:5	1:10	1:15
Ethiopia	10,379,350	19,200,320	19,200,320	2.9%	1.6%	1.6%
Kenya	829,488	1,735,070	2,722,270	36.2%	17.3%	11.0%
Lesotho	237,967	558,125	671,566	100.0%	53.8%	44.7%
Malawi	4,506,044	5,912,169	6,108,394	6.7%	5.1%	4.9%
Mali	1,016,518	2,204,547	3,289,159	29.5%	13.6%	9.1%
Mauritania	165,359	412,710	485,922	100.0%	72.7%	61.7%
Mozambique	3,792,871	5,959,042	6,366,641	7.9%	5.0%	4.7%
Niger	1,768,564	3,433,950	4,612,347	17.0%	8.7%	6.5%
Rwanda	618,406	721,083	739,426	48.5%	41.6%	40.6%
Senegal	355,249	1,014,681	1,965,443	84.4%	29.6%	15.3%
Swaziland	254,255	489,026	603,003	100.0%	61.3%	49.8%
Tanzania	7,680,165	10,540,079	11,559,552	3.9%	2.8%	2.6%
Uganda	2,299,868	3,116,747	3,340,004	13.0%	9.6%	9.0%
Zambia	2,918,979	4,792,545	5,197,521	10.3%	6.3%	5.8%
Zimbabwe	1,890,535	3,569,860	4,351,040	15.9%	8.4%	6.9%
TOTAL	38,713,617	63,659,955	71,212,609	11.6%	7.1%	6.3%

Source: Africa Risk View estimates, Author's calculations

protective potential of the ARC in its current form is limited. For countries with a small at-risk population, such as Lesotho, Mauritania, and Swaziland, the ARC could protect all people at risk in case of a minor drought. However, in Ethiopia and Tanzania—the countries that have the largest exposed populations—the ARC in its current design only covers between 1.5% and 4% of them. This means that for these populations to be protected, either the ARC has to expand in the future, they have to rely on other protection mechanisms such as micro insurance, or they must continue to rely on ad hoc humanitarian help.

Conclusion

The African Risk Capacity has come a long way. While just an idea in the beginning of 2010, it is expected to be operational as a Specialized Agency of the African Union by mid-2013. It offers innovative ways to finance and deliver humanitarian drought responses in sub-Saharan Africa, and will therefore undoubtedly greatly impact the way that drought assistance is provided in participating countries. Yet the magnitude of risk coverage of the ARC and its overall role in the international humanitarian response framework remains to be determined. In this regard, this paper shows that: i) the extent of coverage depends on the level of drought resilience of farmers' households; ii) if African agricultural economies manage to stabilize growth at the household level over the next 10 years, most households will be able to become resilient against 1:5 events and, in some

countries, 1:10 events; and iii) in order to offer full coverage to African populations at risk, the ARC will have to expand.

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Trade and Development: The Latin American Paradox

Antoine Cerisier

Latin America provides an interesting lesson about trade preferences and their complex link with economic development. This paper evaluates the claim that Latin America has adopted restrictive trade policies and highlights a double paradox. First, the region is particularly protectionist despite relatively high levels of GDP per capita and exports. Second, economic development and import dependence have little impact on trade openness in the region. The cross-country evidence for this paradox relies on a sample of industrialised and developing economies, including twelve Latin American states. The paper also identifies three factors that could explain protectionism in the region: political economy, recent economic history, and politics and ideology. It then briefly evaluates the impact of restrictive policies on recent economic performance. In particular, it demonstrates that high tariffs and economic growth can coexist.

Introduction

Scholars worldwide have written extensively about trade policies and their impact on economic development. Most of the existing empirical literature focuses on the effects of trade liberalization or protectionism on economic growth, poverty, and inequality, often with diverging conclusions. The debate remains vivid within the academic sphere: while some defend liberalization and its impact on the economy, others criticize free trade and point to the possible benefits of protectionism. However, few scholars have studied specific regions' experiences with trade and development. Moreover, the vast majority of empirical studies treats trade openness as an independent rather than a dependent variable—in other words, as a starting point rather than an outcome. Economic and political

factors determining trade preferences often remain unaccounted for.

To fill these two gaps in the existing literature, this paper will seek to explain the high prevalence of protectionist trade policies in Latin America and assess whether these have been a rational—and successful—policy choice. To avoid confusion, I will use a broad definition of Latin America, namely all American territories where the Spanish or Portuguese language prevails; this includes Mexico, Central, and South America. After highlighting the Latin American “exception” of highly protectionist policies relative to other regions, the paper will address the economic, social, and political factors fuelling protectionism on the continent. It will then evaluate the effectiveness of this development strategy and its

implications, if any, for other regions.

Empirical Analysis: The Latin American Exception

Research Design

In recent years, Latin American states have come under fire for being too protectionist. This pressure has only increased since the global financial crisis. The British newspaper *The Economist*, known for its strong advocacy of free trade, has insisted that “regional integration, not protectionism, is the right response to fears of deindustrialisation” in Latin America.¹ In similar fashion, EU Trade Commissioner Karel de Gucht has pointed

to “worrying signs of protectionism that are appearing in some Latin American countries.”² However, one must verify these assertions empirically: is the region under study more prone to protectionism than others? To answer this question, I use recent data from the World Bank and the Central Intelligence Agency and compare Latin American states with their foreign counterparts. The diverse sample comprises 71 countries (twelve of which are in Latin America) from all continents. The European Union and Hong Kong are each counted as one country. The sample includes developing, middle-income, and advanced economies, as well as most major economic and demographic powers:

Albania	El Salvador	Malawi	Senegal
Algeria	Ethiopia	Malaysia	Singapore
Argentina	EU 27	Mali	South Africa
Australia	Ghana	Mauritius	South Korea
Bangladesh	Guatemala	Mexico	Sri Lanka
Benin	Honduras	Mongolia	Switzerland
Bolivia	Hong Kong	Nepal	Tanzania
Brazil	Iceland	New Zealand	Thailand
Burkina Faso	India	Niger	Togo
Cambodia	Indonesia	Nigeria	Trinidad & Tobago
Cameroon	Iran	Norway	Turkey
Canada	Israel	Pakistan	Uganda
Chile	Japan	Panama	Ukraine
China	Jordan	Peru	United Arab Emirates
Côte d'Ivoire	Kazakhstan	Philippines	United States
Croatia	Kenya	Russia	Uruguay
Ecuador	Lebanon	Rwanda	Zambia
Egypt	Madagascar	Saudi Arabia	

Several indicators help to establish the so-called Latin American exception: import dependence and GDP per capita as independent variables, and trade openness as the dependent variable. Import dependence is measured by dividing total imports by total exports for a given country; the higher the number, the more import-reliant the country is. GDP per capita is the market value of all goods and services of a country at a given time, divided by population size; values are adjusted with the Purchasing Power Parity (PPP) method to measure relative economic strength.

The Trade Tariff Restrictiveness Index (TTRI) published by the World Bank measures trade openness, the dependent variable. It reflects “the equivalent uniform tariff of a country’s tariff schedule that would maintain domestic import levels constant.”³ In other words, the TTRI score measures a country’s average

applied tariff rate on all products. While previous studies have used trade flows and other indicators, the Harvard University economist Dani Rodrik insists that “the available indicators of tariff... averages are reasonably accurate in ranking countries in terms of trade policy openness.”⁴

One would expect that both GDP per capita and import dependence should impact trade restrictiveness. Indeed, a simple linear regression using the aforementioned variables shows that poorer economies tend to be more protectionist, since tariffs provide a valuable source of revenue. As John Coatsworth and Jeffrey Williamson have remarked, customs revenues are “essential to support central government expenditures on infrastructure and defence.”⁵ Furthermore, import-reliant states’ industries usually struggle to compete on the international market. These states are often more restrictive than

Figure 1 – Linear Regression Model (SPSS)

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.696 ^a	0.484	0.469	3.1701

a. Predictors: (Constant), Import Dependence, GDP/Capita PPP

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	8.687	0.913		9.510	0.000
GDP/Capita PPP	0.000	0.000	-.0612	-6.617	0.000
Import Dependence	0.910	0.458	0.184	1.989	0.051

a. Dependent Variable: TTRI Score

export-led ones, as import-competing industries seek protection through tariff barriers, which can also help offset the trade deficit.

Asserting the Latin American Paradox

The linear regression model—statistically significant and with good predictive power—seems to confirm our expectations. Both import dependence and GDP per capita are significantly correlated with trade restrictiveness; the latter has a particularly strong impact. In other words, poor and import-reliant economies tend to be more protectionist than rich, export-led ones.

In view of the results obtained with the regression model (see Figure 1), one would expect Latin America to be fairly open. Indeed, Latin American countries are all middle-income economies according to

World Bank standards, and most of them are not particularly reliant on imports. However, a simple graphical analysis reveals that most—though not all—of the twelve Latin American states in the sample are quite restrictive compared to other middle-income countries. In other words, they are outliers. This is shown by the rounded data points in Figure 2 below. The graph illustrates this paradox: only Ecuador's TTRI is lower than five. The three regional powers in terms of GDP and population size, Argentina, Brazil, and Mexico, remain very protectionist despite their economic dynamism. Argentina and Mexico are particularly restrictive—with TTRI of 11.4 and 12.7, respectively—even though they both rank among Latin America's richest countries. Both are thus more restrictive than numerous poorer nations in Asia and Sub-Saharan Africa, such as Cambodia, Kenya, or Zambia.

Figure 2 – Trade Restrictiveness (TTRI) and GDP per capita PPP (World Bank data)

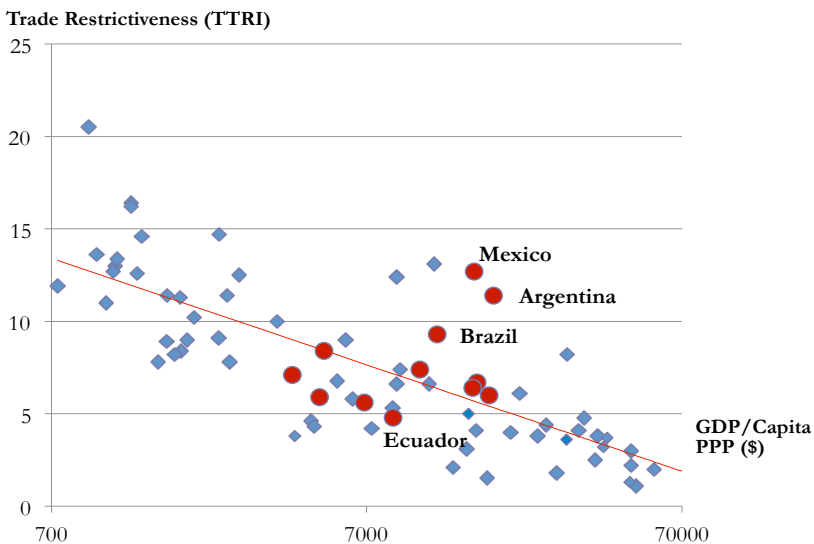


Table 1 reveals a second paradox: while the region's trade policies are generally quite restrictive, the correlation between economic development and import reliance on the one hand, and trade restrictiveness on the other, does not seem to hold. Indeed, as mentioned previously, the three largest regional powers, Argentina, Mexico, and Brazil, are also the most protectionist. Furthermore, some of the most open Latin American economies lie in poor regions of Central America. Guatemala and El Salvador are some of the poorest countries in the region, with GDP per capita well below Latin America's average of \$12,000. Surprisingly, they also have relatively low tariffs compared to their regional counterparts, with TTRI of 5.9 and 5.8,

respectively. Moreover, export-led states such as Argentina, Brazil, and Bolivia are more restrictive than three Central American countries—El Salvador, Guatemala and Honduras—that rely heavily on imports. Ecuador, the most open Latin American economy in the sample, also imports more than it exports.

Hence, Latin America exhibits a double exception. First, the region is more protectionist than Europe, Asia, and North America, with an average TTRI of 7.7, as opposed to 7.5 for the whole sample. Second, as illustrated by Table 1 below, import dependence and GDP per capita have a minimal impact on trade restrictiveness in the region.

Table 1 – Macroeconomic Indicators for 12 Latin American countries (World Bank data)

	<i>GDP/capita PPP (\$)</i>	<i>Import Dependence</i>	<i>TTRI</i>
ARGENTINA	17,674	0.84	11.4
BOLIVIA	5,130	0.91	8.4
BRAZIL	11,719	0.86	9.3
CHILE	17,125	0.87	6
ECUADOR	8,486	1.04	4.8
EL SALVADOR	6,877	1.84	5.8
GUATEMALA	4,961	1.59	5.9
HONDURAS	4,066	1.44	7.1
MEXICO	15,340	1	12.7
PANAMA	15,695	1.35	6.7
PERU	10,318	0.80	7.4
URUGUAY	15,181	1.11	6.4

Historical Roots of Latin American Protectionism

The empirical data above has demonstrated the Latin American exception in trade policies: states in the region tend to have relatively high tariffs despite high levels of exports and GDP per capita. Some experts have attributed the collapse of global trade and the surge in protectionism to the recent financial crisis, partly due to the lack of trade credit. However, Latin American protectionism existed long before the 2008 financial crisis. As Coatsworth and Williamson observe, “Latin America had the highest tariffs in the world as early as 1865, a leadership position it held until the 1930s.”⁶ Even during the so-called golden age of globalization, the region was extremely restrictive. In fact, tariffs kept rising until the outset of World War I, a period usually considered the belle époque for Latin America. International trade in the early 20th century was characterized by “an enormous variance in levels of protection between the regional club averages”: tariffs in Brazil and Colombia were over ten times those in India and China.⁷ Thus, Latin American protectionism is not a new phenomenon; neither is the double paradox highlighted above. The variance in tariffs within the region—between Colombia and Chile for instance—was already considerable in earlier periods of history.

Numerous scholars have attempted to account for the high tariff levels in 19th- and early 20th-century Latin America. The sociologist Miguel Centeno has

pointed to several historical factors. First, most states in the region were newly independent and lacked the bureaucratic resources to tax income, expenditure, or wealth. Tariffs were thus an easy source of revenue for central governments. Second, the region experienced over thirty major conflicts between 1819 and 1880. As a result, military expenditures rose to almost 90 percent of government spending in the region. This further encouraged Latin American governments to adopt very high tariffs to finance military spending.⁸

Even though Centeno’s arguments are historically valid, they cannot account for present-day protectionism in the region. Indeed, most Latin American states have been independent for over a century and maintain relatively low levels of military expenditures. The following section of this paper will address a number of other factors that could explain the region’s protectionist tendencies.

Explaining Latin American Protectionism

Political Economy & Social Structures

David Ricardo first contended that a country has a comparative advantage in a product if it is relatively abundant in that product. The economists Wolfgang Stolper and Paul Samuelson later applied Ricardo’s theory to the three main factors of production, namely land, capital and labor, and the effects of different trade policies.⁹ Stolper and Samuelson insisted that “protection benefits... owners of factors in which society is

poorly endowed.”¹⁰ As a result, people will support free trade or protectionism depending on their factor’s abundance. Beneficiaries of free trade will attempt to accelerate trade liberalization to increase their wealth and influence. In other words, trade can shape political and societal cleavages. According to the political scientist Ronald Rogowski, increasing exposure to trade “must result in urban-rural...or class conflict” depending on the distribution of wealth among factor owners.¹¹ For instance, poor countries with abundant land but scarce capital will often witness urban-rural cleavages between workers and landowners. In this model, the outcomes of such power struggles determine trade preferences.

The Stolper-Samuelson theorem, also known as the factors model, provides a compelling approach to international trade and can be applied to Latin America. Most countries in the region are land-rich and capital-scarce, with low population density. Consequently, countries such as Brazil, Bolivia, and Argentina have been experiencing urban-rural conflicts predicted by the factors model. Labor and urban middle classes often unite against rich landowners: the former support their government’s protectionist policies while the latter—owners of the abundant factor—often reject them and push for less restrictive trade policies.¹² The 2008 food crisis exacerbated these tensions as governments in Argentina and Brazil used trade policy to increase domestic food supplies and reduce prices. For instance, the Argentinean government, led by President Cristina Kirchner, raised

levies on soybeans and introduced export bans on crucial agricultural products such as wheat and flour to prevent staple-food shortages. This led to a major conflict between the government and the agricultural sector, resulting in mass protests, farmers’ strikes, and road blocks all across the country. After four months of confrontation, the Senate narrowly rejected the rise in export levies and cancelled the reforms.¹³

The Argentine case illustrates the centrality of trade issues to social and political cleavages in Latin America. The region’s tariff system reflects urban-rural tensions. In Brazil and Argentina, import restrictions are considerably higher on manufactured goods than on agricultural products. The trade regime thus reveals societal cleavages in both countries: landowners pushed for openness while the urban working and middle classes, as well as industrialists, obtained restrictions on non-agricultural products. However, as Rogowski has admitted himself, the factors model depends on “simplifying assumptions that are never achieved in the real world, among them perfect mobility of factors.”¹⁴ Hence, the model’s application to the Latin American trade regime contains several flaws. For example, Peru and Ecuador both have high tariffs on agricultural goods despite abundant agricultural resources and competitive exports.

Economic History

Political-economy models provide compelling analyses of the ways in

which factorial distribution and societal cleavages shape trade policies in Latin America. However, as noted above, such theorems rely on assumptions that real-life examples often contradict. Furthermore, a multiplicity of factors must account for Latin American protectionism. Economic history is always useful to understand present trends. Two contemporary episodes in Latin American history help shed light on the issue at hand.

First, restrictive trade policies might result from the enduring influence of import substitution industrialisation (ISI) policies. Ha-Joon Chang, an institutional economist, summarizes this much debated development strategy: “A backward country produces industrial products that it used to import, thereby substituting industrial products with domestically produced equivalents.”¹⁵ Countries achieve this by providing home producers with temporary or “strategic” protection against imports. ISI originated in Latin America, where it was first implemented in the 1930s and remained influential on the continent, as well as in the global South as a whole, until the 1970s.

Import substitution lost prominence in the 1980s and has been largely deemed inefficient since, partly due to the economic crises experienced by Latin American states during that period. However, Rodrik insists that “trade and industrial policies had very little to do with bringing on the crisis.”¹⁶ Instead, poor monetary and fiscal policies, as well

as a global economic downturn, caused the hardship experienced by developing countries. In fact, ISI strategies have contributed to positive economic developments in the global South. In the 1960s, over 40 developing nations enjoyed annual growth rates exceeding 2.5 percent per capita. Latin American states were particularly successful in the 1960s and ‘70s, with per capita income growing at over 3 percent a year. It is thus no surprise that they should seek to reproduce ISI strategies, in spite of the consensus against such policies.

A second factor behind Latin American protectionism may be the perceived failure of trade liberalization programs over the past thirty years, particularly as part of the so-called Washington Consensus (as coined by American economist John Williamson). The principles of this neoliberal reform package heavily influenced the relationship between international financial institutions and developing countries in the 1990s. The Consensus contained ten broad policy recommendations, including fiscal discipline and deregulation. Trade liberalization was an essential component. As Latin America witnessed a series of financial crises in the 1980s, it became the primary target of the neoliberal agenda. Governments in Peru, Bolivia, Argentina, and other Latin American nations undertook radical reforms—often called Structural Adjustment Programs (SAPs) by the World Bank and the International Monetary Fund—that included a sharp reduction in import tariffs.

Such reforms were far from successful:

regional economies stagnated and poverty increased in some countries. As Rodrik observes, “The 1990s as a whole saw less growth in Latin America than in 1950–80, despite the dismantling of the state-led, populist and protectionist policy regimes of the region.”¹⁷ Brazil and Bolivia, in particular, experienced a troubling stagnation in GDP and living standards following the implementation of SAPs. The Argentine crisis, which occurred from 1999 to 2002, has often been described as the ultimate failure of the Washington Consensus. Following the devaluation of the Brazilian real—which harmed Argentinean exports—Argentina suffered an enduring recession, hyperinflation, widespread unemployment, and increasing social unrest. The Argentinean government finally defaulted on its external debt and engaged in a slow recovery in 2003; import substitution and high tariffs were among the tools the Kirchner administration used to redress the country. While the Washington Consensus was not responsible for the crisis per se, the IMF faced heavy criticism for its slow reaction and short-sighted praise of the Argentine economy just months before the crash.

Critics of trade liberalisation also point to the Mexican crisis of the 1980s as an example of failed liberalization. Neoliberal policies undertaken by President Miguel de la Madrid from 1982 onward led to rising unemployment and poverty, as well as economic stagnation. Mexico’s GDP per capita only grew by an average 0.1 percent a year between 1985 and 1995. Rapid trade liberalization

wiped out whole swathes of Mexican industry and arguably undermined the country’s agricultural sector.¹⁸ In sum, the perceived—and actual—failures of trade liberalization policies in the 1980s and ‘90s still resound in Latin America and may explain current protectionist tendencies.

Politics & Ideology

Trade preferences are strongly correlated with people’s ideology and political opinions. For instance, opinions on free trade are often linked to political views on consumerism, free markets, and state intervention in the economy.¹⁹ Fiscal conservatives and libertarians tend to support free trade as an integral part of the neoliberal worldview. Left-wing voters and parties, on the other hand, are often more critical of globalization and highlight the negative effects of free trade. Thus, left-wing governments can be expected to implement more restrictive trade policies than right-wing and neoliberal ones. This may help to explain the prevalence of protectionism in Latin America. Indeed, the vast majority of countries in the region are governed by left-wing or “populist” parties. The most prominent heads of state in this camp include Dilma Rousseff and her predecessor Lula da Silva in Brazil, Cristina Kirchner in Argentina, and Uruguay’s José Mujica, also known as the world’s “poorest president” for his inexpensive lifestyle. Some Latin American presidents, including Venezuela’s late Hugo Chavez and Bolivia’s Evo Morales, even claim

to follow Marxist principles. Of the 12 Latin American states in the sample, only two (Chile and Honduras) are governed by right-wing parties. Both have relatively low tariffs.

Finally, some attribute the prevalence of protectionism in Latin America to the peculiarity of regional integration on the continent, which is dominated by two organizations: Mercosur, a political and customs union founded in 1991 by Argentina, Brazil, Paraguay, Uruguay, and Venezuela, and the Andean Community, a customs union created in 1969 by Bolivia, Colombia, Ecuador, and Peru. While both institutions have established free trade and flow of people among their members, a variety of import quotas on external products remain in place. The current levels of import tariffs have led some commentators to use the term “fortress Mercosur.”²⁰ Intra-regional trade remains very limited in Latin America, making up only 25 percent of total exports in 2010 as opposed to 50 percent in Asia.²¹

A Successful Policy Choice?

Is protectionism a rational policy choice for Latin America? Has it been a successful development strategy? According to Coatsworth and Williamson, Latin American protectionism did not lead to economic growth in the 19th or early 20th century.²² Countries with high tariffs grew more slowly than open economies like Chile. Most mainstream scholars have come to the same conclusion for other regions, arguing that openness

fosters economic growth. However, two empirical studies by Rodriguez and Rodrik and Halit Yanikkaya have demonstrated a positive and sometimes significant correlation between trade barriers and economic growth for developing countries. The latter study provides “considerable evidence for the hypothesis that restrictions on trade can promote growth, especially of developing countries, under certain conditions.”²³ Table 2 offers an overview of trade restrictiveness and average annual growth for the period 2007-2011.

At first glance, Table 2 does not demonstrate a clear difference between open and protectionist economies in Latin America. Mexico, the most restrictive Latin American state in the sample, only grew at an average annual rate of 1.5 percent between 2007 and 2011. Ecuador and Chile, two of the most open economies in the region, enjoyed much higher growth rates in the same period. Nonetheless, three of the most restrictive Latin American countries, Argentina, Bolivia, and Brazil, grew by 6.9, 4.7, and 4.2 percent per year, respectively. By contrast, El Salvador was the slowest-growing state with a mere 1.1 percent average in 2007-11, despite its low tariffs. The case of Argentina is particularly striking: The country suffered a major economic crisis in 2002 and has some of the most restrictive trade policies in the region. Nevertheless, its GDP grew by an astonishing 6.9 percent annually between 2007 and 2011, in the midst of the global financial meltdown.²⁴

Whether high tariffs have led to higher

Table 2 – Trade restrictiveness index & average growth rate (2007-2011) for 12 Latin American countries (World Bank data)

	<i>TTRI</i>	<i>Average Growth, 2007-2011</i>
ARGENTINA	11.4	6.9
BOLIVIA	8.4	4.7
BRAZIL	9.3	4.2
CHILE	6	3.9
ECUADOR	4.8	3.6
EL SALVADOR	5.8	1.1
GUATEMALA	5.9	3.4
HONDURAS	7.1	3.3
MEXICO	12.7	1.5
PANAMA	6.7	8.9
PERU	7.4	7
URUGUAY	6.4	6.1

growth is debatable; however, the Latin American case demonstrates that both combinations can certainly coexist. Indeed, the region grew at an average of 4.6 percent annually since 2007, higher than the sample average (4.3 percent). Such growth highlights the region's resilience to the recent financial crisis compared to some of its emerging counterparts; annual growth rates in Russia, South Africa, and Thailand did not surpass 3 percent over the same period. Other developing nations such as Bangladesh, India, and Ghana have grown very rapidly since 2007—at average rates of 6.2, 7.7, and 8.3 percent—with very high tariff barriers. Nonetheless, some more open Asian economies have also done well (especially China, Mongolia, and Indonesia). This illustrates there is no

single recipe for economic success.

Conclusion

Latin America provides a compelling case for rethinking the relationship between protectionism and development. Empirical analysis illustrates the double paradox of trade policies in the region. First, while most states are export-led, middle-income economies, Latin American tariffs are higher than the sample average—especially in the three regional powers. Second, GDP per capita and import dependence are not major determinants of trade policy in the region. Indeed, poor, import-reliant countries in Central America tend to be more open. Latin America has numerous specificities that other regions do not necessarily

share, among them the nature of its recent economic history and rural-urban conflicts. Political-economy structures, as described by the factors model, play a major role in creating rural-urban cleavages that result in very high tariffs on manufactured products. Economic history also determines trade policies: the enduring influence of ISI strategies and perceived failure of neoliberal liberalization programs might explain Latin America's protectionist tendencies. Finally, trade preferences are strongly correlated with ideological orientation, and most Latin American states are governed by left-wing parties.

It remains unclear whether high tariffs are detrimental for economic development, as the literature often assumes. Latin America achieved relatively high growth rates in the midst of the global financial crisis. Protectionist countries such as Argentina, Bolivia, and Brazil have been particularly successful. At the same time, more open economies like Chile and Ecuador have also grown quite rapidly. Moreover, numerous states in Asia and elsewhere have arguably benefited from low tariffs and open borders. This demonstrates the shortcomings of uniform, one-size-fits-all approaches to economic development.

Political institutions, social structures and economic history vary greatly among different regions. The coexistence of high tariffs and high growth rates during a major global economic downturn is particularly intriguing in view of the existing literature. It may be that strategic

protection allows for greater resilience to external shocks.

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COMMENTARY

Impact Investing: A Viable Alternative to Development Aid?

Allison M. Carragher

With global development aid budgets on the decline, impact investing offers a cost-effective alternative to financing international development without deficit spending. The U.S. Government recently became an active participant in this space, investing in new funds and taking steps to clarify the tax code, but can and should do more to expand the global impact economy.

Impact Investing as a Tool for Development

As the global economic downturn persists, cuts in public spending across the developed world are having serious implications for international development. In 2011, aid from major donors dropped by nearly three percent, falling for the first time since 1997.¹ In the United States, the sequestration that commenced in March includes forced cuts that would reduce foreign assistance by \$1.8 billion, with funding for global health and humanitarian assistance particularly hard hit.² As a result, the United States cannot afford to tackle many of today's urgent social and environmental problems. Philanthropic organizations, which can usually narrow the funding gap, are struggling to rebound from the biggest decline in giving in over 40 years.³ Impact investing offers an alternative, cost-effective approach to financing international development

without deficit spending.

Impact investing is an emerging subset of the financial community that aims to allocate capital to ventures, often called social enterprises, which address critical social and environmental issues while also generating positive financial returns. This combination is referred to as the "blended value" or "double or triple bottom line" of impact investing. Impact investing is a fusion of traditional profit-maximizing investing and philanthropy. It is distinct from socially responsible investing, or SRI, which primarily employs "negative screens" to block investments in unsavory sectors such as tobacco and firearms rather than intentionally furthering a social mission. The impact investment market is an estimated \$50 billion global industry, with projections that it could expand to \$500 billion or even \$1 trillion in total assets under management over the next decade.^{4,5}

The U.S. Government as an Impact Investor

Traditional development players, including the U.S. Government, are actively exploring ways in which impact investing can help maximize the effectiveness of limited public dollars. One of the most important public actors in international impact investing is the Overseas Private Investment Corporation (OPIC), the U.S. Government's development finance institution. This small, independent agency is charged with mobilizing private capital to address development needs. It accomplishes this mission by offering loans, guarantees, and political risk insurance to American companies and private equity funds investing in development projects in emerging markets. In March 2011, OPIC announced its first-ever call for proposals for impact investment funds. This competitive process solicited proposals from private fund managers and other financial intermediaries to establish new funds with social or environmental missions in the countries where OPIC operates. OPIC then selected six funds to which it committed \$285 million in financing. That figure represents the largest U.S. Government commitment to the sector to date. The chosen funds address a diverse set of challenges such as improving health care in Africa, cultivating small businesses in post-conflict countries, preserving forests through projects that generate carbon credits, and bringing mobile banking to those without access to traditional banking services. Through an equity-like debt product, OPIC

financing provides leverage to private investors, mitigating the risks they face while increasing their return on equity. By layering private and public dollars, these six funds could provide up to \$875 million for investments that save lives, improve livelihoods, and preserve the environment.

As this initiative demonstrates, impact investing has tremendous potential to transform the way we finance development. By combining developmental returns with financial ones, impact investing provides long-term social and environmental benefits at a price the U.S. taxpayer can afford. In fact, by employing a loan-based modes instead of grant-based one, OPIC actually makes a modest profit that is returned to the American taxpayer instead of contributing to the federal deficit. As OPIC President and CEO Elizabeth Littlefield explains, "Every one of those dollars that we catalyze from the private sector is one more dollar that does not need to be spent by the public sector or philanthropists and that can be shifted toward other priorities or back to the taxpayer."⁶

Challenges and Skepticism

Despite the growing hype surrounding the field, impact investing should be viewed with a modest dose of skepticism. Impact investors run the gamut from private equity funds to government agencies to nonprofit organizations, and they all maintain widely divergent expectations about the appropriate development and

financial returns for their investments. It is important to define and align these expectations, establish common metrics for measuring development returns, and ensure that the focus of impact investing remains on impact. The financial return should be seen as a means to an end, rather than an end in itself. In addition, regulatory treatment of impact investors remains muddled, with questions ranging from the appropriate corporate form of investment to use to their access to finance.

A number of these shortcomings are being sufficiently addressed by private actors. For example, the Impact Reporting and Investment Standards (IRIS) initiative of the Global Impact Investing Network (GIIN) is collecting data from voluntary investors that it will use to establish standard metrics for impact investments. Building upon this initiative, the Global Impact Investing Rating System (GIIRS) will apply the IRIS metrics to develop an independent ratings and analytics platform similar to the Morningstar investment rankings, used by traditional investors. This platform will provide transparent ratings of impact investment opportunities and allow investors to compare projects across sectors and markets. These initiatives will help scale the impact investing marketplace by removing some of the barriers to entry and facilitate smarter and more effective allocation of capital.

Other challenges facing impact investing require federal assistance. Although most of the focus on impact investing is

international, the majority of participants are actually based in the United States.⁷ As such, U.S. tax code and regulations can either advance or obstruct the development of the global impact economy. Corporate formation is a prime example. Traditionally, companies are established as either for-profit or not-for-profit. For social enterprises meeting a double bottom line, neither shoe fits. For-profits are required to maximize financial returns regardless of social returns – a fiduciary duty that is legally binding for publicly traded companies. As state law has historically governed corporate formation, several states (most notably Maryland and Vermont) have responded to the market demand for a hybrid corporate structure that better meets the needs of social enterprises. These new structures provide legal protection for decision-making that is based on the mission of the organization rather than the pursuit of profit. For example, the “Benefit Corporation” requires a social mission statement and social mission management that serves as an added corporate layer, and directors of Benefit Corporations are legally permitted to consider their mission over financial returns without risk of litigation. Another option, the Low Income, Limited Liability Corporation (L3C), is a social-impact version of the standard LLC. However, widespread state action is unlikely to reach a tipping point without federal guidance.

Another challenge facing the impact economy is embedded in the U.S. tax code. Tax burdens are a product of

corporate structure; non-profits enjoy tax exemptions and offer tax advantages to donors, whereas for-profit entities do not qualify for these measures. As a result, from an investor's perspective, a donation to a traditional non-profit (which provides a guaranteed tax benefit) is more attractive than an impact investment in a for-profit entity that offers only minimal financial returns, at best. This treatment does not accurately measure or reward the enormous positive externalities of impact investments.

Furthermore, non-profits face severe restrictions on their ability to access private capital and distribute income. They have limited access to debt and no access to equity. They can participate in impact investing through program related investments (investments that accept below-market returns and must serve a tax-exempt purpose, without being significantly aimed at generating revenues). However, the Internal Revenue Service (IRS) ruling process to verify that an investment qualifies can be onerous and costly. As an added disincentive, if an investment is made, that the IRS later determines does not qualify, the foundation faces steep tax penalties. To address these issues, in May 2012 the U.S. Treasury Department and the IRS released a proposed rule that includes new guidelines and updated examples of acceptable program-related investments.⁸ This update, the first since these investments were implemented over 40 years ago, will facilitate program-related investments by nonprofit organizations and foundations while also lowering their

transaction costs. This step in the right direction illustrates how seemingly small administrative adjustments can have big consequences for the impact economy.

The Future of Impact Investing

The U.S. Government should continue to lead by building the foundation for a global impact economy. For example, the IRS should undertake an expedited review of hybrid corporate models and issue a revenue ruling that both recognizes new corporate structures for impact investors and social enterprises while simultaneously reducing their tax burdens. At the international level, government actors like OPIC, the U.S. Department of State, and the U.S. Agency for International Development (USAID) should continue to expand responsible programs that stimulate impact investments. One particularly promising endeavor is USAID's Development Innovation Ventures (DIV), which provides grants to breakthrough solutions to development issues, in amounts that increase as projects are analytically tested and proven. A careful monitoring and evaluation of such government programs can provide the data and track record necessary to expand the sector in a sustainable way.

However, the reality is that not all development programs can be made commercially viable. Impact investing is an applicable tool for many sectors, but can never completely supplant traditional development aid. That being said, we have entered an era in which

government budgets must be trimmed and dollars, once spent abroad, are being diverted to domestic uses. At the same time, the development challenges we face are more daunting and global than ever. While impact investing is no silver bullet, a thriving impact economy could offset reductions in public spending by catalyzing private capital to meet development needs. When the financial crisis struck in 2007, modern capitalism and profit-seeking financiers repeatedly took the blame. It is now time to revise that narrative. Financial returns and social welfare are no longer mutually exclusive. If the impact investing experiment is successful, the new storyline will be that within market capitalism, we found a way to transform invested capital into solutions to the world's greatest challenges.

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Somaliland: Building New Institutions and the Tradeoff between Democracy and Stability

Sarah Cooper

Ever since the collapse of the central Somali state in 1991, the unrecognized northern state of Somalia, Somaliland, has operated under independent parallel institutions of governance. Upon achieving de facto independence, Somaliland faced the twin challenges of restoring peace and forming new political institutions. Development practitioners often point to the relative peace, stability and modest economic growth that Somaliland has enjoyed since this time as proof that democracy delivers. This paper, however, seeks to debunk the myth of a democratic Somaliland and contends that a closer analysis of the history of this transition and of Somaliland's governing institutions reveals that the territory's leaders prioritized peace over democracy. The composition and role of the Guurti or House of Elders, the continuing role of the clan system in politics, and the explicit limitation on the number of political parties constrict political space. However, they also encourage peace by giving all of the major political actors a stake in the territory's governance. Somaliland's recent political trajectory shows how to transform a politics of war into a politics of consensus, and suggests that power-sharing arrangements—rather than deep democratization—may play an important transitional role in post-conflict countries.

Introduction

"The Republic of Somaliland, the secessionist northwestern slice of Somalia that declared independence in 1991, has a far better democratic track record than any of its neighbors despite, or perhaps because of, a dearth of assistance from the international community."¹

Ever since the collapse of the central Somali state in 1991, the unrecognized northern state of Somalia, Somaliland, has operated under independent parallel institutions of governance. A president is elected for a five-year term and holds the power to nominate ministers subject to parliamentary approval. A

bicameral legislature is divided into an upper chamber known as the Guurti or House of Elders, comprised of unelected members nominated by the clan authorities, and a lower chamber, the House of Representatives, comprised of 82 directly-elected representatives. In recent years, Somaliland has achieved relative peace and stability while the southern territories of Somalia continue to suffer from profound insecurity and a lack of legitimate governance. As a result, there has been a tendency amongst development practitioners to treat Somaliland as Somalia's photographic negative. Whereas Somalia is viewed as a country beset by intractable conflicts between militarized clans, Somaliland

is frequently depicted in development literature as a peaceable territory governed by democratic institutions that transcend clan cleavages.

This paper seeks to debunk the myth of a democratic Somaliland through a careful analysis of the history of its independence movement and political transition. Faced with the twin challenges of restoring peace and developing new political institutions, Somaliland's de facto independence leaders consistently prioritized peace over deep democratic reforms. The composition and role of the Guurti or House of Elders, the continuing role of the clan system in politics, and the explicit limitation on the number of political parties, in particular, constrict political space but encourage peace by giving all of the major political actors a stake in the governance of the territory. The Somaliland example therefore suggests that power-sharing arrangements may play an important transitional role in post-conflict countries. Although Somaliland is not a paragon of democracy, its populace has made significant achievements rebuilding their nation and transitioning from a politics of war to a politics of consensus in a short period of time. These gains should not be understated. Clan identities remain central to any understanding of politics in Somaliland and any future political reforms must strike a delicate balance between promoting consensus and power-sharing amongst clans, while also providing ample political space for new voices and actors.

The Somali Clan System and Political Mobilization

Takaa ama bur ka anaw ama badhtanka kaga jiri. (Either lead or be led by your clan, but do not stand aside.)

— Somali Proverb²

The Somali clan system has underpinned social relations in the region ever since its earliest recorded history and is crucial to any understanding of current political dynamics. Somalis believe that they are descended from the same mythical founding father Samaale, whose offspring formed the six major Somali clans: the Dir, the Darod, the Isaaq, the Hawiye, the Digil and the Rahamwayen.^{3,4} In the territory of present day Somaliland, the predominant clans are the Isaaq, the Dir and the Darod/Harti.⁵ In pre-colonial Somalia, clans primarily functioned as emotive kinship groups that could mobilize resources on a large scale to cope with the harsh realities of the Somali climate and territory. Drought and security imperatives constantly rearranged constellations of power between the clans, preventing the rise of a permanent institutionalized hierarchy. Clan membership thus served as one of many vectors for transmitting social expectations. Individuals also owed allegiance to immediate family members, one's direct lineage, and clan-families comprised of several allied clans.⁶

Clans first began to function explicitly as political units at the time of independence. From the late nineteenth century onwards, the British administered

northern Somalia—including the present-day territory of Somaliland—primarily valuing the region as a port of supply for their military base at Aden. When Southern Somalia came under Italian administration, the colonial authorities played a more active role in encouraging development, particularly during the Fascist period, during which time the colony was viewed as a potential homeland for Italy's surplus population. In 1948, the United Nations ceded control of southern Somalia to Italy under a ten-year trusteeship. The Italians began to prepare the colony for independence, and the British followed suit. The two former colonies immediately faced questions of how to unite different currencies, judicial systems, police forces, government structures, requirements for joining the army, and systems of taxation and education. Reconciling the relative underdevelopment of the formerly British north also proved difficult, and northern fears of marginalization in the unified territory exacerbated tensions along a north-south axis that presaged the attempted secession of Somaliland in the 1990s. For example, the June 1961 national constitution submitted for ratification bore no significant modifications from a draft constitution the Italians had helped the south to design, and many northerners felt excluded from the constitution-making process.⁷

With the introduction of electoral politics in Italian Somalia in 1954, candidates began to mobilize votes from within their clan families. Political parties with weak ideological platforms but clear

clan ties proliferated, as clans and then sub-clans that felt marginalized in larger parties organized to form their own parties. By the time of the 1964 elections, Somalia had more political parties per capita than any other country excepting Israel.⁸ Although the first prime minister, Abdirashid Ali Shermarke, took care to preserve a regionally balanced cabinet, clan-based infighting over the electoral spoils soon paralyzed his administration and paved the way for Siyad Barre's military coup in 1969.

The Breakaway of Somaliland

"Having experienced the devastation wrought by a regime based on dictatorship and a policy of divide and rule to which the country was subjected for over twenty years; and ever vigilant of the return of such a regime... The people of Somaliland hereby approve and proclaim to the whole world... that this constitution has been adopted as the nation's Constitution."

Following his October 1969 military coup, Siyad Barre immediately suspended Somalia's constitution, outlawed all political and professional organizations and instituted a policy of Scientific Socialism.¹⁰ To maintain power in the absence of widespread public support, particularly after the failed Ogaden War with Ethiopia from 1977 to 1978, Barre increasingly relied on clan-based patronage, fostering rivalries through the strategic distribution of government posts, arms, and funds to keep his opponents divided.¹¹ The government also mobilized inter-clan rivalries through explicit

divide and rule strategies.¹² Over time, members of Barre's own Marehan clan from within the Darod came to occupy a disproportionate share of key posts in the government and military. From the 1980's onwards, Barre also depended on foreign aid from the United States and the Western powers to maintain his increasingly tenuous grip on authority.

Despite some initial enthusiasm for Siyad Barre's regime in the north, a period of prolonged famine (the Abaartii Dabadheer of 1974-1975), caused public opinion to coalesce in opposition to the central government, which responded poorly to the crisis. The introduction of price controls under Scientific Socialism disrupted markets for food, effectively halting trade along the historic Arabian-Somaliland-Ethiopian axis, which was the traditional coping mechanism in the face of drought.¹³ Over 20,000 individuals died in the north, and between 10 to 15% of the population was forced into refugee camps.¹⁴ As the famine persisted, the government experimented with a resettlement policy, transferring more than 100,000 pastoralists from the north to more arable lands in the south.¹⁵ The refugee crisis was exacerbated during the Ogaden War. By 1979, official records document the presence of 1.3 million refugees in Somalia, more than half of whom were from the north.¹⁶ According to these statistics, one in four inhabitants of northern Somalia was a refugee, placing extreme pressure on resources and services already over-stretched in the wake of the 1974-1975 famine.¹⁷ By 1981, a conglomeration of Isaaq businessmen,

religious leaders, intellectuals, and former army officers organized to form the Somali National Movement (SNM) and began to carry out guerrilla activities against the government in Mogadishu.¹⁸ The ensuing period from 1987 to 1991, when armed conflict broke out between the central government and the SNM, took a terrible toll on Somaliland. SNM rebels laid siege to several towns, including Hargeisa—the regional capital and former capital of British Somaliland—and, in response, the central Somali government's air force conducted bombing raids to recapture the city. The attacks killed thousands of civilians, provoking an international outcry and triggering the suspension of foreign assistance. An estimated 100,000 northerners lost their lives in the fighting, with as many as 50,000 dying in the siege of Hargeisa alone.¹⁹ Up to 80% of the buildings in Hargeisa, including critical infrastructure, such as schools and hospitals, were destroyed in government-sponsored bombing attacks, and as much as half of the region's livestock perished.^{20,21} Special troops known as the Isaaq Extermination Wing ravaged the rural areas, poisoning wells, plundering livestock, and even burning down entire villages.²² In 1991, a Grand Conference of the Northern Peoples held at Burco declared Somaliland's independence under pressure from the SNM and a group of clan elders who would later be incorporated into the Somaliland government as the Guurti.

Somaliland Electoral Politics

"We may act as a democracy, but we know

nothing works in this country without the clans and their interest."²³

After declaring independence, Somaliland seemed poised to devolve into internecine violence. During the early days of the liberation struggle, clan-based persecution at the hands of Siyad Barre united the Isaaq and provided a basis for a nascent national identity.²⁴ Soon, however, the SNM began to fracture along sub-clan lines and militant groups clashed over control of the strategic port of Berbera and parts of Burco. The *Guurti* negotiated a ceasefire and called for a series of *shiir beeled* (clan peace conferences) to prevent a return to full-out civil war.²⁵ In the absence of a strong central state, the *Guurti* emerged as national power brokers. Unlike in southern Somalia, where the Juba and Shebelle Rivers enabled the growth of sedentary agriculture, the economy of Somaliland remained largely pastoral and nomadic. To be economically viable, agreement therefore had to be reached on important issues such as water rights and land management.²⁶ Somali clan elders had traditionally negotiated such agreements amongst themselves, and after the independence struggle they stepped forward into the vacuum left by the state to again assume this role.

The 1993 Borama Conference resulted in the creation of many of Somaliland's present day political institutions. Notably, the Conference determined that the so-called *Beel* System would govern the territory: a bicameral parliament with members to be nominated on a clan basis

by an electoral college of clan elders. A final *shiir beeled* convened in Hargeisa from October 1996 to February 1997, adopting both a draft constitution and a timetable for the transition from clan-based politics to a multiparty system.²⁷ In May 2001, the new territory approved the constitution through a popular plebiscite, and elections for twenty-three district councils took place in December 2002.

Analysis of the institutions thus established suggests that Somaliland's post-independence leaders sought to promote peace and prevent clan infighting through power-sharing arrangements while democracy was only a secondary consideration. The 2002 district council elections and the Somaliland Political Party Law signed on August 6, 2000, proved especially decisive for Somaliland's political trajectory and institution-building processes. Based on the Nigerian model, the Political Party Law stipulates that a party's performance in local council elections will determine whether it should be granted legal authority to contest future elections.²⁸ Article 9 limits the total number of political parties to three and states that it is illegal for parties to be constituted on the basis of clan or regional identity. Parties must also obtain a minimum threshold of 20% of all votes cast in four of Somaliland's six regions to be recognized.²⁹ If less than three parties meet this bar, then the three parties receiving the highest percentage of votes in all regions will be recognized. To further support the formation of parties with nation-wide rather than clan appeal

alone, the Law requires each party to draft a program addressing peace and stability, the use of natural resources, environmental protection, the promotion of science and industry, and the advancement of health, welfare, education, and religion.³⁰

The letter of the Somaliland Political Party Law is progressive, but it generated significant controversy in practice when the sitting governments interpreted it to mean that only those three parties that met the requirements during the 2002 district council elections are to be recognized.³¹ When combined with Article 6, which prohibits independent candidates from standing for election, this places a significant limit on political space. For example, a new party, Qaran, sought to begin the registration process in April 2007, but was barred on the grounds that no new parties can be recognized.³²

Technical shortcomings of the 2002 elections also undermine the democratic legitimacy of the three currently authorized parties. Voting did not take place in some parts of Sool—a territory of eastern Somaliland contested by neighboring Puntland—because of security concerns, and there were widespread occurrences of multiple voting.³³ Political participation by members of the Warsengeli and Dulbahante clans in these regions has remained extremely low when compared to the rest of the population since the 2002 elections.³⁴ In the absence of an official census, the electoral commission developed a process of using indelible ink and identification by clan elders to determine eligibility to vote.³⁵ However,

the indelible ink proved easy to bleach away and all parties took advantage of this discovery.³⁶

Overall voter turnout in Somaliland is also low, which casts doubt on the credibility of the election results. Citing statistics from the African Elections Database, the Somaliland Non-State Actors Forum—a local civil society coalition—notes that 488,000 ballots were cast in the 2003 presidential elections, 670,000 in the 2005 elections for the House of Representatives, and 538,000 for the 2010 presidential elections.³⁷ The total estimated population of Somaliland is 3 million, which suggests that elected candidates have only a weak mandate from the public, with voter turnout of less than 25% in each election. Voting is also thought to have been particularly low among pastoral populations, perhaps due to a provision in the electoral code requiring individuals to vote at the same polling station where they registered. Such provisions could be expected to effectively disenfranchise Somaliland's substantial nomadic population.³⁸

Moreover, the political platforms of the three recognized parties remain weakly developed and clan affiliation tends to dictate party loyalty.³⁹ The three major parties that emerged from the 2003 elections are the Democratic United Peoples' Movement (UDUB), Kulmiye, and the Party for Justice and Democracy (UCID). UDUB draws its support primarily from the Gadbuursi and the Habar Yoonis clans, the Kulmiye is largely supported by the Habar Jeclo clan, and

UCID's supporters are overwhelmingly 'Idagale or members of smaller clan families based around Hargeisa.⁴⁰ In 2005, UDUB campaigned on a platform of experience and continuity, emphasizing its track record for stability.⁴¹ Kulmiye, the party of current president Ahmed M. Mohamoud 'Silanyo', capitalized on its popular legitimacy during the 2005 campaign, noting that many of its members were prominent leaders of the SNM.⁴² UCID is the only one of three parties to espouse even a weak ideological platform. Its founder, Faisal Ai Farah 'Warabe' lived in Finland, and attempted to model the party on Scandinavian social democratic parties.⁴³ However, the campaign trail rhetoric of many of the members of parliament who represented UCID in 2005 suggests that they were unaware of their party's social-democratic orientation.⁴⁴

A lack of party whips also contributes to weak party platforms and clan-based politicking. Because members of parliament have no institutional incentives to vote in accordance with the party line, their continued loyalty is often secured through clan channels.⁴⁵ To stand as a candidate for political office individuals must raise their own funds, and estimates from the 2005 legislative elections suggest that campaigns cost approximately \$30,000 USD to mount.⁴⁶ This allows clan leaders to exercise a vetting role in the nomination of party candidates, since most fundraising takes place through the clan.⁴⁷ The continued influence of the clan on the nomination procedures has resulted in an under-

representation of women, even though the National Electoral Commission estimates that women have comprised a majority of the voters in every election since 2002.⁴⁸ Women may not be trusted to mobilize the clan vote, because they frequently marry into other clan families.⁴⁹ Similarly, the minority Gabooye clan is numerically under-represented, which may reflect the limited influence of its elders on party nominations.⁵⁰

The most striking example of power-sharing in Somaliland is the incorporation of the Guurti into parliament. The Somaliland House of Elders is a unique innovation that bolsters the influence of clan authorities in day-to-day governance. Although the constitution dictates that the House of Elders should be renewed every six years, it does not include any provisions detailing how this process should take place.⁵¹ As a result, the current House of Elders has been in power since 1997, and came under considerable criticism during the run-up to the 2010 presidential elections for unilaterally voting to extend then-President Riyale's mandate three times, in what appeared to be an unconstitutional exercise of its authority.⁵² The members of the House of Elders have also come under criticism for allowing clan interests to be co-opted by the executive branch. However, the participation of the clan elders in a representative forum has prevented them from acting as spoilers to the peace process. In southern Somalia, by contrast, the clans have often positioned themselves as an alternative to a centralized state, preventing the

consolidation of power and perpetuating conflict. By incorporating the clan elders into government, the leaders of Somaliland seem to have avoided this pitfall. Moreover, as state institutions have become stronger, the overt intervention of the clan elders in politics has declined. Clan elders are more likely to influence their representatives in the political parties through back-door channels such as patronage networks and vote-buying.⁵³

Entrenched corruption may be expected to pose a challenge for Somaliland's longer-term political development. In the short-term, however, the system has undeniably brought peace and stability and corruption does not seem to have negatively affected popular perceptions of the government. Opinion polling conducted by the International Republican Institute between September 28 and October 8, 2011 confirms that the government has widespread public support, finding that individuals had a largely positive view of the administration and gave the Somaliland government more credit for taking the territory 'in the right direction' than the Somaliland people.⁵⁴ Nor has the preponderance of the clans in politics prevented peaceful transfers of power from taking place.

The Political Party Law also arguably helps to diffuse inter-clan rivalries. Limiting the total number of recognized parties to three has prevented a return to the fragmented party system of the 1960's when every clan family and sub-clan grouping sought to maximize its share of the political spoils by forming an

independent party. Most of Somaliland's current political leaders were also active during the Siyad Barre regime, and likely retain vivid memories of the chaotic party politics of the 1960's. By contrast, the three authorized parties in Somaliland are big tent parties, and have had to forge alliances across clans to broaden their base of support.⁵⁵ Kulmiye, for example, counts amongst its members the Red Flag (a group of former SNM officers with Marxist tendencies), a number of religious activists and the Hargeisa Group of civil activists who initially took a stand against Siyad Barre's regime.⁵⁶ Although the parties campaign on messages of regional identity, they regularly participate in multi-stakeholder and inter-party forums to publicly reaffirm their commitment to transparent and inclusive political processes.⁵⁷

Conclusion

The complex system of grassroots institutions that has taken root since the Borama Conference of 1993 has transformed a politics of war into a politics of consensus, delivering a significant peace dividend to the territory of Somaliland. Yet contrary to the conventional wisdom of many development practitioners, Somaliland's leaders after the independence struggle consistently prioritized peace over democracy when developing the territory's independent institutions. Many issues remain, including the fact that the political space is limited to three weakly differentiated parties that campaign along ethno-regional lines,

women and minorities are significantly underrepresented in political bodies, and an unelected House of Elders exercises substantial influence over the political process through vote-buying and patronage. These observations are not meant to diminish the significant achievements of Somaliland's institutions, which have pacified a war-torn region, revived infrastructure devastated during the civil wars of the 1980's, and helped to foster economic growth. Development practitioners would do well to recall, however, that these institutions arguably function not because they are democratic, but because they accord all of the major actors a stake in the political process without giving way to the fractious multi-party politics of the 1960's. For those wishing to apply the lessons learned from Somaliland to peace processes in the southern parts of the territory, a push for deeper democracy seems to be the wrong conclusion. Instead, the Somaliland experience suggests a need for careful power-sharing arrangements as a transitional step on the path to democracy. These arrangements should take clan interests and dynamics into account and should prioritize stability and peace over other potentially competing imperatives.

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Notes

1. Seth Kaplan, "The Remarkable Story of Somaliland," *Journal of Democracy*, Vol.19, No. 3. (July 2008):143.
2. Hussein M. Adam, "Clan Conflicts and Democratization in Somalia," in *Ethnic Conflict and Democratization in Africa*, ed. Harvey Glickman, Georgia: The African Studies Association Press, 1995: 199.
3. David D. Laitin and Said S. Samatar, *Somalia: Nation in Search of a State*, Boulder: Westview Press, 1987: 29.
4. Laitin and Samatar, Somalia, 30.
5. Markus V. Höhne, "Political identity, emerging state structures and conflict in northern Somalia," *Journal of Modern African Studies* (2006), Vol. 44. Accessed 24 November 2012. <<http://journals.cambridge.org/action/displayFulltext?type=1&fid=459851&jid=MOA&volumeId=44&issueId=03&aid=4599850>>
6. Laitin and Samatar, Somalia, 31.

7. Although a majority of southerners ratified the constitution, less than fifty percent of the north voted in favor of accepting the document. See Laitin and Samatar, Somalia, 71.
8. Laitin and Samatar, Somalia, 69.
9. Jama, Ibrahim Hashi, The (Interim) Constitution of Somaliland (1997), 18 March 2013, <http://www.somalilandlaw.com/1997_Interim_Constitution.htm>.
10. In an effort to craft a national identity, Siyad Barre identified tribalism in the history of Somalia with the class struggle in Europe and argued that Somalis should seek to liberate themselves from arbitrary distinctions imposed by clan lineage. His official ideology encompassed three elements: a self-reliant community, socialism based on Marxist principles and Islam. U.S. Library of Congress, Siad Barre and Scientific Socialism, (1992), 17 March 2013, <<http://countrystudies.us/somalia/24.htm>>.
11. Martin Meredith, *The Fate of Africa: A History of Fifty Years of Independence*, (New York: Public Affairs, 2005), 468.
12. For example, posting predominately Isaaq military officials to Majerteen areas where the government was waging war against the local population. Ahmed and Green 118.
13. Ismail I. Ahmed and Reginald Herbold Green, "The Heritage of war and state collapse in Somalia and Somaliland: local-level effects, external interventions and reconstruction," *Third World Quarterly*, Vol. 20, No. 1 (1999): 117.
14. Ibid., 117.
15. Ibid., 117.
16. Ibid., 118.
17. Ibid., 118.
18. Although independence for the former territory of British Somaliland was not immediately an explicit aim of the SNM when the group formed in 1981, the group's rejection of Siyad Barre's authority was rooted in old fears about southern political domination at the expense of northern groups. Eventually, the SNM would develop a unique political identity based on the shared experience of persecution by the central regime, and life in predominantly Isaaq refugee camps. In 1991, the SNM would repudiate the 1960 reunification and seek recognition for the independence of the former territory of British Somaliland. (Bradbury, Abokor and Yusuf 457)
19. Ahmed and Green, "The Heritage of war", 119.
20. Somaliland Non-State Actors Forum (SONSAF), Somaliland Elections Review Report, (March 2011) 24 November 2012 <http://www.somalilandlaw.com/SOMALILAND_ELECTIONS_REVIEW_2011.pdf>: 8
21. Ahmed and Green, "The Heritage of war", 119.
22. Ahmed and Green, "The Heritage of war", 119.
23. Somaliland Non-State Actors Forum (SONSAF), 23.
24. Marleen Renders and Ulf Terlinden, "Negotiating Statehood in a Hybrid Political Order: The Case of Somaliland," *Development and Change*, Vol. 41(4), (2010): 729.
25. It is not incidental to Somaliland's subsequent political trajectory that the infighting between SNM factions had badly divided the Isaaq clan, allowing the non-Isaaq clans to participate in the institution-building process on a relative equal footing.
26. Renders and Terlinden, "Negotiating Statehood", 741.
27. Policy consultants Stig Jarle Hansen

- and Mark Bradbury argue that the decision to shift towards a democratic system was primarily motivated by a desire for international recognition. Stig Jarle Hansen and Mark Bradbury. "Somaliland: A New Democracy in the Horn of Africa?" Review of African Political Economy, Vol. 34, No. 11 (September 2007):169.
28. The Nigeria model was thought to have successfully integrated diverse ethnic groups into a national system. See Ibrahim Hashi Jama, "Somaliland Electoral Laws," *Somaliland Law Series* (2009): 52
 29. Some sources say all of Somaliland's six regions.
 30. Jama, "Somaliland", 53.
 31. International Crisis Group, 12.
 32. Hansen and Bradbury, "Somaliland: A New Democracy" 469.
 33. Somaliland Non-State Actors Forum (SONSAF), Somaliland Elections, 11.
 34. Hansen and Bradbury, "Somaliland: A New Democracy", 470.
 35. Somaliland Non-State Actors Forum (SONSAF), Somaliland Elections, 11.
 36. Ibid., 12.
 37. Ibid., 30.
 38. Ibid., 21.
 39. See Appendix A for a breakdown of voting by clan in the 2005 elections.
 40. International Crisis Group, 3.
 41. Hansen and Bradbury, "Somaliland: A New Democracy", 466.
 42. Hansen and Bradbury, "Somaliland: A New Democracy", 466.
 43. Ibid.,466.
 44. Ibid.,467.
 45. Ibid.,468.
 46. Ibid.,467.
 47. Somaliland Non-State Actors Forum (SONSAF), Somaliland Elections, 30.
 48. Hansen and Bradbury, "Somaliland: A New Democracy", 471.
 49. Ibid., 470
 50. Interpeace/Academy for Peace and Development, "A Vote for Peace: How Somaliland Successfully Hosted its First Parliamentary Elections in 35 Years," (September 2006) 10 December 2012 <<http://www.apd-somaliland.org>>: 23.
 51. International Crisis Group, 2.
 52. International Crisis Group, 2.
 53. Renders and Terlinden, "Negotiating Statehood", 742
 54. International Republican Institute, "Somaliland Opinion Survey—Hargeisa District. (Fieldwork: September 28—October 8, 2011). 24 November 2012. <http://www.iri.org/sites/default/files/2011%20November%2016%20Survey%20of%20Somaliland%20Public%20Opinion,%20September%2028-October%208,%202011_0.pdf>
 55. Hansen and Bradbury, "Somaliland: A New Democracy", 468—470.
 56. Ibid., 468.
 57. Somaliland Non-State Actors Forum (SONSAF), Somaliland Elections, 29.

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Appendix A

Clan Composition in the House of Representatives from 1998 to 2005¹

Sub-Clan	Old House	New House	Difference
Habar Awal	8	16	+8
Habar Yoonis	7	17	+10
Ciidagele	5	2	-3
Habar Jeclo	11	16	+5
Cimraan	3	0	-3
Toljacle	3	0	-3
Arap	7	5	-2
Ayub	3	1	-2
Gudibiirsi	11	13	+2
Ciise	5	1	-4
Wersengeli	5	4	-1
Dhulbahante	9	6	-3
Hawiye/Fiqishini	1	1	0
Minorities: Somali-Arabs (1) Gabooye (1)	4	0	-4
Original Somalis: Jibraahiil (1) Gurgure (1)			
Total	82	82	

Cumulative Vote Received by Candidates from each Sub-Clan²

Candidates' Sub-Clans	UCID			Kulmiye			UDUB		
	Votes	%	Seats	Votes	%	Seats	Votes	%	Seats
<i>S. Muuse*</i>	23,149	13	2	48,558	21	5	40,448	16	2
<i>C. Muuse*</i>	14,703	8	3	10,936	5	1	21,980	8	3
<i>H. Yoonis</i>	61,025	34	8	18,504	8	1	51,588	20	8
<i>H. Jeclo</i>	12,831	7	2	69,881	31	9	32,299	12	5
<i>Gudibiirsi</i>	31,315	18	3	26,198	12	3	80,143	31	7
<i>Arap</i>	3,476	2	---	29,005	13	3	11,612	4	2
<i>Ciidagele</i>	29,559	17	2	3,981	2	---	6,791	3	---
<i>Dhulbahante</i>	1,746	1	1	3,368	2	3	3,705	1	2
<i>Wersengeli</i>	25	---	---	5,198	2	2	4,480	2	2
<i>Ciise</i>	---	---	---	140	---	---	5,717	2	1
<i>Ayub</i>	---	---	---	5,095	2	1	---	---	---
<i>Toljacle</i>	---	---	---	4,409	2	---	---	---	---
<i>Gabooye</i>	615	---	---	---	---	---	1,967	1	---
<i>Hawiye</i>	---	---	---	726	---	---	---	---	1
Total	178,444	100	21	225,999	100	28	260,730	33	666,173

¹ Interpeace/Academy for Peace and Development, "A Vote for Peace", 44² Ibid., 42.

A Mau Mau Mirror: Revising the British Imperialist Self-Image

Eleanor Hobhouse

The recent High Court case brought by three elderly Kenyans against the British government for abuses suffered under the colonial government's suppression of the Mau Mau Rebellion has shone a light on the British concept of Empire. Following last year's release of the Hanslope papers, revelations regarding the colonial administration's culpability compel us to re-examine the notion of the British Imperialist. This essay looks at the process by which the British Imperialist self-image was shielded from the brutal realities of colonial rule and what the future holds for British Imperialism, specifically in its relations with Kenya.

Introduction

The Empire remains a source of great pride for the British, as demonstrated in the words chosen by Prime Minister David Cameron for a 2011 speech. Appealing to British tenacity and strength, as epitomized in the British Imperial past, he recalled, "Britain never had the biggest population, the largest land mass, the richest resources—but we had the spirit."¹

The factors that informed this contemporary imperialist self-image are varied and include both moral (racist and paternalistic attitudes) and economic and political elements. Some fifty years since Britain withdrew from its colonies in Sub-Saharan Africa, each of these elements has undergone dramatic change—most significantly a global revision of racial attitudes and the emergence of universal human rights as a legal concept. The Empire, however, is still upheld as the zenith of British civilization.

The Macmillan version of the "White Man's Burden" has proved its longevity, whereby the achievements of Western civilization were magnanimously bestowed on the colonies: "the pushing forwards of the frontiers of knowledge, the applying of science to the service of human needs, in the expanding of food production, in the speeding and multiplying of the means of communication, and perhaps above all and more than anything else in the spread of education."² This paternalistic attitude continues to characterize Britain's relations with the British Commonwealth.

This vision of imperialism, however, "draws its power from a remarkable national ability to airbrush and disregard our past" and has met a serious challenge in the form of the recent High Court ruling allowing three elderly Kenyans to sue the British Government for abuses they suffered during the colonial government's brutal suppression of the

Mau Mau Rebellion.³ The details of the case and the Foreign and Commonwealth Office's release of the Hanslope papers, which demonstrate the violent reality of Britain's last days in Kenya, and, most significantly, the complicity of the British government in these acts, have revealed some very uncomfortable truths and forced a re-examination of our imperialist past. The question now becomes, what impact will the ruling of the High Court and the opening of the Foreign Office archives have on the future of British Imperialism and the British self-image?

In response to the disclosures of the Hanslope papers, I intend to explore the process by which British Imperialists, both then and now, have attempted to square their concept of Empire and self with a reality that is no longer possible to deny. The Mau Mau trial demands a long-overdue revision of the Imperialist self-image. What remains to be seen are the implications these revisions may have on British relations with Kenya.

Contemporary British Imperialist Self-Image

Though the Imperialist self-image was governed by various factors, the most significant determinant was an inherent sense of racial superiority that underpinned the primary notion of a civilizing mission. Western society was not simply more civilized but more evolved and it was the Imperialists' duty to bestow the hard-won benefits of Western civilization on the savage populations of Asia and Africa, which were characterized

as infantile. This was a paternalistic world-view, typified by Lennox-Boyd's expression of pride following a visit to the colony in 1952, "the Europeans' sense of their responsibility to their African fellow citizens."⁴

"Englishmen in the past had been used to thinking that their empire was based on a wider and higher morality than the morality of national self-interest, or power."⁵ Fundamental to the Victorian concept of "Empire" was that it was open to all—free trade lay at the heart of the Imperialist vision and in this way the Victorian Imperialists provided a moral justification for their expansionism; they were running the world, but for the sake of all who would use it.

Perhaps the most telling contemporary portrait of British Imperialism was the one espoused by Baring's own father, the First Earl of Cromer, who insisted that "relations with whatsoever races are brought under [the colonizer's] control must be politically and economically sound and morally defensible."⁶ Indeed, he describes this as the "keystone of the Imperial Arch," going on to state: "if once we have to draw the sword, not merely to suppress some local effervescence, but to overcome a general upheaval of subject races goaded to action either by deliberate oppression, which is highly improbable, or by unintentional misgovernment, which is far more conceivable, the sword will assuredly be powerless to defend us for long, and the days of our Imperial rule will be numbered."⁷

It is ironic that it was the Earl's son who became the author of the "deliberate oppression", of which he was so disbelieving, though it proved an accurate prediction that this 'use of the sword' would invoke the end of the Empire. Indeed, it was the 1959 Hola Camp incident that provoked the decisive Commons debate, which saw Enoch Powell, himself a Conservative Imperialist, declare "that Britain had no right to an empire if it could not show moral leadership of a higher order."^{8,9}

Despite popular claims to a laudable, and altruistic ideology, as Albert Memmi concisely articulated in his work *The Colonizer and the Colonized*, "Colonization is, above all, economic and political exploitation...the mere existence of the colonizer creates oppression."¹⁰ With the dawn of a new era of international diplomacy following the Second World War, the fundamental contradiction between this intellectual position and the more brutal reality was increasingly acknowledged by a more liberal public, both at home and on the world stage.

In the wake of the Second World War and the Atlantic Charter, the 1950s saw a shift in the nature of British anti-colonial organization as a visible and vocal minority made clear their disgust at the continued British colonial occupation. This shift in attitude was demonstrated by the formation, in 1952, of the Africa Bureau by the Reverend Guthrie Michael Scott, which brought together a "group of diverse individuals interested in advising

and supporting Africans who wished to oppose, by constitutional means, British colonial rule."¹¹ The Africa Bureau precipitated the concerted efforts of particular Labour MPs, most notably Barbara Castle and Fenner Brockway, which culminated in 1954 with the establishment of the "Movement for Colonial Freedom".

The contemporary British Imperialist self-image was evolving but this was juxtaposed with the very un-liberal policies implemented in Kenya during the suppression of the Mau Mau rebellion. A "policy-lag" existed between the shifting current of public opinion in Britain and the attitudes held and then projected by the largely conservative colonial officials in Kenya clinging to an antiquated concept of Empire.

We must, however, recognize the distinction between the British Imperialist, as characterized by the Permanent Secretary in the Ministry of African Affairs, Thomas Askwith, who resisted some of the more brutal aspects of the detention process, and the white settler community whom the colonial government served. During the period of "State Emergency" (1952-1960), one such community that made up a significant part of the colonial government helped implement Emergency Regulations. This group represented the old vanguard of antiquated, racist British Imperialism, a consequence of their immediate confrontation with the day-to-day realities of colonial rule. This conservatism was exacerbated by the threat that the

liberalist attitude represented to their society, property, and way of life. As the decade progressed, this distinction became more entrenched and culminated in the ultimate “betrayal” of the settler community by the British Government in the acquiescence to Kenyan Independence and majority rule.

Rather than superseding the traditional Imperialist self-image, the increasingly liberal imperialist view was co-opted into the conventional narrative, according to which, Britain characteristically demonstrated “an enlightened and sympathetic response to the aspirations of colonial populations...[and a] dignified understanding that Britain’s role must change with the times.”¹² In this way the traditional narrative was able to accommodate a changing imperialist attitude by retrospectively imagining a historic acknowledgment of the rights of the native population, existent within the paternalistic framework founded, as we have examined, on a notion of racial superiority that was not swept away as rapidly as we might like to imagine.

The retention of this paternalistic attitude, as perceived by the Kenyan government at least, has ensured that the “special relationship” between the UK and its former colony has proved “an uncomfortable legacy”—a tension that culminated in the 2003 prevention of British Army Training Unit Kenya operations (active since 1964) in response to apparent imperialist intervention by the UK government after the Kenyan Minister for Transport, Murungaru, was

barred from the UK over allegations of fraud.¹³

“Creating Slaves and Monsters”

The Reality of British Imperialism in Kenya: Response to the Uprising

The British Empire was, fundamentally, an engine of economic gain and, in response to the boom in demand during the Second World War, Kenyan agricultural production was transformed into a profitable venture. A venture, that was, however, kept almost entirely under settler control—with legislation from London encouraging land-alienation of the African population to satisfy land and labor demands. Moreover, the white settler community numbered approximately 80,000, similar to the size of the British colonial community in India, a country three times the size of Kenya.¹⁴ The Mau Mau uprising represented a very real threat to the colonial economy and community. As a result of mounting pressure from the settlers, the Colonial administration was compelled to declare a State of Emergency (from October 1952 to January 1960), which awarded the administration unilateral powers and impunity from the European Convention of Human Rights, to which Britain was, very recently, a party. In essence, the move licensed “the colonial government [to treat]...Mau Mau detainees as prisoners of war.”¹⁵

This position was formalized in the establishment of a War Council in Kenya, allowing the government to

execute wartime strategy, including detention without trial. This policy was further justified by the inherent racialism that underpinned colonial rule. Colonial rulers deemed the Africans and Asians not yet deserving of the same rights and freedoms associated with a post-war concept of international citizenship as they were not yet “civilized people”.

The morning following the signing of the order establishing the State of Emergency, the colonial administration launched Operation Jock Scott, which saw the mass arrest of 180 prominent figures associated with the Mau Mau movement, most notably Jomo Kenyatta. The operation was designed to decapitate the movement; instead, it radicalized it as “leadership passed into the hands of younger men, the same men, who for months had been pushing Kenyatta and others to adopt a more radical, revolutionary course” and created, in Kenyatta, a powerful and unifying symbol.¹⁶ An escalation of violence followed, starting with the brutal murder of the prominent loyalist chief Nderi and subsequently a series of gruesome attacks on the settler community.

The ensuing outcry from the settlers provoked the government to install five battalions of British troops in the country and to begin the first wave of Kikuyu deportations, which sought to contain the Kikuyu population. According to this practice all Kikuyu living outside of the reserves were “repatriated” to Kikuyu districts in the Central Province. Baring had undertaken to break the Mau Mau

allegiance of well over a million Kikuyu and to achieve this goal, launched a full-scale “assault against the Mau Mau civilian population.”¹⁷

The show-trial, beginning in December 1952, of the six most prominent detainees from the Jock Scott Operation, which featured a bribed judge “who apparently had no qualms about selling his verdict long before the trial began” and a make-shift courthouse in a remote outreach, was similarly designed to placate the settler community but did nothing to improve the security situation.¹⁸ On the first night of adjournment, January 24, 1953, the Ruck family was hacked to pieces in their beds, which marked a sea change in colonial attitudes towards the Uprising. Any hopes of a brief, non-violent military campaign were resolutely dismissed with a double-pronged attack launched by the Mau Mau insurgents. First, a large and well-organized group of Mau Mau guerrillas successfully executed a raid on Naivasha police station, seizing a substantial supply of arms and freeing close to two hundred Mau Mau suspects in the process; hours later the Lari massacre occurred.

The second stage of military operations followed with the arrival of General Sir George Erskine, who spearheaded targeted campaigns to drive out and eliminate the loyalist forces that had fled to the forests. On 24 April 1953, the administration launched Operation Anvil, which saw Nairobi purged of 20,000 Mau Mau suspects, who were taken to Langata prison, and a further

30,000, who were deported to detention camps.

With the mass deportations of Kikuyu began also the process of “screening”, which was designed to extract “information from the Mau Mau suspects and, as the Emergency wore on, to persuade him or her to confess Mau Mau affiliations.”¹⁹ This process grew increasingly barbaric during the course of the counter-insurgency and its practices form the principle grounds for claims of reparative damages by the Mau Mau claimants. It was during this process that Jane Mara was brutally raped with a heated glass bottle and Ndiki Mutwiwa Mutua and Paulo Nzili were castrated by Home Guards.²⁰

Even the Pipeline Programme, originally conceived of as “rehabilitation” and “re-education” that would see a “detainee’s movement down the Pipeline [of detention centers] and eventual transfer to an open camp in his or her home district,” was used as a means of exacting further punishment on the Mau Mau community.²¹ Many compared the use of forced communal labor “to the slave labour policies of the Third Reich.”²²

Despite the military war between the British security forces and the Mau Mau guerrillas reaching its finale as early as late 1954, the State of Emergency was not lifted until January 1960, allowing for the Baring administration’s campaign of abuse to come full circle. The Pipeline Programme proved the ultimate means of “punish[ing] debilitat[ing],

and even exterminat[ing] the Kikuyu population.”²³ It was these “wired-in work camps” that saw the greatest proportion of the estimated 50,000 deaths during the period of detainment, as a result of hunger, disease and abuse, “with children under 10 comprising approximately half of that number.”²⁴

Attitudes Towards the Mau Mau

In light of the bare facts of British colonial policy during the last stages of the British Empire in Kenya, it is hard to imagine the process of justification that must have underwritten the administration’s approach. We must look to the concept of racial hierarchy inherent to Imperialism and the attitudes within the colonial administration towards the Mau Mau.

A paternalistic worldview helped to justify the imperialist mission but it also entrenched racialism. As Alfred Memmi explains, “Accepting his role as a colonizer, the colonialist accepts the blame implied by that role...the more the usurped [colonized] is downtrodden, the more the usurper [colonizer] triumphs and, thereafter, confirms his guilt and establishe[s] his condemnation...[which pushes him] to wish the disappearance of the usurped.”²⁵ As a consequence, he begins a process of dehumanization, which transforms the natives, in the eyes of the colonizer, from a “sly-boots, a lazybones and a thief” to “beasts of burden”.²⁶

The Mau Mau were dehumanized both in the minds of the British colonial

administration and the community they served. It was, however, the distinctive quality of Mau Mau “oathing ceremonies” that “transformed the virulent racism that had been the cornerstone of settler racial attitudes for over half a century into something even more lethal.”^{27,28} Articulated by Governor Baring, the minds of the Mau Mau had been “degraded by savage ceremonies” and thus actions against them were not only prudent, but also just: “The British colonizers continuously defined themselves and their Mau Mau antagonists as polar opposites. How better to save Britain’s civilization in Kenya than to eradicate the elements who threatened the colony’s very foundation? Like the Jews in Nazi Germany, the Mau Mau had few defenders...Detaining these subhuman creatures amounted not only to saving Africans from themselves but also to preservation of liberal democracy.”^{29,30} Such arguments had been presented before, most recently by Stalin’s Soviet Union, but now the British government found themselves in the peculiar position of using these same arguments in their battle to preserve British colonialism.

We must also recognize that the large expatriate community did not consider themselves British settlers but Kenyans, and the Mau Mau insurgency was a threat to their society, community and nation. The psychological process of “dis-association from the self” implicit in the role of colonizer may explain, if not excuse, the settler attitude towards the Mau Mau insurgents, but we must not ignore the reality of the very particularly nationalistic consciousness

of the white communities in Kenya and, more particularly, Rhodesia. For many in these communities, they had ceased to be colonizers during the process of nation-building, and, though they remained “more British than the British”, had become “proud of being Rhodesian... [and of] our country...which we loved and cherished.”^{31,32} For many of the white Kenyans, including those that remain even today, this was their country, built by their hands (and a little sweat from the African population).

When unpacking the British colonizer’s attitudes toward the Mau Mau, we must address a key psychological factor: the mentality of a minority facing a rising tide of resentment and violence—a community under siege. The Ruck family murders, in January of 1953, marked a turning point in the settler community’s attitude to the Mau Mau insurgency. The attack, graphically recorded and widely publicized by the Kenyan and British media, captivated the settler community, not least as a result of the role played in the murders by the Ruck family’s trusted family servants, whose now savage behavior stood in stark contrast to their formerly devoted service. The settler community, conscious of their vulnerability—largely settled on remote farms—feared for their lives. Many formed armed vigilante groups, barricading women and children in their homes; no one was deemed safe from the Mau Mau threat and this “ushered in a critical change in the settlers’ already racist hierarchical segregation of humanity. There was a shift in language

and belief, from simply white supremacy to one that was overtly eliminationist.”³³ One settler was reported by Blundell to have remarked, “Michael, you’ll never cure this problem, you’ll never cure it. You put the troops into the [Kikuyu] villages and you shoot 50,000 Of them, women and children.”³⁴

For the Mau Mau (most notably those driven to squatting on white-settler lands, and amongst whom the practice of ‘oathing’ originated), the stripping of their livelihood, cultural identity, and dignity, had left them little alternative to violence. As Memmi put it, “Only complete liquidation of colonization permits the colonized to be free...the liquidation of colonization is nothing but a prelude to complete liberation, to self-recovery.”³⁵ There was no longer room for compromise, for “this new man begins his life as a man at the end of it...he has seen so many dying men that he prefers victory to survival.”³⁶ Moreover, for those who had not come to this conclusion on their own terms, the Lari massacre of 97 Kenyan loyalists on 26 March 1953, made supporting the Mau Mau expedient. For both sides, then, it was a matter of “them or us.”³⁷

Preserving the Self-Image: An Exercise in Creative (Re)Writing

From the outset, the colonial government vehemently denied any wrongdoing in Kenya, and when the wrongdoing was undeniable, Governor Baring and Colonial Secretary Lyttleton pleaded mitigating circumstances. For the settler

community and the colonial government acting in Kenya, actions were not couched in terms of guilt or responsibility at the time of the uprising: “Their crimes in the screening centres, police stations, and Home Guard posts were not crimes as far as they were concerned: Mau Mau forced them to fight violence with violence.”³⁸ According to a member of the Kenya Police Reserve, “[The Emergency] was a state of anarchy, in which the book did not work. It was as simple as that.”³⁹ The reprehensible actions of the British colonial government were painted into the Imperialist narrative as unfortunate, but necessary, consequences of wartime strategy.

Moreover, “the final lasting image of Britain’s moral war in the empire was not going to be revealed by thorough investigation into the torture, murder, and starvation of Kikuyu men, women, and children.”⁴⁰ Instead, with the critical shift in colonial policy heralded by the Hola Camp incident and the move towards decolonization culminating in formation of the independent Kenyan Republic in 1964, demands for an independent investigation began to subside.

The suppression of the Mau Mau rebellion was quickly transformed into a heroic effort on the part of the colonial administration to maintain stability whilst preparations were made for the secure self-governance of the colony—a goal that had been planned from the very inception of the Empire. In adopting this perspective, the careful reconstruction of the British Imperialist

enabled “decolonization [to become] not a symptom of defeat and decline but a crowning achievement of British rule.”⁴¹ We are reminded of Memmi’s Usurper, who, unable to accept his illegitimate role, “endeavours to falsify history... rewrites laws...[and] would extinguish memories—anything to succeed in transforming his usurpation into legitimacy.”⁴²

Through a careful redaction of history, the benevolent imperialist was preserved and the stage set for a continuation into the post-colonial era of the paternalistic relations that characterized British colonial attitudes. For many, “Britain never left the country” —an estimated six million acres of Kenyan land remains in the hands of British settlers, after only 1.2 million acres were eventually re-distributed to Kenyan landowners under the Settlement Transfer Fund Scheme, which wound up in 1971.⁴³ Indeed, “political independence in Africa did not mean economic liberation for the people and that the blood-sucking vampire... Empire...[remains] intact.”⁴⁴

The Future of British Imperialism: The Implications of the Hanslope Files

What is remarkable is the success of this imaginative re-drafting of our colonial past, most particularly this conceivably darkest period. Even when individuals such as Emily Hobhouse (during the Boer War) and Barbara Castle (in Kenya) made public the “seamier side” of our colonial history, these indiscretions have been wiped from the collective memory,

or, where the mud has stuck, have been dismissed as an unfortunate but inevitable “reward” for our efforts overseas:⁴⁵

Take up the White Man’s burden—
Send forth the best ye breed—
Go send your sons to exile
To serve your captives’ need...
Take up the White Man’s burden—
And reap his old reward:
The blame of those ye better
The hate of those ye guard⁴⁶

As Anderson notes, “The British empire, so the story goes, brought progress to a primitive and savage world. Education, hospitals and improved health, steamships, railways, and the telegraph—these were the tools of empire, brought to colonised peoples by the gift of commerce and good British government.”⁴⁷ What this portrait fails to mention is the systematic exploitation and inherent racism on which this “benevolent empire” was built, as well as the violence and coercion by which it was sustained.

Perhaps this perception is testament to British patriotism and the innate desire “not to give up the correspondence between reality and self-image in order to be a ‘civilized’ society.”⁴⁸ Certainly, the argument for the portrait’s durability finding its origins in patriotism is substantiated by the pride we take in the favorable comparisons this redacted vision allows us to make with other European powers. Certainly, France and Belgium’s “baser motives” for both colonization and decolonization are gleefully upheld as the root causes behind the Algerian

and Belgian Congo catastrophes. The Hanslope papers, however, reveal the British imperialist to be no different from any other: "Perhaps the most far-reaching implication of the high court's decision [then] could be not that it will result in more claims for damages; but that those claims will throw such harsh light upon a period of Britain's recent history that that history will need to be rewritten."⁴⁹

By taking ownership of the atrocities enacted by the colonial government, the paternalistic framework, which forms the backbone of the "special relationship" between Kenya and Britain, begins to crumble—built, as it is, on the ultimate notion of British benevolence. The Hanslope files and the High Court case have opened a new chapter in post-colonial relations, but it remains to be seen whether a new dynamic will emerge that encourages a lateral rather than hierarchical exchange, and, in this event, whether Kenya, against the backdrop of historical relations, will be willing to recognize this shift—particularly as any substantive acknowledgement on the part of the British government (for instance, the redistribution of British owned land) is a legal and political impossibility.

Conclusion

In Kenya, the long-term cultural and political consequences of British colonial policy toward the Mau Mau have not yet fully emerged. Certainly, in addition to the approximately 50,000 deaths and the trauma suffered by individuals subject to detention and abuse, there are the

very real consequences of the cleavages these policies inspired within the Kikuyu community. The effects were manifest in the violence surrounding the 2007 elections, in which issues of ethnicity, and specifically the Kikuyu political constituency, played a central role.⁵⁰

The 150,000 documents released as part of the Hanslope disclosure make denial of the British government's culpability in these atrocities impossible. They implicate the British government in the further crime of attempting to deny the Kikuyu their own history. Crucially, the files also point to revelations concerning the process of colonial dismantling across the whole of the Britain's vast empire, opening the door for similar claims originating in other corners of the British Commonwealth. With the stark facts of British Imperialism's more sinister aspects now in the public domain, how can we persist in offering this period in our history up as an example of laudable civility and paternalistic benevolence? As Memmi observed, "colonization can only disfigure the colonizer" —whatever the legal implications of the Mau Mau hearing, it has provided a mirror in which this disfiguration can no longer be concealed.⁵¹

Though legally contested, the election in March of Uhuru Kenyatta (son of Jomo Kenyatta) to the Kenyan presidency promises further complications for Kenyan-British relations not simply in Uhuru's personal connection to the Mau Mau, but as a result of his indictment by the International Criminal Court for

his alleged role in the program of ethnic violence that followed the 2007 election. During the election campaign, both Uhuru and his running mate, William Ruto, were skillful in capitalizing on Kenya's painful colonial history, tapping into the deep well of anti-British and anti-Western sentiment by accusing "foreign powers' of being behind the I.C.C. prosecutions [with] 'Reclaiming sovereignty' bec[oming] a much-used phrase, code for throwing off the colonial yoke."⁵² Any sanctions brought by the British in response to Uhuru's election will likely be viewed in this light, thus the legacy of British Imperialism, preserved in the British consciousness, proves to be diplomatic poison. The question remains, will self-reflection and a revision of the cherished image of Empire, on the part of the British, be enough to change Kenyan attitudes? With the increasing influence of China in Africa, Britain will have to hope contrition is enough.

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Revising Peace Agreements: Reasons for Failure and Provisions Critical to Success

Soledad Herrero

The end of the Cold War was expected to reduce conflict; instead, it was soon followed by numerous conflicts, most of them intrastate and highly resistant to peaceful resolution.^{1,2} Even with a decline in the number of conflicts over the last decade, the trend toward peace is by no means clear.³ Conflicts are longer, recurrent, and taking place in states that suffer emergencies of governance. The chances of achieving long-lasting peace differ case by case. Evidence suggests that civil wars that finish with military victory have a 15 percent chance of returning to war, while in the case of negotiated settlements, the chances increase to 50 percent.⁴

Typically, peace agreements fail either because of problems in their design or challenges that occur during their implementation. To understand unsuccessful attempts at peace, we need to understand the characteristics of post-Cold War conflicts and the differences between wars ended through negotiation versus military means.

First, intrastate conflicts are being driven by disparities in identity and horizontal inequalities.^{5,6} The conflicts that arise from these root causes are

often poorly tackled, given the short timeframe afforded to peace agreements. As a consequence, settlements that fail to address these fundamental issues do not hold.⁷

Second, the duration of conflicts has expanded, and the underlying reasons for the discord can thus shift over time. Frequently, there is “fog of peacemaking,” whereby it is difficult to accurately assess the motivations of all of the different parties involved. Peace agreements designed to address the initial causes of conflict usually fail to address the new elements, which have subsequently come into the mix or even supplanted the original disputes.⁸

Third, in contrast to military settlements, whereby victors can take actions to destroy their opponent’s capacity to resort to violence, peace agreements imply a framework of concessions that accommodate the interests of antagonistic parties. When the calculations that led parties to agree to the terms of a peace agreement change, parties may decide that adhering to the settlement promises fewer gains than resuming the conflict. Since settlements rely greatly on cooperation, the determination of

one party to spoil the process will easily disrupt fragile mutual trust. As a result, the parties' positions can become fragmented, manipulated, and radicalized.⁹

Finally, most current conflicts take place in unstable countries, where government capacity, rule of law, and economic opportunities are limited. Conflicts occur in volatile regions and are entrenched in a wider set of regional disputes. Even when parties are truly committed to peace, they may be constrained by weak institutions and the state's lack of monopoly on force. Inadequate instrumental development limits parties' capacity to meet commitments, creating an unstable environment embedded with risks of resumed violence.

Although there are no magic formulas to address the problems mentioned above, experience has identified some provisions that are critical to improving peace agreements' chances of success. Generally, agreements with more details are easier to implement, as they leave less room for interpretation and manipulation. It is particularly important that agreements include implementation priorities and realistic deadlines. Beyond that, they should have flexible mechanisms to adapt to the fluid post-war environment.

Peace agreements should also contain effective security arrangements to avoid the security dilemma. Two provisions are particularly relevant. One is setting up a robust disarmament, demobilization, and reintegration (DDR) program, which lies at the heart of addressing security

challenges. The second is establishing a mechanism to "demilitarize politics" by transforming armies into viable political parties that can compete for power peaceably.¹⁰ El Salvador is a good example of how such transformations can be achieved. Finally, civilian security provided through police forces can be less costly and more effective than military governance, considering the complexity of military structures in the aftermath of a civil conflict.¹¹

Any workable settlement should involve, to the extent possible, all major parties, and the decision of which parties to include should incorporate an accurate assessment of connectors and spoilers.¹² Negotiating only with moderates and leaving out the extremist—while tempting—is often a mistake. A more inclusive process will diminish the power of the spoilers to undermine efforts at peace.¹³ Rwanda paid a very high price in the Arusha Agreements for the exclusion of the extremist faction, Coalition pour la Defense de la République, which became the main perpetrator of the subsequent genocide.

A related provision is the distribution of political power, which, as the political scientist Roy Licklider indicates, is the root cause of conflict in most instances.¹⁴ In general, there are two options to ensure power sharing: assure all groups have a voice on the center stage, or disperse central power to regions. However, plenty of evidence suggests that rushing to establish democratic frameworks through post-settlement

elections is counterproductive—not limiting the likelihood of civil war, but having the opposite effect.¹⁵ This was the case in Bosnia, where elections conducted immediately after the Dayton Agreement consolidated the power of the ethnic extremists who had led the war. Consequently, interim political solutions are generally preferable.¹⁶ Successful short-term efforts include establishing a national-unity or reconciliation government, like in South Africa following apartheid, or the much more controversial option of delegating the management of a country to an international body, as in Cambodia.

Whichever political arrangement is chosen, it should enable the establishment of a set of institutions with the capacity to deliver security, make legitimate decisions, and create a working economy that distributes the dividends of peace. As Donald Rothchild argues, state capacity building should be addressed throughout the peace agreement, and not at a later stage when there is no longer a threat of violence.¹⁷

The success of a peace agreement is strongly linked to the quality and level of support given by outside powers, and to the buy-in of neighboring countries involved in the peace process.¹⁸ To consolidate international attention and coordination, former United Nations Assistant Secretary-General Michael Doyle suggests using “strategies of enhanced consent,” including arrangements such as “Friends” groups and diplomatic coalitions, which can provide consensus

on how to respond to noncompliance with coercive or voluntary measures.¹⁹ Central American peace agreements are often cited as successful case studies, due to their regional implementation regime. Syria’s influence in the Ta’if Agreements for Lebanon also exemplifies the role that regional interests can play. Additionally, peace agreements should incorporate provisions for the involvement of international development actors at the earliest moment in a peace process, which ensures their support not only in the transition but also the consolidation period.²⁰

Finally, if peace is defined restrictively as the absence of armed conflict, one could argue that addressing the underlying causes of conflict and promoting reconciliation are not conditions, *sine qua non*, to achieving peace. Reconciliation should be an aspirational goal, but as with any aspiration, it may not always be possible to achieve. Using Michael Lund’s life history of a conflict, however, we must conclude that achieving the more embracing concept of “durable peace” in a just order requires content-specific solutions to be accompanied by reconciliation, with its four components of truth, mercy, justice, and peace.²¹ Only these components can address the deeper psychological and subjective aspects related to interpersonal and community relationships, as well as people’s experiences of loss and suffering. In so doing, we will move from a narrow orientation aiming simply at conflict termination to a broader and long-lasting concept of conflict transformation.

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The ILO's Global Labor Regime and Extractive Industry Regulations - A Rationalist Perspective on Global Corporate Governance

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The ILO revised its strategy in a meaningful way when the soft law-based Declaration on Fundamental Principles and Rights at Work was introduced in 1998. In the same time frame, other spheres of international regulation, such as extractive industries, have accumulated a handful of regulatory successes and failure during the last decade. Extractive industry regulation is a salient example of soft law-based regulation where various private companies, such as firms and NGOs, have developed a form of non-centralized regulation with limited state authority and intervention that increasingly resembles the case of the ILO's global labor regime. By analyzing these developments through the scope of rational choice theory, this paper examines the lessons the ILO global labor regime may learn from the practices of extractive industry regulation.

Introduction

The history of international relations is akin to the human trial of “governance without government.”^{1,2} At the beginning of the twentieth century, creating international organizations was the answer to the shortcomings of global public goods and the increasing interdependence of nations. This frame of mind has changed, however. “Throughout the UN system there is a fundamental and radical shift from a vision of international leadership to one of service to member states.”³ As one of the oldest organs of the United Nations, inherited from the League of Nations, the history of the International Labour Organization (ILO) can be described as a constant oscillation between being an efficient secretary and an effective general.⁴ But, after making it

through a series of zeniths and crises, the ILO began a new chapter of international labor governance in 1998 with the Declaration on Fundamental Principles and Rights at Work.⁵ Today, the shift of production locations from developed to developing countries, the emergence of new business and aid actors in Africa, and the unemployment accelerated by the global financial crisis make global labor standards more relevant and imperative in the realm of global governance.

The structure of global governance has changed drastically since 1998. In today's increasingly interconnected world, national boundaries can no longer define the core nature of transcending issues, nor can sovereign government alone effectively establish a sphere of control. Moreover, transnational corporations

are often as powerful as states, yet held far less accountable.⁶ For example, already in 2000, 29 out of the world's 100 largest economies were multinational corporations.⁷ The world's largest multinational corporation in 2000 was Exxon Mobile, with a value added of \$66 billion per year that exceeds the GDP of Pakistan, Vietnam, Hungary and New Zealand.⁸ In such a world of less capable states and more powerful corporations, the ILO has increasingly bypassed states and tried to engage directly with global businesses. In this sense, the ILO's global labor regime has increasingly resembled private or hybrid forms of regulation, while at the same time implications from existing practices of this nature remain unclear. This paper aims to extract lessons from prominent practices in extractive industry regulations, and in doing so will ask what the ILO's global labor regime can learn from them. In the first section, I argue that the ILO's global labor regime has been reshaped in recent years, in terms of its drastic shift from convention-based hard law approach to a soft law approach that encompasses states as well as firms. The second section clarifies the theoretical framework as well as definitions of related terms of importance. The third section analyzes the lessons learned from the extractive industry regulations, while section four applies them to analyze the ILO's new global labor regime through the scope of rational choice theory. The final section concludes.

Theoretical Framework and Definitions

According to Stiglitz, there are two ways of producing global public goods: through enlightened unilateral leadership or by means of an environment that nurtures the space and capacity to generate shared values.⁹ This notion is applicable not only to states but also to global corporations. Although the emergence of social business - also called double bottom line or social venture by Kaul 2006 - has been highlighted in recent years, this essay primarily focuses on traditional profit maximizing multinational corporations (MNC's) that constitute the core of global commercial transaction.¹⁰ Social ventures are established to improve the state of society through utilizing market mechanisms and business innovation.¹¹ For such socially motivated firms, the type of enlightened unilateral (or unincorporate) leadership discussed above is likely and plausible. On the other hand, the vast majority of MNC's live in a world purely defined by financial gain. In other words, adherence to regulation and exercise of social responsibility are not the prime objective for these firms, but are rather constraints under which they endeavor to maximize their profit. In analyzing how these MNC's can best participate in a global labor regime, a rationalist perspective should be applied. A key assumption of the rationalist school is that "institutions do not modify underlying state interests but by changing the informational environment, they change state strategies in such a way that self-interested states find it easier to cooperate with each

other.”¹² Other important elements of the approach are generally borrowed from microeconomics; rational, self-interested, and egoistic actors interested in maximizing their utility under the given ordering of preferences determine their action based on cost-benefit analysis that incorporates the shadow of the future as well as reputation and reciprocity. Behavioral constraints such as time, technology and regulation also exist.¹³

Although the rationalist school or rational choice theory is widely applied to analyze inter-state cooperation under anarchy, this theoretical framework is critically relevant in examining the role of the ILO in shaping a new global labor regime. The situation of anarchical international society resembles the global labor regime, since no central authority can establish globally-applicable labor standards or universally binding regulations. Thus, the ILO's influence lies in changing and shaping an environment in which self-interested nations adjust their behavior to maximize material and reputational utility rather than in trying to alter state interest itself. Rational choice theory was particularly innovative in terms of its application of traditional microeconomic analysis to nation states, whereas both firm and nation are presumed to be unitary actors acting on their economic and national interests, respectively. Coming from a microeconomic perspective, the rationalist approach is particularly significant in investigating the mechanism through which MNC's are involved in a global labor regime where reputation plays a vital role in

ordering preferences.

In analyzing global labor regime's current state by the Rationalist approach, this essay also draws particular attention to three key terms that deserve further clarification: soft law, hybrid regulation, and global civil society. First, soft law is described as any non-binding source of rights and obligations in which one of three key dimensions of legalization are not strictly constituted.¹⁴ These dimensions are described as “the degree to which rules are obligatory (obligation), the precision of those rules (precision), and the delegation of some functions of interpretation, monitoring, and implementation to a third party (delegation).”¹⁵ While most of the extractive industry regulations are soft law, thus not strictly binding upon states and firms, the discourse on the nexus between soft and hard laws is particularly relevant to the ILO discussion. The ILO's 1997 adoption of ‘Declaration on Fundamental Principles and Rights at Work’ was recognized as a drastic transition from hard law-based regulation to a soft law-based approach.¹⁶ For a long time, the ILO focused on formulating international labor conventions and treaties that explicitly bound the signatories. By contrast, the Declaration seeks to find the source of obligation not in signature and ratification but in membership in the ILO. In other words, the Declaration affirmed that there are fundamental principles that must be respected by all member states, since membership itself generates basic obligations. In this sense, it makes sense to examine the case of extractive industry

regulation as an example of how soft law can be an effective non-punitive global regulatory force.

Second, hybrid regulation is a regulatory initiative established through cooperation among international organizations, states, NGOs, and firms. This definition is similar to that of a global public-private partnership (PPP), whose five defining characteristics are that its framework is participatory, based on multiple actors, voluntary, and horizontal, and that it aims to solve globally-spread yet area-specific issues such as climate change and environmental regulation.¹⁷ In today's realm of global governance, "state capacity can no longer be self-supporting; effective capacity requires being connected."¹⁸ Since this claim also holds true for the ILO, the lessons that can be learned from regulating extractive industries through PPP are directly relevant.

Third, the neoliberal notion of global civil society refers to a complementary force for global governance, rather than an opposition movement.¹⁹ For example, NGOs collaborating with government counterparts to provide education, international aid, and other global public goods are classic examples of the neoclassical view on global civil society. There is also a more activist view of global civil society defined as "the process through which group movements and individuals can demand a global rule of law, global justice and global empowerment."²⁰ This view also echoes the definition of transnational civil society (TCS) that refers to "self-organized advocacy groups

that undertake voluntary collective action across state borders in pursuit of what they deem the wider public interest."²¹ While the original neoliberal definition is primarily employed, the latter is also relevant in arguing that the reputation risk of global firms is generated by the consumer movements, as demonstrated in cases of Niki in the labor standard case and De Beers in the conflict diamond case.^{22,23,24}

Case Studies of the EITI and the KPCS

The Extractive Industry Transparency Initiative (EITI) is a global PPP launched by the British government in 2003 to promote the responsible use and monitoring of revenues generated by energy and mineral firms by host country governments. The purpose of the EITI is "to ensure that all revenue payments to the governments of such resource-rich countries by oil, gas and mining companies are independently checked and fully disclosed to the public, thus helping citizens to exercise oversight over these revenues and reducing the mismanagement associated with the resource curse."²⁵ Similarly, The Kimberley Process Certification Scheme (KPCS) is "an international governmental certification scheme that was set up to prevent the trade in diamonds that fund conflict. Launched in January 2003, the scheme requires governments to certify that shipments of rough diamonds are conflict-free."²⁶

Although these two schemes share many common traits and objectives, the KPSC

is different from the EITI and other global PPP initiatives in that it can be enforced by trade sanctions.²⁷

Aside from wanting to buy into global corporate citizenship, the core rationale for businesses to join in such regulatory schemes “is primarily dictated by a concern to address security, reputation, and legal risks.”²⁸ In altering the environment in which these profit-maximizing actors operate, soft law plays a critical role. Even though soft law is not strictly enforceable, it changes the cost-benefit calculations of firms as well as host country governments. For firms, non-compliance with these schemes can result in detrimental social or market penalties but not legal sanctions. In particular, goods such as diamonds and jewels are vulnerable to reputational risk. In case of the KPCS, it is not simply a shining piece of carbon that De Beers is selling, but a symbol of purity and eternity crystalized in the diamond. This creates an opportunity to add or detract value from the product, and means that in the long term the reputation of the firm may be more important than total current sales revenue. Particularly in today’s business context of globally expanded corporate and product brands, the growth of global brands makes firms more vulnerable to reputational threats based on their business practices overseas. Furthermore, the expansion of international communications enables activists to more easily acquire information about global business practices, and then to rapidly disseminate this knowledge.²⁹ In this sense, globalization has increased

the vulnerability of MNC’s at the same time as it has fortified their capacity. As for host governments, they “may find it easier to access development finance and the international capital markets when they can show compliance with the EITI validation requirements.”³⁰ This shows how they modify their utility functions based on private sector behavior. Although almost every successful regime involves “a complex dynamic in which several types of mechanisms operate in tandem to produce the behavioral effects,” the EITI and KPCS create soft law that changes the environment in which the utility functions of MNCs and host governments are adjusted to the pursuit of their best interests.³¹ It is important to note that soft law does not “soften” global regulation. Conversely, it can become a profound tool towards building hard law both globally and domestically. The development and implementation of new norms “are more likely to be successful to the extent that they can be grafted on to previously accepted norms.”³² For example, Liberia passed a comprehensive extractive industry governance law after it became the first African country designated as EITI compliant in 2009. It cannot be emphasized more heavily that adherence to the EITI played a critical role in further developing the country’s regulation of extractive industries.

Furthermore, the EITI and the KPCS as global PPP’s create an unprecedented space where new global regulations are discussed and negotiated among diverse participants. Caspary argues that, “Multi-stakeholder groups are

seen as a legitimate arena for dialogue, disagreement, and clarification among groups that historically have had little or no interaction.”³³ For instance, the EITI involves government, EI companies, and a broad definition of civil society—that is, not only NGOs but also EI-relevant trade unions as stakeholders. Fifty of the world’s largest oil, gas, and mining companies support and participate in the EITI through their operations, international commitments, and industry associations. A vast majority of international development and financial institutions have also endorsed the EITI’s goals at the country level.³⁴ Moreover, a representative of the financial sector even sits on the governing board of the EITI. In addition, over eighty investment and institutional funds have issued support statements to the EITI.³⁵ Enjoying worldwide support from various actors, the EITI certification “has become a significant proof of good resource governance to be used not only in negotiations with donors, but also toward private capital markets.”³⁶ The case of the EITI thus demonstrates that global PPP’s can achieve a high degree of legitimacy, supported by both public organizations and private corporations, through creating a global dialogue space with broad multi-sectoral participation. Therefore, global PPP initiatives through certification have the potential to be seen as broader indicators of good domestic governance, which can lead to better market stability.

Both the cases of the EITI and the KPCS indicate that a wider involvement of domestic civil society is the key to

successful hybrid regulation. There are two challenges that remain, however: suppression of the regimes by host country governments, and insufficient capacity from domestic civil society to act as an effective watchdog. In research of Brakke, the investigation team found concrete evidence in Azerbaijan that intimidation and suppression from the government have led to media self-censorship.³⁷ The Civicus Survey for Sub-Saharan Africa, conducted by a global alliance of NGOs to promote influence of civil society worldwide, also concludes that “the weakest area of civil society’s impact is at the level of holding the state and the private sector to account, indicating that the liberal concept of civil society as a bulwark against the state is not strongly supported in the surveyed countries.”³⁸ Furthermore, in many fragile states, NGOs are often either co-opted or marginalized by the government, or simply lack the capacity to hold governments and business to account.³⁹ Therefore, harnessing a vocal, transparent and independent civil society is certainly a key priority for accelerating industry regulation. This process can be mutually reinforcing; some research indicates that the introduction of the EITI has improved the state of domestic civil society in terms of its independence, technical expertise and monitoring capacity.⁴⁰ Hence, strengthening the capacity and autonomy of civil society enhances the effectiveness of global PPP initiatives and counters the absence of hard law sanctions for misbehavior or non-compliance.

Implications for the ILO's Global Labor Regime

Previous section summarized how the EITI and the KPCS enhanced domestic and global extractive industry regulations through various mechanisms. Here, soft law is the utility modifier, global PPP the source of legitimacy, and civil society the monitoring agency. Although these practices and the ILO labor standards constitute two different regimes, conclusions drawn from the extractive industry regulation can be used to rethink the state of global labor governance.

First of all, the ILO should not underestimate the role of soft law in formulating more comprehensive and effective global labor standards. Vogel, for example, argued that “the effectiveness of civil regulations is roughly comparable to that of many intergovernmental treaties and agreements, many of which are also based on soft law and the ‘naming and shaming’ of noncompliant counties.”⁴¹ Another analogy that speaks in favor of the effectiveness of soft law is the functioning of the legal system. As “it is not the existence of a police force that makes a system of national law strong and respected, but the strength of respect for the law that makes it possible for a police force to be effectively organized.”⁴² Hence, from the rationalist perspective, the soft law approach of the ILO can potentially alter the utility function of firms and the environment in which they operate. This leads them to choose to comply with labor standards, not because of the threat of sanctions, but because it is

the rational choice. In this sense, it is too simplistic to denounce the ILO's 1998 Declaration as regress from hard law to soft law. Aside from various political motives that tried to soften hard law and make compromise, the Declaration now constitutes an integral part of a broader endeavor to regulate global businesses. For example, it is worth noting that “the UNHRC Special Report on the issue of human rights and transnational corporations and other business enterprises” incorporated the Declaration into a wider context of businesses and human rights.⁴³ Therefore, the ILO can increase its influence in the global business arena not only by formulating treaties and conventions for states, but also by shaping soft law that directly changes the cost-benefit calculations of MNCs. In today's world of complex global regulations, it is no longer relevant to discuss whether hard or soft law is more effective. The real question to be asked is rather how to combine these qualitatively different sources of international obligation to serve the broader interests of humankind. Second, the ILO's departure from its initial state-centric orientation paved the way for more active engagement with global PPPs. Traditionally, the ILO's regime of labor regulation depended on hard law with sanctions, compliance by governments, and an authority-oriented approach that did not directly involve private actors.⁴⁴ However, the emerging global labor governance regime is increasingly characterized by its soft law approach that combines incentives and information, compliance by businesses, and a market-based approach that

embraces as many actors as possible. These new instruments are rapidly replacing traditional regulatory mechanisms such as prohibitions and sanctions. One significant implication of this evolution is that governments and businesses are no longer the objects of regulation but rather partners in its formation and implementation. While the Declaration and its Core Labor Standards includes universal minimum principles that all member and non-member states should comply with, the ILO can use these core principles and subsequent discussions as a means of further developing the global labor standards architecture. As customary international law is formed through state practices rather than textual codification, the essence of the Core Labor Standards lies not in the ILO's documents, but rather in the practices, interpretations, and interactions that they produce.

Third, active involvement of civil society as well as MNCs can substantially enhance the legitimacy and effectiveness of the ILO's global labor regime. In the case of extractive industries, domestic civil society is often claimed to be too fragile to monitor host governments and operating corporations. This is the case examined by the previous section. On the contrary, in case of the ILO, landscape is slightly different. The rationalist perspective assumes that MNCs are self-interested utility maximizers. Firms that adopt high standards can therefore be expected to form alliances with NGOs and states with similarly high standards.⁴⁵ Since unilateral (or unicorporational)

adoption of higher standards could diminish profits, these firms have a strong incentive to persuade or coerce other firms to adopt the same level of standards. Furthermore, if an industry leader agrees to embrace a voluntary code, other firms in the same sector often decide to follow suit.⁴⁶ Hence, the traditional dichotomy of global civil society opposing MNCs is less relevant in today's complex world. New rivalries could develop, however, through an alliance of NGOs and high-standard firms that condemn lower-standard companies. As seen in the cases of the EITI and the KPCS, civil society has vast potential not only to constrain the power of the state and businesses, but also to legitimize them. An underlying implication of this conclusion is that innovative integration of the interests of MNCs and global civil society can be achieved, even though their motives are fundamentally different. By building on such common interests, the ILOs global labor regime could potentially pursue further enhancement and fortification of its governance mechanism.

Conclusion

In summary, the ILO can pave a new avenue of global corporate governance by changing the environment in which the powerful MNCs pursue their own interest. Such a task of shaping (or reshaping) the environment is one of the essential responsibilities of international organizations tasked with providing international leadership and global public goods. In today's world of complex global regulation absent a central

regulatory authority, incentives rather than interdictions play important roles in extending global governance. The absence of sanctions is not tantamount to a lack of effectiveness. In particular, soft law, global PPP and global civil society are valuable instruments through which seemingly ungovernable realms are internationally regulated. Learning from the practices of the extractive industry regulation, a soft law approach of the ILO can significantly alter the utility function of MNCs and reshape the environment in which these global corporations operate. The era of prohibition and sanction is quickly disappearing and the new regime of incentive is emerging. New mechanisms of global corporate governance are thus more inclined to encourage firms to comply with labor standards, not because there are sanctions but because it is the rational choice. The emergence of a new global labor governance regime is increasingly characterized by three developments: the provision of incentives and information rather than prohibition; reliance on the compliance of businesses rather than of governments; and a market-based approach rather than a state-centric one. In orchestrating such a regulatory framework, the ILO should be aware of the fact that governments and businesses are partners in its implementation, not mere objects to be regulated. Furthermore, active involvement of civil society as well as MNCs can substantially enhance the legitimacy and effectiveness of the ILO's global labor regime. Interestingly, in the new global labor regime, there is currently unprecedented convergence in the interests of international business and

global civil society. By building on such common interests, the ILOs global labor regime could potentially pursue further development and enhancement of its governance mechanisms.

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INTERVIEW

James Mann: Revisiting *The China Fantasy**Josiah Tsui*

*James Mann is the author-in-residence at the Foreign Policy Institute of the Johns Hopkins School of Advanced International Studies. In his book *The China Fantasy*, published in 2007, he challenged the “[two views] of China that prevailed in Washington,”—the first, that China’s economic growth would necessarily lead to liberalization in politics, and the second, that China was unstable and on the precipice of revolution. Mr. Mann offered a third view—that China could expand its economy while maintaining an autocratic regime. Six years on, we spoke with him to see whether his assessment of China had changed.*

Six years ago, you posited that China’s government could remain autocratic, even as the country experienced continued economic growth. Do you think the treatment of this idea—of China having its own system of economics and government—has become more accepted in the mainstream? It doesn’t seem so surprising now, but my impression is that the idea was marginalized at the time.

That’s very perceptive. Really, the book was directed at American political leaders and China scholars who liked to say that greater trade and investment would lead to democratization. I felt, and still feel, that that was a justification for people who wanted to trade or invest with China. It was also allied to intellectual trends that had nothing to do with trade or investment, such as the ideas of Fukuyama at the end of the Cold War. My thinking at the time I wrote the book—and it still holds—was that the comparison between China and other developing Asian states, notably South

Korea and Taiwan, didn’t hold. It was a comparison that was not only prevalent, but the reigning paradigm for how China would develop. And what I think, is that the Chinese state is so fundamentally different from its predecessors that the analogies aren’t valid.

The main impact of the book was that China Hands in the United States and political leaders became much more cautious about these airy predictions of democratization in China. I don’t mean to claim that this was solely because of the book, but I think that the intellectual climate changed over the last four or five years and you don’t find this anymore. In fact some of the people who were leading proponents of this idea have reigned themselves in—the Clinton advisers for example.

I still think that China’s political system is very durable and under no great threat, but I would have to add more caution now

than I did when I wrote the book. And the caution has to do with developments in China. Over the last five years, the system has developed so many important, practical problems that affect middle-class people that it raises questions in my mind about the implicit bargain of middle-class people: accepting an authoritarian system in exchange for wealthier lives. The top three practical problems are air pollution, unsafe products, and internet censorship. Internet censorship seems less concrete, but as you and any educated person would know, it's almost a daily or hour-by-hour insult that you can't have this or that information. And so I have to admit, I'm less sure than I was that this system can go on for decades, because I'm less sure that the middle-classes will remain content with their prosperity.

For the last quarter-century, China was a place where young Americans and young Europeans could go to find interesting lives, start jobs and so on. There was a whole large expatriate community, and there still is. Just in the last five years, I'm hearing more people say, "I've got to get out of here. I'm leaving. I can't breathe the air..." That, by itself, is utterly meaningless for China's political future, but we've also started to see middle-class Chinese saying, "I don't want to raise my children in this area." We're talking about very small numbers, I'm sure, but it's something of political significance.

There's a chapter in The China Fantasy titled "The Lexicon of Dismissal." In it, you list certain terms such as "China bashing"

or "cold war mentality" that are routinely used in Washington to dismiss critics of the Chinese government. On the one hand, you're arguing for more openness in discussions on China. On the other, you're arguing against historical determinism—this idea that all countries will tend toward democracy. Has your opinion changed at all after the Arab Spring? Does the argument that China is moving toward democracy seem stronger to you now, or is it still flawed?

It seems as flawed now as it did then. Outward signs of Westernization do not in any way lead to political change. I'm less certain, though, that this system can go on for many decades if it can't deliver what citizens need. For example, the government now has to deliver non-financial benefits to the middle class. The Chinese leadership—dating back to the 1980s—has tried to come up with some magic formula for restraint on power within a non-democratic system. So they talk about the reformers; they talk about giving the legislature greater power, giving the press greater power, but it's always with the caveat that nothing disturbs the rule of the Communist Party.

One of the new arguments for democracy's inevitability in China is that the younger generation consumes American media, and that there are strong cultural and educational connections between China and the United States. Tens of thousands of Chinese students study in the United States every year, and some of them will no doubt be the businessmen and leaders of the next generation. Do you think there's any

significance in that?

I think it produces more Westernized ideas in intellectual and business terms, so that in subtle and indefinable ways, businessmen will think more in Western contexts. I think there will be more intellectual familiarity with Western-style thinking in the coming generations than in the current leadership, but I'm not sure I can get from there to democracy. Singapore, for example, has produced a series of authoritarian leaders and intellectuals—like Kishore Mahbubani—who have been educated in the West, but feel that the West is intellectually arrogant.

*One of the major criticisms of China is that it's a black box. We know the structure of the leadership but we don't know how decisions are made and how leaders will act in the future. Do we know any more in 2013 than we did when you wrote *The China Fantasy*?*

We don't know more about the leadership decisions and processes. There is no transparency at that level, and so when you look at Chinese decision-making, the ultimate decisions are a black box. We may know a little bit more as time goes on about the factional disputes. When I was first in China, decades ago, there were factional disputes, but you only knew about them after the fact. As time goes on, we begin to see issues that don't necessarily relate to the workings of a Leninist system, such as economic disputes between export industries and import industries. Those are the kinds

of disputes that really do become more transparent, and then what becomes vastly more transparent are the sorts of issues where social media plays a role. That is a major change. Issues of corruption, for example, get handled in a far different way now than when my book came out six years ago.

Do you think there's anything the US can do differently from a policy standpoint to engage China? Or in the way it conducts business with China?

I think that the changes of the last few years mean that the United States really should be in the position of encouraging the expression of middle-class concerns in China that are already being expressed by the Chinese people. It doesn't have to be the United States from across the ocean or from across the protection of the two oceans, handing forth thunderbolt pronouncements about the abstract concept of democracy. I think that we should continue to espouse the cause of democracy, but it really shouldn't be the thrust of what we do to promote democracy in China.

Let's look at what the United States has done that's really important in China. The most important example that comes to mind is this: the United States embassy has its own air pollution-monitoring devices and it publishes its analysis of the quality of the air in Beijing. For a while, the Chinese government asked the United States to not make its own independent reports public. And the

U.S. government—the U.S. embassy in Beijing—did not back down. This is accurate, non-political information, and the U.S. argument was, “This is not a political issue. We are publishing our independent reading of the air quality.” That had a tremendous impact, and it’s the kind of thing that really supports, indirectly, the development of an independent civil society in China. That encourages middle-class people to recognize when the Chinese government is trying to restrain information.

I think the U.S. should strongly support efforts against pollution, efforts against internet censorship. That’s been another important development of the last five years, that after considerable delay, some companies like Google went public with their objections to efforts by China, to co-op them into censoring the internet. There’s a lot more creative thought that could be given to other things, such as food safety and product safety.

There are practical and intellectual links between corruption and lack of transparency and the link is simply that it is freedom of the press and legislative restraint on executive action that help to bring information to light, and to prevent corruption. And I think we can see the Chinese government is genuinely concerned about corruption. And the problem is that they have not been able to move towards a system that both provides restraints on corruption and does not require a change in the one-party system.

BOOK REVIEW

Jonathan M. Katz***The Big Truck That Went By: How the World Came to Save Haiti and Left Behind a Disaster******Kevin Suyo****Palgrave Macmillan, January 2013, 320 pages (Hardcover), \$26.00*

Two tremors rumbled through the Republic of Haiti in January 2010. The first was an earthquake, unleashed by the clash of two tectonic plates at a fault line under Port-au-Prince. The strongest in recorded Caribbean history, and the deadliest, it left the National Palace in ruins and hundreds of thousands without shelter. The second came from the international community, which heeded the Haitian call for support and responded in force. Nations sent observers, technical experts, and security personnel. Haitian reconstruction—not just physical reconstruction, but economic, social, and institutional reconstruction—became a topic of support at United Nations summits. Ordinary citizens, Hollywood celebrities, foreign governments, international aid groups, and the United Nations joined together to systematically fix the most visible humanitarian crisis of the time.

But the system broke down. Donor states

pledged over 16 billion dollars to aid the Haitian reconstruction effort, but much of that remained undelivered or delivered inefficiently. The aid delivery process stalled, hampered by mismanagement and a complex array of stakeholders—foreign governments, non-governmental organizations, business groups, and public personas—whose interests precluded effective coordination. In the more benign cases, the lack of organization led mainly to poor resource prioritization, resulting in overflows of aid to the higher-profile urban centers and a lack of support in more distant villages. At worst, it actively contributed to the destruction, as in the notorious post-quake scandal in which poor sanitation practices at a Nepali-staffed United Nations base led to an outbreak of cholera that killed over 7,500 Haitians and sparked an epidemic still being fought in some regions of the country today.¹ The commotion was set against the backdrop of a presidential election process in which the front-runners competed for the unenviable task of building state capacity, planning the redevelopment of the nation's

infrastructure, wooing foreign investors, and placating aid donors without losing the support of the Haitian people themselves.

Associated Press reporter Jonathan Katz, the only American correspondent posted in Haiti at the time of the earthquake, covered these developments from Port-au-Prince until 2012. The stories he broke, from the initial disaster to the cholera outbreak to the raucous presidential election cycle, gave the world insight into the near-continuous stream of calamities on the ground. In *The Big Truck That Went By: How the World Came to Save Haiti and Left Behind a Disaster*, published in January by Palgrave MacMillan, Katz attempts to contextualize those accounts. It is a welcome effort, condensing three years of news reports into a highly readable and consistent narrative. Written for a general audience, he includes enough background for the lay reader but undergirds it with lines of reasoning recognizable to development theorists. One can discern, for example, the arguments of Hernando de Soto in a passage on the importance of land reform as a driver for economic growth, or the thoughts of Douglass North in a discussion on the nuances of institution building.

The resulting structure allows Katz to propose twin reasons for the current failure in Haiti. First, he claims that the implementation of the international aid and reconstruction effort was flawed: witness the inefficient flow of funds, the influence of media and special interests, and the lack of an enforcement

mechanism to ensure that committed aid would actually be disbursed. Second, he takes issue with the methods used in the Haitian development effort and, by extension, with current development theories in general. This second argument is the more interesting of the two, if the less convincing; in it, Katz advances a left-leaning critique of the conventional Washington Consensus-style development agenda. The argument will be familiar to informed readers, but is still intriguing due to the vivid case study that Haiti affords.

Katz's assessment of the reconstruction's implementation is reasonable. The aid disbursement process stalled because the international aid community was complex and its stakeholders diverse. The United States feared that civil unrest, though unlikely, could encourage violence against foreigners and send the country sliding into crime and civil war; to prevent this, the U.S. government spent large amounts of money on security forces and engineered complex and inefficient methods of aid delivery to guard against such a threat.² For-profit development agencies and suppliers clamored to win lucrative contracts. Individual Haitians, too, had their own system of incentives. Some sought to defraud aid workers by overstating the severity of their needs, others profited from price gouging schemes for gasoline and food, and still others took advantage of the loss of federal property records to claim stolen land or buildings.

Meanwhile, the massive influx of private

donations—which accounted for a larger percentage of foreign aid than official foreign contributions in the weeks following the disaster—stressed the traditional funding pipeline to its breaking point. Many well-meaning donors gave to non-governmental organizations with noble but narrow mandates to provide humanitarian aid, not development assistance, and when those organizations felt compelled to spend the funds, the projects quickly fell victim to diminishing returns. “There are only so many times you can give someone a hygiene kit,” Katz writes.³ Just as problematic were the donated goods with little use, such as the cartons of “Danish hand puppets,” and goods with unintended side effects, such as the millions of water bottles which, when emptied, littered the country and clogged canals and natural waterways.⁴ Charity, though well-intentioned, caused deadlocks and backlogs in a system ill-equipped to handle such quantity and scale.

Even when used most effectively, Katz notes, quoting former Haitian President René Préval, charity alone “has never helped any country escape underdevelopment.”⁵ For that, a country needs support designed to lead to self-sufficiency. Instead, Katz argues, the international community’s Haitian development strategy to a large degree depends on turning the country into a low-wage hub for the benefit of Western businesses, with little regard for the ultimate welfare of Haitians themselves. He targets former World Bank

economist Paul Collier as chief architect of this approach, based primarily on Collier’s role in writing the influential 2009 report “Haiti: From Natural Catastrophe to Economic Security,” a pre-quake guide for creating economic growth in the nation by capitalizing on the country’s low wages and abundance of low-skill workers to attract foreign direct investment and build an export economy.⁶

Katz’s critique focuses on the understated value of the Haitian informal economy and the potential short-term reduction in wages among workers at foreign-owned factories. However, he does not address how this relates to economic development in the long term. A shift away from the informal sector as well as temporary drops in the real wage may naturally occur during periods of structural adjustment; this does not necessarily imply economic weakness. Moreover, such an appraisal ignores the more fundamental and legitimate criticisms of Collier’s approach. There is a real risk, for example, of such an economy falling prey to a vicious cycle of low earnings, economic insecurity, and exploitative industry, as demonstrated by the garment industry’s systematic abuse of labor and reliance on “sweatshops” in Mexico and elsewhere from the 1970s onward.⁷ This risk vastly increases in a nation without a competent network of lawyers, administrators, and policymakers with the expertise to design and maintain sufficient labor and business regulations, something that Haiti certainly lacked in 2010. If these issues can be managed, however—and Collier surely thought

that they could, given the great attention shown to Haitian reconstruction post-disaster—foreign direct investment can increase capital inflows, facilitate skill transfer, and catalyze further business development within both the direct supply chain and the industry, such as in the case of Intel in Costa Rica during the late 1990s.⁸

One of Katz's alternatives to foreign direct investment-led development involves direct monetary transfers to the Haitian government to fund basic public services, like sanitation and security, which would not only ensure their provision but enable the regime to bolster its legitimacy and reputation for competence. The resulting increase in stability and decrease in political risk could stimulate private sector growth. The international community recognized this effect, but the interested stakeholders opted to wait to provide significant direct budget support until the greatest risk of doing so—the loss of funds to corruption—had been mitigated. Katz argues that the threat of corruption was overstated. He claims, for example, that the metrics used in Transparency International's annual Corruption Perceptions Index were biased against developing nations because they rely not on hard data but on the possibly self-fulfilling "perception" of foreigners. However, Transparency International has acknowledged such criticisms, and this point merely counters one "perception" with another—Katz's—rather than any sort of empirical evidence. He notes, too, that developed countries are also guilty of possible "corrupt" activities, citing the

not-uncommon practice of U.S. officials in top government jobs joining the private sector to start business relationships with their former agencies.⁹ But again, while this may ascribe possible evidence of corruption, broadly defined, to the United States, it does little to support the assertion that the Haitian government is free enough of corruption to be able to responsibly handle hundreds of millions of dollars in foreign aid. Nevertheless, direct budget support is a valid approach, and Katz seems to err not on the idea, but only on the timing: in the summer of 2012, the United Nations announced that it would begin to provide more funding directly to the Haitian government.¹⁰

Katz is a journalist, not a policy formulator, and his ultimate task is not to recommend actions but to remind the world where its actions have failed. In this, he succeeds. *The Big Truck That Went By* is a beautifully illustrated case study in modern development and humanitarian aid response. He is too quick, perhaps, in assuming shady motives of key actors, a trait befitting a reporter more than a development analyst—and one that he begrudgingly acknowledges.¹¹ His most salient point may be that in the Haitian development effort, as in all development scenarios, motives matter less than outcomes. If nations engage in development assistance in part because of a perceived moral imperative to help others, they must accept the equivalent moral imperative to learn the most effective ways of doing so. It is Katz's frustration with the global community's neglect of that second imperative

that leads him to watch world leaders attempting the same failed policies in scenario after scenario and dejectedly claim that Haiti, despite all of the effort, “is not better off.”¹² Yet he maintains the hope that kept him in the country for two years after the quake, a hope that if only aid and development organizations understood where their actions need improvement, then real progress could be made. It is an admirable thought.

Foreign Direct Investment and Globalization in Developing Countries (Washington: Brookings, 2002), 38.

9. Katz, *The Big Truck That Went By*, 127-8.
10. UN Office of the Special Envoy for Haiti, “Has Aid Changed? Channeling Assistance to Haiti Before and After the Earthquake,” 2011.
11. Katz, *The Big Truck That Went By*, 145.
12. *Ibid.*, 2.

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Notes

1. Jonathan Katz, *The Big Truck That Went By: How the World Came to Save Haiti and Left Behind a Disaster* (New York: Palgrave MacMillan, 2013), 244.
2. *Ibid.*, 80.
3. *Ibid.*, 206.
4. *Ibid.*, 79.
5. *Ibid.*, 10.
6. *Ibid.*, 140.
7. John Kline, *Ethics for International Business: Decision Making in a Global Political Economy* (New York: Routledge, 2005), 87.
8. Theodore Moran, *Beyond Sweatshops:*

