

# CORNELL INTERNATIONAL AFFAIRS REVIEW

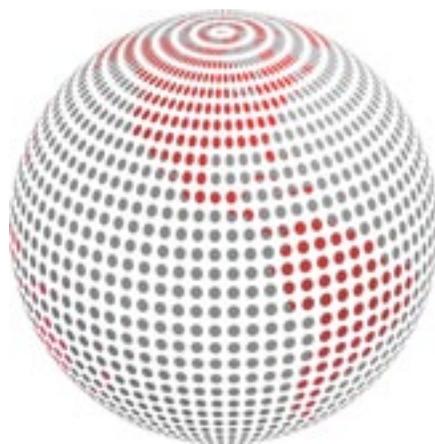


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The Cornell International Affairs Review is a student-run organization aiming to provide an international, intergenerational, and interdisciplinary approach to foreign affairs.

Founded in 2006, the CIAR is proud to provide the Cornell community with a semesterly review, bringing together views from students, professors, and policymakers on the current events shaping our world.

It is our firm belief that true knowledge stems not just from textbooks and lectures but from engaging with others. Thus, the CIAR strongly emphasizes cooperation and dialogue amongst all our members, both on Cornell's campus and beyond.



## **Decentralization Examined:**

*Conditions Dependent Path Towards Success*

Nnena Ibeanusi, University of California, Berkeley, 2011

## **The Problems of Former USSR Citizens in Russian-Latvian Relations**

Konstantin Pakhorukov, Saint Petersburg State University, Russia, 2011

## **The New Geopolitics:**

*Why Nuclear Weapons No Longer Serve U.S. Interests*

Richard Burt, Former United States Ambassador to Germany, Cornell Class of 1969

## **The Key Drivers of Human Security Discourse and the Challenge to Realism**

Stephen James, Editor, *Global Change, Peace and Security*, Centre for Dialogue, La Trobe University, Australia

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*Analyzing the Relationship Between Ideology, Organization Transformation, and the Exploitation of Information Technology*

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Brian Chao, Dartmouth General Fellow, National Taiwan University, Taipei

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Nicholas Anderson, MA Candidate, Georgetown University

## **Divisive Economic Device?**

*Understanding China's Choice to Create a Sovereign Wealth Fund*

Felicity Yost, Cornell University, 2012

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The Cornell International Affairs Review continuously surpasses the achievements of previous semesters. In last semester's review, I praised the admirable determination of Cornell students to provide our campus with international affairs events, this semester I am struck by the constantly innovative ideas and force of this organization.

These months have been rich in initiatives and projects for the Cornell International Affairs Review. Following the positive feedback from the weekly newsletter we started last year, we successfully launched our new blog [www.diplomacrist.org](http://www.diplomacrist.org), where students from across the nation share their insights on the major events shaping our world.

To celebrate the launch of our blog we started the semester with an engaging panel on NATO's commitment to Afghanistan where Professors Reppy and Herring along with Combat Veteran of Iraq and Afghanistan, Rodrigo Zapata, Class of 2012 shared their insights on the decade long war and discussed the future of NATO.

As winds of rebellion swept through the Middle East, the Cornell International Affairs Review organized events to keep the campus informed and engaged in the popular revolts in Tunisia, Egypt, and Libya.

These upheavals challenged the existing regimes and are shaping the decades to come. Professors Patel, Bunce and Fahmy unraveled the complexities of history in the making in "What's next? The revolution in Egypt and its implications for the region." A week later, Cornell student Carolyn Witte, Class of 2012 discussed her recent experience in Egypt during the January revolution and analyzed the events and changes she personally witnessed.

As the unrest continued to spread in the Arab world, we worked in collaboration with the Islamic Alliance for Justice and the Pi Sigma Alpha Political Science Honor Society to host University of San Francisco Professor Stephen Zunes, who enlightened the audience on the pro-democracy struggles and prospects for change in the Middle East.

Looking beyond the Middle East, Lt. Col. Steven Alexander and Professor Sanders discussed the rise of Wikileaks and its implications for U.S. Foreign Policy. Their remarks inspired an engaging debate, skillfully moderated by Professor Logevall.

In addition to our panel events, we engaged with visiting professors and scholars in small gatherings, where we exercised our intergenerational and interdisciplinary approach to international affairs. Bringing together the views of students full of idealism and hope with the knowledge of scholars generates new ideas and challenges the views of all participants.

During our Gala Dinner, to celebrate the launch of the Volume IV, Issue 2, American Security Project Executive Director, Dr. Jim Ludes will discuss climate change as a threat to national security and Cornell Professor Syed Rizvi will explore food scarcity as an other challenge to national security.

The CIAR will end the semester with a collaboration with the East Asia program. Students and faculty will discuss the natural disaster in Japan and the nuclear crisis it engendered. The event will be recorded live to reach out to Cornell alumni in Japan and convey our condolences to the victims of this catastrophe.

After four years of working with the Cornell International Affairs Review, I leave this organization confident that it will continue to grow steadily each semester. The determination, commitment and passion of our members made this a dynamic and successful year: these values will continue to drive our members to accept new challenges and further the Cornell International Affairs Review's contribution to the international discourse on the Cornell campus and beyond.

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# Editorial Letter



Revolutions in the middle east and a tsunami in Japan dominated global headlines during the compilation of the Spring 2011 issue of the Cornell International Affairs Review. As undergraduates involved in the Cornell International Affairs Review, the struggle to digest these events reaffirmed our commitment to the mission of our organization — to serve as a platform for actively engaging and rethinking the disciplines of international relations and political science, and to expand the discourse to a broader range of disciplines. To begin to interpret these events, and their reverberations in the global political landscape, we must continue to rethink, challenge, and engage the frameworks in which we consider global issues. We are pleased to announce that the spring edition of our journal combines the intellectual efforts of undergraduates, graduates, academics and professionals alike to achieve this end.

Dr. Stephen James expands upon the definition of security in his analysis, arguing that paradigms in international relations, with specific reference to realism, need to consider security in a broader sense — which he labels “human security.” Global security issues: terrorism, environmental disasters, financial crises, complicate frameworks of analysis in which the sovereign state is viewed as the locus of power. While the sovereign state remains a vital driving force in international security, a global view of security is necessary. Nicholas Anderson, in contrast to James, finds that a well established theory — modernization theory — serves as a useful tenet in analyzing democratization in southeast Asia. Among other conclusions, Anderson finds that economic growth and rising standards of living will continue to promote democracy in the region.

These theoretical frameworks play out practically in the more issue-specific articles of the spring edition. Former Ambassador Richard Burt, in his lecture given at Cornell University in December, discusses the changing contexts of nuclear threat reduction since the Cold War. Today, the “darker forces of globalization” — failed states, sub state actors, etc. — have a more profound influence in the nuclear arms race. Given the emergence of these more complex factors, he contends that we must rethink our approach to nuclear containment.

Ambassador Burt mentions al Qaeda as an example of the new players within a changing global “currency” of power. In his article, Sandeep Chhabra, a recent graduate of Rutgers University, specifically looks at al-Qaeda’s position in global politics. He explains how al-Qaeda has used the Internet to propagate its ideology and compensate for its diffuse organizational structure. Another graduate, Brian Chao, investigates an alternative political strategy: mass killing. He highlights the rationale behind this type of political coercion, a historical problem which continues to occur in the present.

Undergraduates also contributed to this semester’s Journal, and we commend their success in enriching the discussion of issues in world affairs. Felicity Yost, a Cornell undergraduate, draws attention to the Chinese Sovereign Wealth Fund, and its complicated role in global finance as well as foreign policy. Konstantin Pakhorukov, an undergraduate from St. Petersburg State University, illustrates the political effects caused by a population of Russians that has lived in Lithuania since the fall of the Soviet Union. Nnenna Ibeanusi, an undergraduate at the University of California, Berkeley, treats the issue of decentralization on a case by case basis, drawing out the factors that determine why decentralization succeeds or fails.

We are very grateful for the efforts of the writers, who have addressed a dynamic set of issues in this journal. We would also like to extend a thanks to the general body members of CIAR, and those who directly helped produce this journal. We look forward to taking on this task again, next semester.

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# Contents



<b>Decentralization Examined: <i>Conditions Dependent Path Towards Success</i></b>	<b>6</b>
Nnenna Ibeanusi, University of California, Berkeley, 2011	
<b>The Problems of Former USSR Citizens in Russian-Latvian Relations</b>	<b>13</b>
Konstantin Pakhorukov, Saint Petersburg State University, Russia, 2011	
<b>The New Geopolitics: <i>Why Nuclear Weapons No Longer Serve U.S. Interests</i></b>	<b>19</b>
Richard Burt, Former United States Ambassador to Germany, Cornell Class of 1969	
<b>The Key Drivers of Human Security Discourse and the Challenge to Realism</b>	<b>26</b>
Stephen James, Editor, <i>Global Change, Peace and Security</i> , Centre for Dialogue, La Trobe University, Australia	
<b>Adapt-Qaeda: <i>Analyzing the Relationship Between Ideology, Organization Transformation, and the Exploitation of Information Technology</i></b>	<b>33</b>
Sandeep S. Chhabra, Rutgers University, 2010	
<b>Mass Killing: <i>Politics by Other Means?</i></b>	<b>44</b>
Brian Chao, Dartmouth General Fellow, National Taiwan University, Taipei	
<b>The Odd Couple: <i>Modernization and Democratization in Southeast Asia</i></b>	<b>48</b>
Nicholas Anderson, MA Candidate, Georgetown University	
<b>Divisive Economic Devices? <i>Understanding China’s Choice to Create a Sovereign Wealth Fund</i></b>	<b>56</b>
Felicity Yost, Cornell University, 2012	



# Decentralization Examined: Conditions Dependent Path Towards Success

Nenna Ibeanusi  
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University of California at Berkeley, 2011

*Nnenna Ibeanusi is nearing completion of her Bachelor's in Political Science with a specialty in International Relations and Comparative Politics at the University of California, Berkeley. She has worked as a contributing writer for the Berkeley Political Review since her sophomore year and has written about such topics as the emerging dominance of the AK Party in Turkish politics, the splits within the ANC in South Africa, and the effects of Mexican President Felipe Calderon's war on drug cartels in Mexico. Nnenna is also interested in issues of global governance, the role of international institutions and regimes, as well as issues of democracy and good governance.*

When a country undergoes the process of decentralization, it requires a transfer of authority, responsibility, and/or resources from the national to lower levels of government, with the purpose of creating good governance. If successful, decentralization should make government more accountable to its people, improve the balance of power, and make government more efficient. However, an examination of the empirical findings from several case studies suggests that decentralization can oftentimes fail to usher in the type of reform that it is associated with. Furthermore, decentralization can encounter impediments to its success either in the failure to fully implement the policy of decentralization, a shift towards re-centralization, or an inherently incoherent policy framework. The success of decentralization is thus contingent upon several factors including but not limited to the sequence of decentralization, the incentives of political actors, and the institutional design upon which it is implemented.

Over the last three decades, the movement towards decentralization has only expanded. Political decentralization, which entails opening up representation to lower level polities and devolving political authority to sub-national actors, has increased dramatically since the 1970s from 30% to

86% of all countries.<sup>1</sup> Fiscal decentralization, the incidence of establishing a set of policies designed to increase the fiscal autonomy of sub-national actors, has also increased since the 1970s by 12%.<sup>2</sup> Finally, administrative decentralization, the devolving of administrative and delivery functions of social service from the national to the sub-national level, has likewise increased.<sup>3</sup> Although the increased trend towards decentralization has in part been a response to international pressure (directed toward the global south) from international organizations like the International Monetary Fund (IMF) and World Bank, the widespread perception of decentralization from politicians and scholars alike seems very positive.<sup>4</sup>

## Sequential Decentralization

Although many assume that decentralization should naturally lead to an increase in the power of sub-national actors vis-à-vis the federal government, there is no guarantee that decentralization necessarily facilitates an increase in the power of local politicians. To account for the variation in power that sub-national political actors receive after the onset of decentralization, some decentralization scholars insist that the sequencing of the types of decentralization is

what drives the intergovernmental balance of power.<sup>5</sup> While the central government would prefer to see the sequence of decentralization as administrative, fiscal, and political decentralization (A>F>P) the sub-national governments would prefer to see political, fiscal, and administrative decentralization (P>F>A).<sup>6</sup>

The sequence that gives more power to sub-national governments is political, fiscal, and administrative decentralization (P>F>A).<sup>7</sup> This mechanism enhances the durability of decentralization in a polity by reducing the influence of national level actors in sub-national affairs, which makes it less likely that



Former President of Colombia Belisario Betancur.

efforts to roll back decentralization or even to weaken its effects will succeed. Pursuing political decentralization first has the effect of producing a "ratchet effect."<sup>8</sup> Sub-national politicians who see that their political power and autonomy are tied to the fate of the recent decentralization policy will play an active role to ensure that the process of decentralization continues and that they can help guide the policy in the "direction of further decentralization."<sup>9</sup> Thus, decentralization can be sustained through the formation of this new political base of support that will act as a buffer against efforts to stymie the progress of decentralization. Another critical side effect that will emerge from political decentralization is the increased reliance of the President on

the support from mayors and governors in order to win votes.<sup>10</sup> This will further enhance the power of the mayors and governors vis-à-vis the executive and will likely put them in a better bargaining position to lobby for fiscal decentralization.

Fiscal decentralization will be the next stage in this decentralization sequence. Sub-national authorities must have the funds needed to ensure their ability to handle the complex tasks involved in the provisioning of public goods to their many residents, a responsibility previously administered by the central government.<sup>11</sup> Once fiscal policies are decentralized, administrative decentralization will progress. Mayors and governors now given more fiscal autonomy will be less reliant on the national government and can further cement their own power bases, leading to increased administrative capability.<sup>12</sup> In this arrangement, mayors and governors in their preferred sequence would ensure that they could address the concerns of their geographic constituents.

The results of the sequential theory of decentralization are borne out in the case studies of Colombia and Argentina. In Columbia, decentralization was pursued in the order of political, fiscal, and administrative, which allowed for power to devolve locally and gave local leaders enough autonomy and resources to adequately administer their new responsibilities. However, in Argentina the order of decentralization was administrative, fiscal, and political; as a result, the sub-national government remained heavily reliant on the national government.<sup>13</sup>

In Colombia, the movement for political decentralization came on the heels of a government that was facing public discontent over its mismanagement of basic public services, such as health, electricity, education, water, and sewage. Civil society, through mass social movements, rose up to demonstrate against what they saw as the unequal distribution in resources between rich and poor regions. Contentious politics, paralyzing

strikes, and public outcry necessitated a response, and in 1986 President Betancur passed a “constitutional amendment for the popular election of mayors.”<sup>14</sup> Subsequently, the pro-decentralization “first cohort of mayors” created a Columbian Federation of Municipalities in 1988, an institution whose lobbying efforts were instrumental in the movement towards fiscal decentralization.<sup>15</sup> Although there were elements in the political elite who sought to derail or to reverse the progress of decentralization, the given base of support ensured that fiscal decentralization, accomplished by the federal transfer to the municipalities, finally brought administrative decentralization.

The process of decentralization in Argentina was facilitated by a disproportionately top-down approach. Administrative decentralization was initiated first with disastrous results for the sub-

***Political decentralization, which entails opening up representation to lower level polities and devolving political authority to sub-national actors, has increased dramatically since the 1970s***

national authorities. Given their lack of fiscal flexibility and weak position vis-à-vis the national executive, local governments were ill-equipped to handle their new responsibilities and resorted to asking for money in order to effectively govern. Surprisingly, after the return to democracy, sub-national actors focused attention on increasing fiscal revenues instead of collectively pushing for political decentralization. The President, however, controlled the timing of this decision and only proceeded with this stage in decentralization when he was politically vulnerable.<sup>16</sup> Fiscal decentralization was eventually implemented with the passage of President Alfonsín’s revenue sharing scheme. However, this event imposed additional administrative duties upon the sub-national governments in 1991

and again in 1992, when the government devolved even more unfunded administrative responsibilities to the local governments. Political decentralization was the final step in the decentralization process and was in no sense comprehensive.<sup>17</sup>

As illustrated, the sequence of decentralization not only impacts the intergovernmental balance of power but also has a marked effect on the deepening of decentralization itself. In the Colombian case, the process of decentralization was initiated from the grass roots, which forced the President to initiate some form of decentralization. Because of his weak political position, he could not opt for his preferred choice of administrative decentralization. Civil society recognized that having a say in the governance of their localities required politicians beholden to their interests. This necessitated the replacement of a system wherein mayors were appointed by one in which they are elected. Thus, the active engagement of civil society ensured that sub-national interests predominated in the decision-making process and shaped the direction of decentralization.

This stands in contrast to the Argentina case study where the central government was able to dictate the terms of decentralization. The disproportionately top-down approach of decision-making had negative ramifications for the durability of decentralization. The lack of pluralism ensured that the deepening of decentralization would come only when it aligned with the interests of the national government. Furthermore, because administrative decentralization came first, sub-national politicians focused on getting resources rather than working collectively to achieve decentralization. In this case, the political base of support for decentralization was bereft. The sub-national governments were actually in a weaker position as a result of decentralization because they became more heavily reliant on the central government. Notably, the efficiency that would have come

with administrative decentralization could not evolve, because it was implemented without the resources needed to effectively orchestrate the public policy necessary to match the needs of citizens. Since political actors were more reliant on the state, they were less likely to implement policies that were not supported by the federal government, even if they complemented the conditions of the people on the ground. Ironically, despite the fact that decentralization had taken place when there was a sequence of A>F>P, the power of the sub-national government was reduced and the prospects of the continued progress for decentralization weakened. This called into question the likelihood that the sub-national governments could act as effective veto players or even help in the balance of power vis-à-vis the federal government.

**Incentives of Political Actors**

For politicians, the decision-making process is wracked with politically motivated calculations that must suit their political interests. Decentralization can only be sustained if it matches the interests of the relevant parties.<sup>18</sup> Politicians want to decentralize for a number of different reasons, to shore up the support of disaffected segments of society, to deal with structural issues such as the efficient management of welfare, to enhance the political or economic stability of the state, or simply to deal with their political imperatives.<sup>19</sup> Nonetheless, these reasons matter little absent the political incentives of politicians to sustain this policy.

In Argentina, decentralization was pushed through as a result of a divided government and re-centralized as a result of a unified government.<sup>20</sup> Faced with a lower chamber led by the Peronist party, President Alfonsín found it difficult to challenge the automatic revenue sharing scheme that gave more fiscal autonomy to local governments. However, in 1987 when the Peronist party held both the executive and the legislative branches, President Menem saw the revenue

sharing scheme as an impediment to his re-election as well as a tool for strengthening his political power over the governors.<sup>21</sup> Menem negotiated a series of fiscal pacts with the provinces, increasing the role of the federal government and lessening the fiscal autonomy of the provinces.<sup>22</sup> Additionally, the federal government gave aid to those provinces whose governors initially supported the fiscal pacts.

In the Philippines, the political disincentives for the legislators to decentralize plagued the stability of decentralization. Decentralization came only after the return to democracy following the tumultuous period of the Marcos regime.<sup>23</sup> President Aquino was not seeking a 2<sup>nd</sup> term and saw the decentralization policy as a needed reform measure and as a way to deepen democracy.<sup>24</sup> The political interests of the legislators, who saw the autonomy of the sub-national politicians as a threat to their own political power, opposed the decentralization effort. Sub-national actors gained leverage from decentralization, and formed their own political power base to challenge the interests of the legislators. Furthermore, the national legislators feared the electoral challenge of an autonomous sub-national power base and consequently pushed to re-centralize.<sup>25</sup>

These two case studies illustrate the relevance of political incentives of politicians when it comes to decentralization policy. Under a united government in Argentina, the newly elected President saw the recent fiscal decentralization as a burden to his re-election scheme. What progressed was a series of pacts that not only brought administrative burden and complexity to the tax system, but also established a pseudo-system of automatic tax revenue benefiting provinces that supported the President. Although decentralization was able to hurdle a reluctant national legislature in the Philippines, this same political base challenged its survival. Political actors will only decentralize when they have the political incentives to do so.

## Institutional Designs

Institutional design can also drive the direction and robustness of decentralization policies. Decentralization meets institutional roadblocks that thwart its implementation. The institutional design can point to the rules and procedures that characterize the nature of the decentralization regime, though it can also speak to the norms and principles that are at play in the system overall. Generally, when the rules and procedures in place are coherent, and adequately mirror the goals of decentralization, decentralization is successful. When there is an incoherent policy framework, however, then decentralization efforts tend to fail.



*Election propaganda for Former President of Argentina Raul Alfonsin, who promoted fiscal decentralization.*

In Indonesia, the lack of success seen in the decentralization effort can in part be attributed to the disjointed policy framework. The decentralization policy instituted in Indonesia put power in districts and municipalities as opposed to the provinces.<sup>26</sup> Law 22 clearly delineates the power relationship between the federal government and the local governments, but a clause

giving the central government the right to “assume other authorities” makes the full power dynamic between these two spheres ambiguous.<sup>27</sup> The need to decentralize at the district level stemmed from the national government’s fear of giving power to the state level, since district level governments were accustomed to simply carrying out orders from the central government. Administrative decentralization efforts empowered district level governments who lacked the expertise found at the provincial level to adapt to this decentralization scheme.<sup>28</sup> Although the revenue sharing scheme gave districts some amount of fiscal autonomy, the central government still had the right to collect income and corporate taxes.<sup>29</sup> Finally, the electoral design in Indonesia does not provide for direct elections of mayors and governors, who are instead appointed by members of the local parliament.<sup>30</sup> In a system based on proportional representation without party membership, citizens may not know who represents them in parliament.

In Pakistan the situation is much the same. Although fiscal and administrative decentralization occurred at the district level, the institutional policy design enabled provincial authorities to wield influence over the local administration and finance.<sup>31</sup> The political and electoral rules made it such that there were no direct elections of local level politicians. Since an electoral college of “union counselors” elects the district nazim, this makes him more likely to want to respond to the needs of the constituents of the unions rather than the general public.<sup>32</sup> Since there are a large number of union counselors who are running as candidates, they can win election with a very small voter share.<sup>33</sup> Because of this, politicians have less incentive to be accountable. Finally, it must be noted that since political parties in Pakistan are less likely to adopt policy platforms, it becomes more likely that voters will judge politicians based on the types of programmatic benefits they can provide to their constituents, creating

a huge incumbency advantage.

In both of these case studies it is apparent that the institutional design upon which decentralization was implemented mattered. In the Indonesian case study the ambiguous wording of the law — which gives the central government the right to assume “all other authorities” — allowed the central government to devolve more control to local governments.<sup>34</sup> The district level decentralization scheme can also be called into question, given the unpreparedness of the districts to handle the tasks once administrative decentralization occurred. Rather than increasing administrative efficiency and improving on the provision of public goods, districts were left unprepared for the responsibilities of decentralization and could not effectively administer the provision of public goods. Furthermore, the fact that income and corporate taxes were kept by the federal government provided a disincentive for districts to compete with one another in order to attract business and income.<sup>35</sup> This had negative consequences, since competition between local governments typically leads to better policy ideas and implementation that would only work in favor of local populations.<sup>36</sup> Instead, local politicians were left to seek revenue from natural resources, which led to less accountability of funds and more avenues for corruption. This was evidenced by the fact that although local governments raised more revenue in Indonesia, these funds were not necessarily used for better public service.<sup>37</sup> If decentralization is supposed to bring the government closer to the people, the indirect election of district politicians makes it less likely that this outcome will emerge.

The results of decentralization in Pakistan show a similar trend. The form of

“partial decentralization” administered at the local level still allowed the provincial authorities the ability to wield power over district affairs, without giving the district-level decision makers authority over management of vital district functions.<sup>38</sup> Furthermore, indirect election of district nazims made the decision making process less transparent at the local level. Rather than trying to curry the votes of the district as a whole, the district nazim is more inclined to seek the support of union votes, which represent a much smaller swath of the population. This makes it more likely that politicians will seek to provide a more targeted selection of programmatic goods rather than providing goods for the general public. Indirect elections at the district level, and political parties which lack policy platforms, make it more likely that politicians will adopt clientelistic practices. The issueless nature of politics in this example gives voters less of an opportunity to hold politicians accountable.

## Conclusion

Decentralization does not always live up to the expectations of its advocates. As we have seen, politicians support decentralization if it suits their interests. However, these same initiators of decentralization can also work to derail the deepening of decentralization if it does not work in their political interest. In theory, decentralization should be a win-win proposition for all involved actors; however, in order for decentralization to succeed, the right mixture of political incentives, sequencing, and political design must be at work to facilitate this reality.

## Endnotes

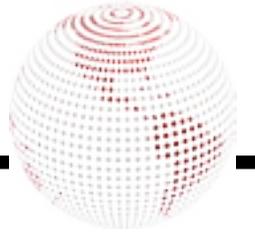
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# The Problems of Former USSR Citizens in Russian-Latvian Relations



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## Introduction

The problem of migration is one of the most urgent ones in the modern world. As a rule, people migrate voluntarily. In the USSR, however, migration against people's free will was quite a widespread phenomenon. Thus, many Russians found themselves in the Baltic Soviet Socialist Republics. The USSR broke up, but the consequences of its disintegration still influence Russian-Latvian relations. About 15 percent of the Latvian population, mostly Russians, have the status of non-citizens and are therefore restricted in their rights compared to ordinary citizens. There are also other difficulties with the use of the Russian language by the Russian-speaking population, even by Latvian citizens.

In this article I will focus on the problems of the former USSR citizens in Latvia by considering history and analyzing the current state of affairs. The tasks are to investigate the origins of the problems, show their ambiguity, and reveal possible prospects for the future. Thus, being a rather popular issue in Russian and Latvian journals, the problems mentioned above are poorly presented in world scientific databases, e.g. in EBSCO.

In that context the term "alien" (non-citizen) shall be defined as a person who lives

in the country of destination but does not have a citizenship. Those persons are not stateless because they have Latvian passports, but because they are called to be alien's passports of the Republic of Latvia. For that reason there are two types of passports in Latvia — the citizen's passport and the alien's passport.

## The roots of the problem

On Oct. 15, 1991 the Supreme Soviet of the Independent Republic of Latvia issued a regulation stating, "On restoration of the rights of the Latvian Republic citizens and on main conditions of naturalization," which automatically granted Latvian citizenship to only those who had it before the Soviet period, and to their descendants.<sup>1</sup>

Latvia was forced into the Soviet Union in 1940. A similar law on citizenship was adopted in Estonia, where unlike Lithuania, the citizenship was granted to all of those who resided in the Republic at the moment of the proclamation of independence.

During World War II, a number of Latvians lost their lives and many were deported to other regions of the USSR. During the same period, people mainly from the Russian Soviet Federative Socialist Republic were sent to Latvia. It is noteworthy that the Baltic countries were treated like

decent places in popular understanding, because of their higher living standards. In 1991 the status of this category of people was not defined. Then, in 1994 and in 1995 two laws (“On the Latvian citizenship” and “On the Status of those Former USSR Citizens who do not have the Citizenship of Latvia or that of any Other State”) were adopted. Aforementioned persons were granted the status of “non-citizens” and were approved by special passports. Non-citizens would only be able to acquire citizenship after many years. For example, people who arrived in Latvia aged over 30 could only receive citizenship in 2002.<sup>2</sup> These terms of naturalization were later cancelled — aliens nowadays make up to 15 percent of the Latvian population.<sup>3</sup> The worst



A bird's eye view of Riga, Latvia. Russian aliens compose nearly 15% of the country's population.

aspect of their status is the restriction of their rights. They do not have the right to vote, hold public office, join the military service, practice law or become a public notary. They are also vulnerable with respect to social and property rights and business activities.<sup>4</sup>

And why is Russia interested in finding solutions for that problem? The response is simple: 66.1 percent of non-citizens in Latvia are ethnic Russians (there are also Belarusians, Ukrainians, Lithuanians, Poles and Latvians)<sup>5</sup>. They arrived to Latvia in the Soviet time when the dominant language was Russian. Nowadays they have to pass an exam in the Latvian language to obtain Latvian citizenship, and also demonstrate their knowledge of Latvian history. Some managed to pass the

history exam, but some elderly people failed because the essence of the exam often contradicts their world outlook.

The problems of discrimination against the Russian-speaking population, and infringement of the use of the Russian language, are also closely connected with the problems of aliens (Russian aliens compose 35.9 percent of all ethnic Russians in Latvia). A great scandal burst out in 2004 when it was decided that 60 percent of lessons were to be taught in Latvian in secondary schools for national minorities.<sup>6</sup> But the problem not only concerns educational questions. For example, an official representative of the Russian Ministry of Foreign Affairs, A. Nesterenko, said “when the local government is fined for giving information on tariffs and services in Russian in places where the Russian-speaking population compactly resides, it is absurd.”<sup>7</sup> The phenomena of linguistic plurality can be observed at the same time: almost

***The problems of discrimination against the Russian-speaking population, and infringement of the use of the Russian language, are also closely connected with the problems of aliens***

every website of the state power body is accessible in three languages: Latvian, Russian and English. With regard to language policy in Latvia in general, one can judge that it is in a predicament. The Center of Official Language of Latvia stated in October 2010 that some of the Members of Parliaments have problems with the Latvian language, an assertion that was confirmed by the Speaker of the Saeima (the Latvian parliament).<sup>8</sup>

The non-citizen issue is frequently discussed during top-level negotiations between Russia and Latvia. Russian diplomats meet with the representatives of the Russian communities and do their best to support the

Russian-speaking population. In 1999, age restrictions of naturalization were abrogated, so children of non-citizens born in Latvia after 1991 are now granted citizenship following parents’ application. In 2007 the Russian Foreign minister S. Lavrov, visiting Riga, voiced three Russian proposals on how to solve the problem: 1) to give non-citizens’ children (born after 1991) citizenship without any application, to solve the problem of non-citizens within one generation 2) to give elderly people citizenship without exams, because they have been living in Latvia for so many years 3) to grant non-citizens the right to participate in local elections because non-citizens live there, pay taxes but they cannot elect or be elected while the E.U. citizens can.<sup>9</sup> The alien problem has a great impact on the political life of Latvia, and in response domestic forces exert their efforts to find an appropriate solution. The main champion of non-citizens rights in Latvia is a political party called “For Human Rights in United Latvia (FHRUL).” Its goal is to secure automatic citizenship for everybody who permanently resided in Latvia in 1991 or, at the very least, to enlarge aliens’ rights. As essentially a party of Russian speakers, FHRUL also maintains the official status of the Latgalian language (Latgalian make up a special ethnic group that developed separately in the eastern lands of Latvia) in local communities. FHRUL operates actively in the Latvian parliament and forwards petitions to the Constitutional court.<sup>10</sup> It also calls on European organizations to influence the Latvian government. When Max van der Stoep was the High Commissioner on National Minorities of the OSCE, the OSCE firmly backed human rights supporters. Then, there were petitions to the European Parliament and to the European Court of Human Rights. Vivid, emotional, and supported by the speeches of FHRUL member of the European Parliament, Tatjana Zdanoka, FHRUL seemed to attract attention in Europe. For instance, the European Ombudsman admitted that differences in rights contradict the

Constitution of Latvia. European organizations have played an important role in harmonizing the aforementioned citizenship law and made efforts to influence the language policy in the private sphere. Latvia was forced to stipulate that government regulation in the private sphere could only be in place in case of legitimate government interest.<sup>11</sup>

**Does this problem really exist or is it the aliens who prefer to retain their status?**

It is widely acknowledged that the non-citizens problem is a double-edged issue. For example, the Head of the Baltic and Nordic Countries Research Center in Saint Petersburg, Dmitri Lanko, believes that granting citizenship to the people who had resided in Latvia before 1940, and to their descendants, corresponds to the international law. Other people who have not obtained any citizenship receive the foreigner’s (alien’s) passport.<sup>12</sup> Lanko omits the “alien” category, saying that this passport (alien’s passport) gives almost equal rights as a Russian one except the status of residence

***15 percent of the Latvian population, mostly Russians, have the status of non-citizens and are therefore restricted in their rights compared to ordinary citizens.***

permit (aliens have permanent residence permit as opposed to other foreigners who have temporary permit). By contrast, an E.U. citizen can participate in local elections after six months residence in Latvia. In 2003, the Parliamentary Assembly of the Council of Europe accepted a recommendation that claims that there is a need to “grant immigrants who have been legally living in the country for at least three years the right to vote, stand in local elections and encourage activities to foster their active political participation.”<sup>13</sup> Finally, it was essentially the “immigrants” who developed the industry of modern Latvia.

Nowadays, however, their merits and even current work for the Latvian prosperity are forgotten.

The non-citizen issue is extremely politicized in Russia, because of the pro-European and especially pro-NATO orientation of the Baltic states thinking can be expected.

Being an alien is quite profitable. Aliens can visit both the E.U. countries and Russia without visas (while Latvian citizens have free access only to the E.U. countries). On the Jun. 17, 2008, Russian president D. Medvedev signed a decree abolishing 90-day visas for aliens. Such a situation occurred between 1993-2000. There was an opinion in Latvia that this decision prevented the Latvian society from integration and hindered the naturalization process.

Before the year 2007 the main reason for the young aliens being denied Latvian citizenship was unwillingness to serve in the Latvian army.<sup>15</sup> A friend of mine, an alien, says that he has no problems — he does not work in public service, he is not interested in politics, and so he is satisfied. Finally, one can also discuss the philosophy of aliens. Some of them say that they do not deliberately intend to become citizens of any country. They do not like Latvia, and they are afraid of Russia. They do not associate themselves with any state. They keep neutrality, without taking the false oath, and they are free.<sup>16</sup>

Taking into consideration their philosophy, we should not forget about its origin. In my opinion it is impossible to justify the fact that the non-citizen problem has not been solved because of the alien philosophy.

### Contemporary situation and implications for the future

The alien problem still has to be managed. This issue creates a political demand for the Latvian political parties (ethnically non-Russian parties). The problems of the Russian-speaking population are manifest in the rhetoric of the Harmony Center (the party where ethnic Latvians and Russian-

speakers work together), the second party by the number of votes in parliament. The integrated group of the Latvia's First party and the Latvian Way also poses a concern, and Demokrāti.lv (not in parliament) even stands for the automatic citizenship for aliens. Take into account the fact that the Harmony Center emerged after the split of FHRUL in 2003 and instead of being a partner to FHRUL it turned out to be a rival.<sup>17</sup> It is obvious that Latvian parties are more attractive to the electorate, thus explaining the failure of the FHRUL during the last elections. At the same time



*Former President of Latvia Vaira Vīķe-Freiberga.*

the interest of Latvian political forces in these problems cannot make everybody happy.

In February 2009 the European Parliament made a formal inquiry to the Latvian government about the situation with aliens and recommended that they give them a right to participate in local elections.<sup>18</sup> In October 2010 the former president of Latvia Vaira Vīķe-Freiberga said "non-citizens will be given this right as all conditions in Europe induce to do this."<sup>19</sup>

Latvia is a sovereign state and nobody can impose a viewpoint about what policy she should implement. The aim of the author is not to blame Latvia for its actions but to attract attention to the existing problems. The process of naturalization has been carried out. The number of aliens has been reduced by only 38 percent since the beginning of naturalization process.<sup>20</sup> What is the problem? It's probably the unwillingness of the aliens

to become citizens. The aliens problem might stem from the question of the identification of the Latvian society. Latvians have the bare majority in their own country, particularly in Riga. 42 percent of the Riga population is ethnic Latvian, while 40 percent are ethnic Russians.<sup>21</sup> It seems that the Russian proposal to give Latvian citizenship to people born after 1991 will solve the problem in one generation. The priority of the Latvian laws and the Latvian language must be complied with, but the respect for the people and ethnic minorities should be proved. "How could aliens be motivated to pay taxes?" — wonders Peteris Krigeris, the president of the Latvian organization of free trade unions. "Nobody knows how their collected taxes return to them. It probably entails the flourishing of shadow economy."<sup>22</sup> Moreover, Latvia has the Constitution of the interwar period when Latvia was independent. And during that period Latvia had the most liberal laws regarding ethnic minorities. There were schools for the seven largest minorities and so-called ethnic clubs. Minorities were given the real support by the state. Of course, during the Soviet period, the situation with ethnic schools was rather difficult, but Latvia could resort to pre-war period instead of miring itself down.<sup>23</sup> Why not?

Attempts by the Latvian authorities to integrate people into the Latvian language and vice versa have not been very successful. Their policy also fosters protest. As Mara Lazda from The Eugene Lang College, N.Y. writes "these tensions should not be underestimated. Everyday experience as well as scholarly studies testify to the continued existence of a parallel 'two-community' society — one Latvian-language, one Russian-language."<sup>24</sup>

Although excluded from the public sector, aliens take part in economic structures quite successfully. And because Russian-speaking young people are also very competitive, they start playing an important role in the national economy.<sup>25</sup> Also, Latvia endures a massive emigration.

Macroeconomist Edward Hugh cites the research of Eliana Marino, which found that from 2004 to 2005 Latvia was abandoned by 40,000 people, 87 percent more than what is registered in official sources.<sup>26</sup> There is a real outflow of the population caused by the economic problems of the country. In accordance with Eurostat statistics, the total population of Latvia decreased from 2,650,000 to 2,250,000 from 1990 to 2010.<sup>27</sup> If this is the case, will it be profitable for Latvia to have other troubles with its people? According to a postulate by a prominent political scientist Ian Lustick, in divided societies stability can be achieved by introduction of partial control: majority ethnic group subordinates politics and economics is divided between the majority group and the minorities. This begs the question: would this consociation model be applicable to Latvia?<sup>28</sup>

The Latvian government is rather passive in solving the non-citizens problem. This is because there are difficulties with the construction of the national identity in Latvia, thanks to two forms of consciousness of its people: national and post-Soviet. Latvian authorities also do not want to create unnecessary rivalry in politics to maintain political balance in society. It is possible to conclude that the elites' orientations can only be changed by dialogue inside the country and with the aid of international organizations. Anton Steen, a professor from University of Oslo Anton Steen proposes that further integration of Latvia into the E.U. and NATO will allow Latvia to learn policies through international networks and will push liberalization of the legislation.<sup>29</sup> At the same time, the alien problem does not cause radical disturbances. Alien philosophy, the system of partial control and other privileges of non-citizens (like free entrance both to the E.U. and to Russia) are the reasons for public peace. But the use of the Russian language is rather restricted, which causes the problem. I hope that the aforementioned issues will be solved. The alien problem can be adjusted by the

implementation of Lavrov's proposals, and the problem with the use of the Russian language can be settled through soft policy. geared towards minorities in Latvia.

## Acknowledgement

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Alien's passport. Source: [http://ru.wikipedia.org/wiki/%D0%A4%D0%B0%D0%B9%per%D0%BB:Pasport\\_negrzhdanina\\_Latvii\\_1.JPG](http://ru.wikipedia.org/wiki/%D0%A4%D0%B0%D0%B9%per%D0%BB:Pasport_negrzhdanina_Latvii_1.JPG)

## Endnotes

- 1 Endnotes
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# The New Geopolitics: Why Nuclear Weapons No Longer Serve US Interests



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*Richard Burt is the former U.S. ambassador to Germany, and recently played a critical leadership role in the ratification of the Strategic Arms Reduction Treaty (START). Burt had previously served as a correspondent for the New York Times, and is a current managing director of McLarty Associates. The following essay is a transcription of his lecture at Cornell University, given on December 2.*

One of the big issues in Washington right now is whether or not this lame duck Senate is going to ratify the new START (Strategic Arms Reduction Treaty). I want to start by making a proposition or offering hypothesis about nuclear weapons. In my view, they are very much 20<sup>th</sup> century weapons. We often forget that the technology really goes back to the famous Manhattan project during the course of World War II. But they are 20<sup>th</sup> century weapons, geopolitically in my view, in part because they are seen as weapons of deterrence. In the minds of many historians and politicians, when they think of WWII, they think about the failure of deterrence — the whole Munich analogy: the fact that France, Britain, and other European countries failed to deter Nazi Germany, and that nuclear weapons going forward from WWII were seen as instruments that threatened unacceptable damage, thus deterring any new manifestation of Adolf Hitler or Nazi Germany.

Of course these were the weapons of the Cold War, another 20<sup>th</sup> Century phenomenon. They were in some ways a principle instrument of waging the Cold War, by both the U.S. and the Soviet Union. Nuclear weapons were seen as a means of controlling and moderating a grand ideological and global competition between the two superpowers. Threatening unacceptable damage was viewed as a

rational means of dampening a conflict, which could be triggered by an isolated incident — say an incident in divided Berlin during the Cold War, which could then escalate to a superpower nuclear exchange. Thus, the U.S.-Soviet nuclear competition during the Cold War — what came to be known as the “Arms Race” — became a way of measuring and sometimes testing commitment and courage in not letting the other side gain the upper hand. There would be no nuclear eunuchs. Both sides were determined to demonstrate that deterrence would work, and not allow the other side to achieve global political and military domination. Thus, memories of appeasement were a critical factor for both sides, and more broadly, so were the lingering memories of WWII during the Cold War more broadly.

Now I talk about the Cold War because I personally was very much part of that process. After graduating from Cornell, I attended the Fletcher school, where I discovered my passion, which was studying the dynamic of the U.S.-Soviet nuclear competition. From there, I went to the New York Times, where I was the recipient, not of WikiLeaks, but of many other leaks that described the new developments of nuclear weapons in the Soviet Union, and the response of the United States. Then, I went onto the State Department, where I was put

in charge of one of the most complicated and challenging tasks of U.S. diplomacy during that era. I had the job of rallying NATO support, or our European allies' support for the deployment of 572 nuclear-armed missiles, based in Europe, but targeted against the Soviet Union. This was a very different era. There were huge protests in Europe against the deployment of these so called "Euro Missiles," and there were also Soviet threats. The Soviet Union, in an effort to dissuade the alliance from deploying these missiles, threatened a new "Ice Age" in East-West relations. The bottom line was, in the fall of 1983 we — i.e. the Reagan administration and its European Allies — prevailed. We deployed the missiles, a move viewed as one of the important turning points in the Cold War.

At the same time, already in the 1980s, things were beginning to change. On the U.S. side, I remember very clearly that both Ronald Reagan and George H.W. Bush were both looking for a way out of what they thought, or what appeared to be, an endless arms competition with the Soviet Union. And perhaps more importantly, there were changes on the Soviet side too. Mikhail Gorbachev came to power, and I think he rapidly reached two critical conclusions in the mid to late 1980s. First, the Soviet Union did not have the economic wherewithal to keep pace with the United States in this nuclear arms competition. It was just too expensive, and too technologically demanding. Secondly though, Gorbachev also understood that both the Soviet Union, and the broader Soviet empire — the Warsaw Pact, the eastern European countries under Soviet military, political, and economic domination — required reform. I now remember a meeting that my boss, George Schultz, convened in the mid 1980s on the 7<sup>th</sup> floor of the State Department. It was a Saturday morning. He brought a lot of the U.S. Government experts on the Soviet Union together what to informally discuss Gorbachev and what was going on in the Soviet Union. The one thing I remember

very clearly was a young, talented C.I.A. Russian analyst named Bob Gates, the current Secretary of Defense. After hearing many people argue that Gorbachev represented something "new," and that he was a reformer, and was ready to change the Soviet Union, Gates said, "Mr. Secretary," looking at George Shultz, "Mikhail Gorbachev is Leonid Brezhnev in a nine hundred dollar suit."

Well, Bob Gates was wrong, at least about Gorbachev, and you know the end of the story. The Soviet Union collapsed because Gorbachev, despite his best efforts, revealed the contradictions of reforming a highly authoritarian system. Once you begin to try to reform it, it begins to unravel. Thus, since the early 1990s, what we have seen with the end of the Cold War, the end of the Soviet Union, is a slow but steady transition to a new and different international system. This system is more open, more polycentric; it has more points of power, and is one, in my view, that is less based on geopolitics, or perhaps better put, less based on military politics and more based on geo-economics. Strangely, the United States, and to some extent the new Russian Federation, have had the most difficulty since the early 1990s in making this transition to a new international order. To understand this, you need to better understand the nature of this new international system. For great powers, for the major power in the United States, Russia, mature European democracies, emerging markets like China, India, and Brazil, this new system is in some respects, a return to the 19<sup>th</sup> century. It is a kind of balance of our world where we have shifting alliances rather than permanent alliances. We have a flexible focus on short term calculations of national interest, but unlike the 19<sup>th</sup> century, the currency of power has changed, and this is what's critical for understanding the new role of nuclear weapons. The currency of power has changed from military power to economic, technological competitiveness.

Thus, this is where we see perceptive analysts like Tom Friedman, who understands

and has explained to us that for the foreseeable future, the key elements of national power will be economics, technology, and education. For the first time in over half a century, the United States will be competing on a more level playing field. Unlike the 19<sup>th</sup> and 20<sup>th</sup> centuries, wars of acquisition, of territorial enlargement, will look less unattractive to major powers, and will look increasingly risky. Instead, countries will



Schematic showing nations with nuclear weapons programs. Nations shown in dark grey are part of the NPT.

be able to achieve their objectives without territorial acquisition, because in a globalized world economy, trade and investment can do the job. Look at Japan and Germany. In the 1930s Germany unleashed a war in Europe based on the desire for *lebensraum*, the idea of living space, of needing more space to grow and prosper. Germany of course was decisively defeated; the *lebensraum* dream disappeared. But, look at Germany today. Germany accounts for one third of the European G.D.P., and their businesses have penetrated every market in the European Union. They've even gone beyond the European Union, and are Russia's number one trade and investment partner. In today's world, it releases its very productive and very capable industries. They have succeeded, if you will, in their 1930s dream, but through a geo-economic strategy, not a military one.

Japan is also a case and point. In WWII, Japan wanted to create a "greater Asian co-prosperity sphere," and in fact they pretty much did that in the 1960s and '70s. The Japanese may have problems with their economy today, but it has nothing to do with the fact that their

impressive economic growth during the post-war period underscored the new currency of power in International Relations. Thus, the bipolar world that we were familiar with during the Cold War, and the short period where at least some people in Washington, especially the neo-cons, talked about a uni-polar world with only the United States. The bi-polar and uni-polar states have passed away. What we have now is a cluster of mature economies and big emerging markets, like the B.R.I.C.s, that will secure their interests, chiefly through innovation, trade, and investment in the years ahead.

Now, does this mean that nuclear weapons and nuclear deterrence will entirely lose their relevance? Not completely. If the United States were to shift its strategy overnight, drop the idea of nuclear deterrence, and unilaterally disarm its nuclear arsenal, such a move would be highly destabilizing. It would be misunderstood by our political adversaries, who would view it as an inexplicable act of unilateral disarmament. It would unsettle our allies, who have come to depend on U.S. military power, to some degree, for deterrence. But, I do believe that among the new cluster of great powers, that nuclear weapons and deterrence will over the next decade or so become increasingly irrelevant. We are entering a period when patterns of both international cooperation and conflict will shift quickly, depending on the issue, depending on the national interest of the country involved, and where threatening unacceptable damage with nuclear weapons will no longer seem like a rational foreign policy decision. For example, under what circumstances today would the United States threaten to use nuclear weapons against Russia? I can't really think of a plausible scenario where we would launch hundreds or thousands of nuclear weapons against Russia. And why, for example, would China threaten the United States with nuclear weapons, particularly knowing that they're not going to get any of the money back that they've lent us if they destroy us as a functioning society? In

the great power world of the future, nuclear weapons and nuclear deterrence become less relevant and less important.

I guess at this point in the lecture I could just stop and say 'Welcome to the brave new world, isn't it wonderful?' Unfortunately, I can't, because the other side of this G-20 world, the other side of this major power world —, which is focused on economic competition, innovation, trade and investment as ways for countries to make their mark and protect their interests —; there is another world;; a darker world of rogue states, like north Korea and Iran; of failing states, potentially like Pakistan, and sub-state actors, some of them entirely irrational, i.e. al-Qaeda, the Taliban, and others. And here, unfortunately, as nuclear weapons become less relevant for the G-20 world, nuclear weapons are becoming more important, rather than less important. For one thing, the technology is just much more available than it was before. Remember, this technology is now over 50 or 60 years old. You can find plans on the Internet, and if you can obtain either the plutonium or the enriched uranium, then you can build one. It may not be as efficient or as capable as those deployed in the U.S. stockpile, but it can kill several million people if you detonate it in downtown Manhattan. That know-how and that material are becoming much more available.

More importantly, the desire to obtain this capability on the part of rogue states, failing states, sub-state actors, terrorists and others, is equally as strong. Let me give you a couple of examples. I agree with the vice president Joe Biden, who has been quoted in saying, "Pakistan is the most dangerous country on this planet." Think about it. It's a three-for. They have a government that is arguably failing. It can't deal with the normal stresses and strains of government, let alone the pressures it's under from insurgent attacks, natural disasters, and a governance divided between incompetent civilian leadership and a very powerful military leadership — in short, failing governance. Number two, they

are hosting — whether they know it or not — a group like al-Qaeda in the northwest provinces, and the Pakistani Taliban is increasingly active throughout the country. They are increasingly becoming a platform for terrorism both within Pakistan and externally. Finally, they not only have a stockpile of nuclear weapons, but of all the existing nuclear powers, they are building them faster, and manufacturing more weapons grade material than any other country in the world. Pretty scary.

Not too far from Pakistan of course, is Iran. I'm not sure whether the Iranians (this is a controversial thing to say in Washington) have yet decided to acquire nuclear weapons. In fact they may not actually, if they do build a "weaponized" nuclear weapon — one that can be deployed on a missile or delivered by an aircraft. They may not even tell anybody. They may want to keep people guessing about whether or not they've gone nuclear. For me, the danger of an Iranian nuclear weapon is not that they are going to immediately, once they acquire it, nuke Israel or Saudi Arabia.

In the case of Israel, the Iranians are rational enough to know exactly what the Israeli response would be. The danger is what some people call the cascade effect. I mentioned

***In the great power world of the future, nuclear weapons and nuclear deterrence become less relevant and less important.***

the Wikileaks articles just a few minutes ago. One thing that is very clear, despite what Arab leadership in the gulf says about Iran, is that in private they are very worried about Iran, and they are very concerned about Iranian domination of the gulf. If the Iranians go nuclear, you have got to believe that other countries in that neighborhood that will start to think about nuclear weapons. I was just in Turkey three weeks ago, sitting around with Turkish government officials, and I asked them what Turkey will do if Iran acquires a nuclear weapon. There is no real debate or

disagreement about it. It seemed very clear to all of them that Turkey would have to acquire its own nuclear capability. I think the Saudis seriously consider that option; the Egyptians



*Barack Obama and Dmitri Medvedev shake hands after signing the New START Treaty.*

would be another country that would consider that option. We could then see, rather than Iran just going nuclear, three or four or more countries moving towards nuclear weapon status. Add the Israelis, add the Iranians, and we're then talking about the world's most volatile region with five or six nuclear powers. Iran and nuclear proliferation are enormously dangerous.

I won't even go into detail about North Korea — it is probably closest to what some analysts call a crazy state. I don't think that Iran is a crazy state. I don't even think Pakistan is a crazy state, but North Korea must fit that definition better than anybody else. Now I think that they have used their already existing nuclear arsenal for blackmail purposes — to get money, support, aid, attention of the international community, get people back to the negotiating table — anything to keep themselves on the front page. But they are going through a period of transition, and some of the things that they have done recently — sinking the South Korean frigate, shelling an island — tells me that if there's a place where a miscalculation could lead to a holocaust, it's North Korea. That's the dark side of this new G-20 world— the proliferation side of the G-20

world, and I think as these cases all in one way or another demonstrate, its hard to come up with a silver bullet solution to this problem; there's no kind of overarching simple solution. You can try to buy some of these countries off. We've tried that with North Korea — we've offered them food aid, other sorts of support, but they've continued to pursue their nuclear program. We could look at military force. There are those who advocate the Israeli or American bombing of Iran. But as people who have looked at that problem carefully will tell you, it doesn't solve the problem. It may defer the problem for a few years, but we don't know where the Iranian infrastructure is, and we don't know where all of those sites are.

What about the unintended consequences? What could the Iranians do to us in Iraq or in Afghanistan? What could they do to the shipping lanes through the straights of Hormuz? Military solutions are not as attractive as some people think, once you look at them more carefully. There's nation building. We could go into Pakistan and spend billions of dollars and try to give them good schools; we could try to clean up their creaky bureaucracy and infrastructure, but that's a long-term enterprise. By the way, I don't think that Americans are good at nation building anyways — we're not patient enough. We're not like the British in the 18<sup>th</sup> and 19<sup>th</sup> centuries that spent their careers in India. We rotate people back and forth every six months. We're not good nation builders; I don't think nation building is a solution.

What is necessary in my view, first and foremost, is building a strong international consensus around the 1968 Nuclear Non-Proliferation treaty, which recognizes the relationship between what analysts call vertical proliferation — building more nuclear weapons by countries who already have them, piling them up — and horizontal proliferation — new countries acquiring nuclear weapons for the first time. Our goal in the long run should be to de-legitimize nuclear weapons in largely the same way that we have delegitimized

chemical weapons and biological weapons. I don't know anybody today who deploys biological weapons. There have been efforts in the past, and there has been some biological terrorism, but basically we have ruled biological and chemical weapons out of acceptable international behavior. We should have the capacity to turn those countries that want to have nuclear weapons, and get them into international pariah states. They should be isolated. The way to do this in my view is to elaborate and then implement, as we've done at Global Zero, but other groups are doing the same work as well, a twenty-year-or-so program in which the existing nuclear powers — the major powers — would make a serious effort to reduce and explore the complete elimination of nuclear weapons over a period of 20-25 years.

Now you say, "that's a bold initiative, that's a bold dream, but is it really realistic?" Well, what's interesting is that we're making some headway already, and we take that headway for granted. For one thing, we couldn't, and I'm saying this as a Republican, we couldn't make a plausible case for Global Zero if it wasn't for Barack Obama, because he put nuclear weapons back on the front page. And he talked, and has talked repeatedly about the elimination of nuclear weapons worldwide. He did it most impressively in his Prague speech early on in his presidency. He

***I'm not sure whether the Iranians (this is a controversial thing to say in Washington) have yet decided to acquire nuclear weapons.***

got Dmitri Medvedev, the Russian president to sign up to the same goal. This was the first time a Russian and American leader had ever jointly called for the elimination of nuclear weapons. Then, in the first U.N. security council meeting ever chaired by a U.S. President, he got the French, the British, the Chinese, and the other members of the security council, to sign up for the long term goal of nuclear elimination.

More recently, in his nuclear posture review last year, he deemphasized the role of nuclear weapons and said, "The United States would never use a nuclear weapon against another member of the Nuclear Non-proliferation treaty that was abiding by that treaty." That was an important initiative.

Obama convened a nuclear security summit, where over fifty countries and heads of government came to Washington and agreed on a three-year work program to address the "Loose Nukes" problem, and to begin to gain control of all of this nuclear material and nuclear know how, so that it didn't fall into the wrong hands. That's good progress, but the real test is for the existing major nuclear powers to get this reduction regime underway. The first step, obviously, is to get this new START treaty ratified — the one that the U.S. and Russia have negotiated, which brings down the number of deployed nuclear weapons down to 1500 and 50, and the number of launchers, missiles and bombers down to 800. If that treaty gets ratified, we can go back to the Russians and negotiate a follow on treaty, which I believe could bring weaponry down to a thousand or so nuclear weapons. I think that's a magic number. If you can get both sides' number of nuclear weapons down to roughly 1000, I think you have a fair chance of getting China to the table.

The Chinese have never willing to compromise, or formally negotiate any constraints on their nuclear forces. Why would they do it under this circumstance? They would see, they would understand, that without their agreement to come to the table, there's no incentive for the Russians to go much further. Because what the Russians will tell you privately is that 'we're not going to go that much lower, because we have to worry about the Chinese.' But if you can tell the Russians that the Chinese will be there, in another negotiation where you come down to 1000, then you've got a win-win for China and Russia. What happens when you get China to the table? Then you have the leverage to get

the Indians into the negotiation. What we need to aim at is not just another round of the old fashioned U.S.-Russian negotiation, but a great power negotiation — a multi-lateral negotiation where everyone including the Pakistanis and the Israelis would agree to schedule proportional reductions.

At some point you enter what people call the endgame, where you get to zero. I am not going to address that because that's a long way off. I just want to focus on the next ten years. Our goal for the next ten years, though, should be to get this new U.S.-Russia agreement ratified, get another U.S.-Russia agreement that brings warheads down to a lower level of around 1000, and gets this multilateral negotiation with all of the major nuclear powers underway.

I will conclude by saying that if we can't get this rather modest, existing treaty, that's before the Senate, ratified now, then all bets are off on the ability to pursue the this ambitious two-decade goal of nuclear elimination. For one thing the Russians aren't just going to say, "well, too bad you couldn't follow through on the deal let's start again." No. The Russians have already indicated, "We can't do business with you guys. We're going to pursue our own options; some of them will be military. If you can't negotiate a treaty and then get it ratified, then there's no real future in this process." What is that going to do to

the credibility of our non-proliferation policy? How do we look Mr. Ahmadinejad in Iran in the eye, and say "you can't have nuclear weapons," when he's going to say "you can't reduce nuclear weapons! You've got thousands of nuclear weapons. You and the Russians have 95 percent of the world's stockpile, and you can't get a treaty ratified to reduce a few hundred of them?" We will look totally ridiculous in that situation. We give the Iranians, the North Koreans and anybody else who wants to acquire nuclear weapons the talking points for doing so, because the talking points are very simple. The Americans talk a good game but they can't get it done. Finally, at a time when we are paralyzed in Washington over coming together on a plan to reduce our fiscal deficit, and our national debt, to not be able to carry out a critical foreign policy initiative, the United States might begin to resemble what Richard Nixon, at the height of the Vietnam War, might call a "pitiful, helpless giant."

That's the challenge, that's what this treaty is all about. It's not just about another old fashioned, U.S.-Russia Cold War agreement. It's about launching a grand process, which will deal with the dark side of globalization — the spread of nuclear weapons — and strengthen the bright side of globalization — a globalized economy with greater productivity, innovation and prosperity.

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[http://commons.wikimedia.org/wiki/File:Obama\\_and\\_Medvedev\\_sign\\_Prague\\_Treaty\\_2010.jpeg](http://commons.wikimedia.org/wiki/File:Obama_and_Medvedev_sign_Prague_Treaty_2010.jpeg)  
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# The Key Drivers of Human Security Discourse and the Challenge to Realism

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Recently, earthquakes in Haiti, Chile and New Zealand, mudslides in Brazil, a catastrophic oil spill in the Gulf of Mexico, the fallout from the fiscal crisis in Greece, and refugee flows out of Libya have highlighted the continued relevance of non-traditional threats to state and non-state security, and of human security as a lens through which to understand them better. In March 2010, even a former head of the Australian army, Peter Leahy, while criticizing the Australian government's defence spending, described the world as a friend of human security might:

We've also seen the changing nature of threats, from territory and sovereignty to terrorism, transnational criminals, [and] cyber-warfare. We've still yet to figure it out, but food, water and energy shortages, climate change, pandemics, mass migration, how do we live and deal with that sort of stuff? We also have to deal with failed and failing states. We've intervened in a number of states in our region and there's an expectation that we should ...

We need to have a very close look at the most effective tools to use in this new security environment, and my view would be that one of those things is let's have a look at high-end equipment being procured for the least likely defence eventuality.<sup>1</sup>

Thus, like the rich landscape of contemporary human rights discourse, the world of human security is signposted with many of the leading issues in international affairs, including not just the traditional ones of nuclear weapons and arms control, but also drug and human trafficking, pandemics and health security, climate change and environmental security, population movements, food and water security, poverty and homelessness, genocide, and violence against women and gays.<sup>2</sup>

Just as interesting, though not fully explored in this article, has been the way in which the discourse of human security has elicited spirited responses from members of most of the main schools of International Relations (IR) and security theory, including realists, liberals, cosmopolitans, feminists, constructivists and critical theorists.<sup>3</sup>

This short article is drawn from a larger research project exploring the origins of human security discourse, its theory and practice, and its meaning and utility for governments, international and regional organizations, the third sector and civil society. The project also investigates the extent to which human security has been institutionalized and operationalized at various levels of governance. It is funded by an

Australian Research Council Linkage Learned Academies Special Projects grant with the support of the Australian Academy of Social Sciences, the Institute for Human Security at La Trobe University (Melbourne, Australia), and other partners.

In particular, the project explores the meaning and utility of human security as a response to non-traditional threats to states and human beings—threats that have arisen, and become more visible to, scholars and policy-makers monitoring a globalizing and interdependent world.

My research as part of this project relies primarily on political science and IR literature to explore the main drivers (the subject of this article), precursors and concepts of human security. I am especially interested in the tense "dialectic" between national and human security,<sup>4</sup> its overlapping connection with the responsibility to protect (R2P) principle and the ways in which it straddles thinking about peace, development, welfare, human rights and human well-being.

## What is human security?

Influenced by the capabilities approach of the Nobel prize-winning economist Amartya Sen—including its focus on the fundamental importance of freedom to human fulfilment, autonomy and the satisfaction of the full range of basic needs—the Commission on Human Security (CHS), in its impressive report in 2003, defined human security in the following terms:

Human security is concerned with safeguarding and expanding people's vital freedoms. It requires both shielding people from acute threats and empowering people to take charge of their own lives ... Human security complements state security, enhances human rights and strengthens human development ... It means protecting people from critical (severe) and pervasive (widespread) threats and institutions.<sup>5</sup>

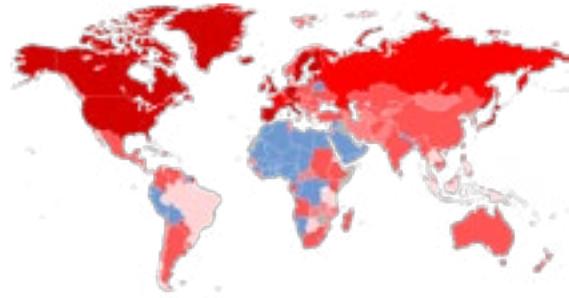
The CHS synthesizes the themes of freedom from fear and want pervasive in

UN discourse and emphasizes that human security is "people-centred," and must respond to a wide range of "menaces" by making use of many different actors beyond the nation-state. The CHS's report is notable for distinguishing (the nevertheless overlapping) phenomena of human security and human development on the basis that the former is more concerned with "downturn with security" while the latter involves "expansion with equity." This distinction accentuates that any effective human security strategy must protect individuals in crisis. The CHS takes a broad approach to human security, examining not only conflict prevention, the protection of civilians (and particularly women, children and those with disabilities) in wartime, disarmament, demobilization and post-conflict reconstruction, but also personal violence and other crime, economic and health security, the needs of refugees, the vulnerability of internally displaced persons and migrants, the importance of public welfare systems ("social protection") and the pivotal role of education. The CHS also begins to connect human security with the norms of R2P, a version of humanitarian intervention. This is evident in the CHS's exploration of what infrastructure, resources and governance states need in order to secure their citizens; that is, to be successful rather than "failed" states. It is also reflected in the CHS's endorsement of what has surely become a governing principle of the UN: the *conditional* nature of state sovereignty.<sup>6</sup>

## The key drivers of human security discourse.

Among the key stimulants for the development of the concept of human security are the long-running processes of globalization and interdependence that have affected conceptions of the state, warfare and military defence (to put it crudely), economy and technology, the natural environment, culture and identity, and global and regional governance. While globalization was not born

in the 1980s, when it became a popular term in IR theory—in other words, globalization has a history of several decades at the very least—over the last few decades the evidence of the uneven acceleration, magnification, dispersal and interaction of the effects of globalization on the security of states and human beings has undermined the plausibility of traditional



Map of countries affected by current World Financial Crisis. The darkest shaded nations experienced the worst degree of recession.

realist notions of security. The combination of these empirical developments, together with new theoretical perceptions, provided the setting for the emergence of ideas of human security. For it was not only the *existence* of the phenomena of globalization and interdependence that mattered, but the capacity to see them, and to recognize them as significant, that was crucial. Realists have been blind to enduring threats to security that do not fit within its paradigm: for example, genocide and other human rights violations, poverty and food riots, authoritarianism, violence towards women and racial discrimination.<sup>7</sup>

As Joseph Camilleri has argued,<sup>8</sup> it is not only the armed attack of one nation-state upon another, using organized military forces, that can cause physical and psychological insecurity for human beings and undermine states. Proponents of human security argue that threats come from a diverse range of sources and actors, that there is a wide variety of possible responses by many different actors to those threats, and that the fundamental purpose of those responses is to secure human beings, not the state. The rationale for human security embodies a number of claims:

- Internal sources of insecurity for people

and states are as important as external ones.

- The aspects of people's and states' security that can be threatened are complex and multidimensional: they can be objective (for example, environmental integrity, life and limb, nutrition and health), subjective (for example, emotional well-being, economic confidence, perceptions of government legitimacy) or a combination of the two.
- There is a wide variety of military and non-military threats to the security of human beings and states. These threatening forces involve diverse agents and causes, including non-state (or "transnational"<sup>9</sup>) actors interacting with national, international, global, regional and local developments in, for example, economic, environmental, political, cultural and technological fields.
- Insecurities are dynamic and interactive (for example, political repression may increase the likelihood of famine; economic insecurity can undermine health; global warming can produce climate change refugees; population flows can contribute to economic insecurity, environmental degradation, violent conflict and disease).
- The state can not only enhance security (for example, by national defence, provision of public goods, legal regulation, opportunities for political participation) but also be a major threat to it (for instance, by killing, torturing and imprisoning people, by coercive programs of economic modernization, by provoking war with other states, and by corrupt administration).
- Even states with the best of intentions have limited capacities to provide security for their citizens, other human beings or even their state (for example, structural adjustment conditions might reduce the capacity of a state to provide for healthcare; a state might be unable to combat a regional or global financial

crisis; a state will often be ill-equipped to deal with global, borderless, threats to its natural environment).

### Human security and the challenge to realism

How do globalization and interdependence—evident in relation to the state, war and defence, economy, technology, environment, identity and culture, and global and regional governance—render realist claims empirically dubious and normatively undesirable? First, there is ambiguity about whether the term "state" means the government, nation or nation-state.<sup>10</sup> Globalization has been joined by fragmentation as, for instance, ethno-nations trapped within the borders of a nation-state seek independence or at least autonomy. Second, the realist assumption of the state's monopoly on the loyalty of its residents, and even citizens, based on a homogeneous

### ***The effects of globalization on the security of states and human beings have undermined the plausibility of traditional realist notions of security.***

nationalism is usually falsified by competing local, tribal, ethno-nationalist, multicultural, religious, cultural and transnational identities. Moreover, these alternative identities are facilitated by porous borders through (or outside of) which various cultural influences flow, aided by television, radio, the internet and YouTube. Third, the realist approach overestimates the ability of states to solve national, let alone global, problems. Finally, the realist approach neglects how states work with and have their sovereignty constrained (and sometimes enhanced) by various non-state agents such as International Governmental Organizations (IGOs), NGOs, International Non-governmental Organizations (INGOs), social movements and other individuals and collectivities.<sup>11</sup>

Peter Willetts has pointed out

that while there are around two hundred governments in the world, there are more than seventy thousand transnational corporations (TNCs), roughly ten thousand national NGOs and more than seven thousand INGOs. He concludes that these numbers suggest that policies and decisions are made by various transnational actors within "complex systems" that are much richer than the interstate world that realists assume.<sup>12</sup> Likewise, Scholte, Camilleri and Slaughter have identified the constraints and opportunities that the bewildering range of global, supranational, transnational, international and regional organizations, institutions and regimes present to nation-states. These systems can positively or adversely affect and respond to the requirements of human security in all its complexity. They provide opportunities for advocacy, cooperation, coordination, confidence-building, regulation, harmonization, and subsidiarity, the pooling of sovereignty and the adjudication and enforcement of sanctions.<sup>13</sup> In this "complex multilateralism" (one augmented by emerging multipolar configurations: for example, the consolidation of the European Union, the rise of China and India) states become, in Slaughter's words, "overlaid by non-state actors."<sup>14</sup>

In relation to two of the preoccupations of realism, military defence and warfare, it is clear that the security of human beings and states can be threatened by a state's preparation for war. A state's efforts to enhance its national security by preparing for war can undermine human security due to the distortion of the economy: what might be called a war deficit (spending on military hardware, for example) takes resources away from satisfying vital human needs like food, housing and health. The preparation for war often involves coercion, restriction of civil liberties, and economic adversity. Also, the security of states and human beings can be undermined as much by internal threats (for example, civil wars, ethnic cleansing,

secessionist conflicts, riots, coups d'état, revolutions, and sectarian battles) as by external ones. These threats also demonstrate that there is no necessary correlation between a state's clear and well-defended external borders and societal security (Northern Ireland, Zimbabwe and South Africa are good examples).<sup>15</sup>

Security for a state or nation does not mean security for (all) its inhabitants:



United States soldiers build a security fence in Muehla, Iraq.

poverty, persecution, repression, and disease may remain endemic within it. But states have a reduced capacity even to defend their external borders given the proliferation of extremely destructive conventional arms, as well as nuclear and other weapons of mass destruction (WMD). The risks associated with these weapons are increased by the possibility that they will be used accidentally, without state authority, or cause harm while being transported, stored or dumped. Defensive territoriality and sovereignty are also eroded by the location of foreign military bases on state soil, as military autonomy is constrained through joint military exercises, shared intelligence, coordinated strategies and command structures. The enormous financial cost of maintaining and upgrading military force for any one state has led to what Camilleri calls the "transnationalization of defence" in relation, for example, to the production of military hardware and the pursuit of research and development. Obviously, waging war causes loss of life, injury, anxiety and trauma

to many people, often aggravated by national conscription schemes.<sup>16</sup>

Michael Sheehan, drawing upon the work of Mary Kaldor and Lawrence Freedman, has identified aspects of "new wars" that challenge the simplistic model of interstate, nationalistic, territorial battles between regular forces in defence of their nations' security. War increasingly involves many non-state actors (for example, mercenaries, advisers, media representatives, humanitarian NGOs and INGOS); campaigns fought in cyberspace and via worldwide media; weaker parties in asymmetrical wars trying to shock and demoralize their opponents' publics (the Mogadishu effect) rather than necessarily to seize state power, or even to 'win'; the outsourcing and privatization of military functions, including logistics, security, equipment and training; cultural motivations, such as fighting for a religious cause and/or to resist Western secularism; sub-state threats from, for instance, militias, paramilitaries, criminals, warlords, tribes, and security TNCs; and the decentralized funding of war through kidnappings, money laundering and the trafficking of drugs, arms, and people.<sup>17</sup>

Consistent with these conclusions about new warfare, James Kiras's work has demonstrated that globalization, particularly the emergence of new technologies, has made terrorist actions and messages by non-state actors more efficient, mobile, simultaneous, instantaneous, widespread and destructive than the first phase of international terrorism of the 1960s. Al Qaeda, for example, has been described as a global network of franchise operations that uses the media, the internet, "distance learning," improved transport systems and personal electronics, local sympathizers and "homegrown" terrorists to threaten and carry out simultaneous attacks in different parts of the world.<sup>18</sup>

The globalization of the economy and associated technologies, including those affecting transportation and the carrying of goods, have also reduced the importance of

territorial space and challenged the economic, social and political security and autonomy of nation-states. This trend is only emphasized by the ongoing ramifications of the Global Financial Crisis (GFC).

As Jan Art Scholte has argued, there has been, first, an increased volume of money, goods, people and investments crossing borders (internationalization). Second, national borders have become more open, partly in response to neoliberal pressures and prescriptions from the World Trade Organization (WTO) and other bodies (liberalization). Third, borders are often transcended in regard to trade and finance (the "transborder economy"). These supraterritorial and "transplanetary" tendencies, to use Scholte's labels, have rendered the notion of isolated national economies under the absolute direction of their governments fictitious.<sup>19</sup>

With regard to trade, we may note, for example, the following features:

- the prominence of "transborder production" the global sourcing of components and labour, worldwide factories, trade *within* global TNCs, preferential economic zones such as the *maquiladora* region in Mexico–USA.<sup>20</sup>
- the phenomenon of "regulatory arbitration": global TNCs leveraging states by threatening to move their operations elsewhere.<sup>21</sup>
- the challenges of extraterritoriality and the conflict of laws that reduce the relevance and impact of national jurisdiction and regulation.<sup>22</sup>
- the rise of global, remote electronic commerce (for example, eBay, Amazon Books).

These developments can reduce the capacity of states to enforce human rights (for example, privacy and labour standards) and environmental standards, as well as their criminal laws (for example, regarding pedophilic pornography on the internet).

The impact of the globalization of

finance was notoriously on display during the 1997 Asian financial crisis and with the onset and ramifications of the GFC in 2008. Some important aspects of the globalization of finance include<sup>23</sup>:

- the globalization of money and credit arrangements: the ubiquity of the now-declining US dollar and "dollarization," the Euro, foreign exchange dealing, smart and credit cards.
- "[t]ransplanetary banking": transborder deposits and loans, global instantaneous electronic funds transfers between banks.
- global securities and investment: "transplanetary securities" such as euroequities, Eurobonds; global funds 24-hour global, electronic trading of bonds, shares, derivatives, futures and options; the influence of investors on regulation.

Additionally, globalization is evident in the spread of human rights, in the rise of new transnational social movements, such as the peace movement, in the dramatic increase in the number of NGOs and in the ways that mass travel and almost instantaneous transborder communication foster these developments. Thus, so the argument goes, more of us might become empathic cosmopolitans and be more sensitive to the welfare of strangers in distant lands.<sup>24</sup>

And yet Scholte is right to emphasize, in response to the "hyperglobalists," that economic "globalization has repositioned the (territorial) state" rather than brought about its extinction. The state continues to be an important economic actor, participating in, rather than simply passively affected by, global processes. Economic globalization has been uneven, territorial space remains significant (for example, with regard to manufacturing, retail banking, locally-based corporations and national stock), and state decisions can affect the impact of globalization by regulating money flows, interest rates, TNCs, offshore finance and standards relating to human rights, labour and the environment.<sup>25</sup>

Nevertheless, human security

discourse illuminates many features of global politics, economy and culture that traditional realists miss when they myopically focus on relations between sovereign states.

#### Acknowledgements

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#### Endnotes

- <sup>1</sup> Dan Oakes, "Defence Spending Questioned," *The Age* (Melbourne), 10 March 2010, 2.
- <sup>2</sup> See Stephen James, "Human Security: Key Drivers, Antecedents and Conceptualization." (Working Paper No. 1, Institute for Human Security, La Trobe University, 2010: <<http://www.latrobe.edu.au/humansecurity/assets/downloads/IHS-WP-01-James.pdf>>).
- <sup>3</sup> For a very useful introduction to the range of theoretical perspectives on human security, see the special issue of *Security Dialogue* 35, no. 3 (September 2004).
- <sup>4</sup> Pauline Kerr, *The Evolving Dialectic between State-centric and Human-centric Security*, Working Paper 2003/2, Department of International Relations, Australian National University, Canberra (September 2003).
- <sup>5</sup> Commission on Human Security, *Human Security Now* (New York: Commission on Human Security, 2003), iv, 2, 4.
- <sup>6</sup> *Ibid.*, 6, 9, 12, and *passim*.
- <sup>7</sup> See Mike Sheehan, "The Changing Character of War," John Baylis, "International and Global Security," Ngaire Woods, "International Political Economy in an Age of Globalization," Richard Little, "International Regimes," Peter Willetts, "Transnational Actors and International Organizations in Global Politics," John Vogler, "Environmental Issues," James T. Kiras, "Terrorism and Globalization," Edward Best and Thomas Christiansen, "Regionalism in International Affairs," Jan Aart Scholte, "Global Trade and Finance," Caroline Thomas, "Poverty, Development, and Hunger," and Ian Clark, "Globalization and the Post-Cold War Order," in John Baylis, Steve Smith and Patricia Owens (eds), *The Globalization of World Politics: An Introduction to International Relations* 4th edn (Oxford: Oxford University Press, 2008), Chs 12, 13, 14, 17, 19, 20, 21, 25, 26, 27, 32; Joseph A. Camilleri, "Security: Old Dilemmas and New Challenges in the Post-Cold War Environment," *Geojournal* 34, no. 2 (October 1994): 134–145; Joseph A. Camilleri and Jim Falk, *The End of Sovereignty? The Politics of a Shrinking and Fragmenting World* (Aldershot, Hants: Edward Elgar, 1992); Steven Slaughter, "Globalisation and its Critics," in Richard Devetak, et al. (eds), *An Introduction to International Relations: Australian Perspectives* (Melbourne: Cambridge University Press, 2007), Ch 25.
- <sup>8</sup> I thank Joseph Camilleri for the structure employed here to examine the drivers of the development of the human security concept.
- <sup>9</sup> Willetts, "Transnational Actors," 332.
- <sup>10</sup> *Ibid.*, 332–334.
- <sup>11</sup> Camilleri, "Security," 139–143, and generally Camilleri and Falk, *The End of Sovereignty?*; Willetts, "Transnational Actors."
- <sup>12</sup> Willetts, "Transnational Actors," 331–332.
- <sup>13</sup> Scholte, "Global Trade and Finance"; Camilleri, "Security"; Slaughter, "Globalisation."
- <sup>14</sup> Slaughter, "Globalisation," 303; Camilleri, "Security," 139–144; Scholte, "Global Finance and Trade," 452; Best and Christiansen, "Regionalism"; Willetts, "Transnational Actors."
- <sup>15</sup> Camilleri, "Security," 136–138.
- <sup>16</sup> *Ibid.*
- <sup>17</sup> Sheehan, "The Changing Character of War"; Willetts, "Transnational Actors," 337.
- <sup>18</sup> Kiras, "Terrorism"; Willetts, "Transnational Actors," 338.
- <sup>19</sup> Scholte, "Global Trade and Finance," 453–461; Camilleri, "Security," 140–141; Woods, "International Political Economy"; Willetts, "Transnational Actors," 335.
- <sup>20</sup> Scholte, "Global Trade and Finance," 457–458.
- <sup>21</sup> Willetts, "Transnational Actors," 335; Woods, "International Political Economy," 253.
- <sup>22</sup> *Ibid.*, 336.
- <sup>23</sup> In what follows, I rely on Scholte, "Global Trade and Finance," 459–462.
- <sup>24</sup> I thank Robyn Eckersley for drawing my attention to these concerns.
- <sup>25</sup> Scholte, 453, 462, 466; Slaughter, "Globalisation," 295–296 (on hyperglobalism).

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[http://commons.wikimedia.org/wiki/File:2007-2009\\_World\\_Financial\\_Crisis.svg](http://commons.wikimedia.org/wiki/File:2007-2009_World_Financial_Crisis.svg)  
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## Adapt-Qaeda: Analyzing the Relationship Between Ideology, Organizational Transformation, and the Exploitation of Information Technology



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*This paper traces and analyzes the organizational evolution of al-Qaeda from the late 1980s to the present day. It notes that al-Qaeda initially exhibited a hierarchical system and then adopted a hub network approach. Following 9/11 and the U.S. assault in Afghanistan, the environment surrounding al-Qaeda was drastically altered, and thus organizational changes became necessary. Employing the concept of a "dune" organization to explain the unique and fluid organizational features al-Qaeda currently exhibits, this paper argues that al-Qaeda strategically chose to exploit the Internet and other information technologies in order to overcome its organizational and tactical limitations. This exploitation of information technology has led to the widespread and unfiltered transmission and reception of its ideological principles. Although recent cases demonstrate the emergence of "lone wolves" radicalized by al-Qaeda's Internet activities, the broader ramifications of al-Qaeda's exploitation of the Internet and other technologies for mass mobilization and operational considerations remain unclear.*

Since the end of the Cold War, the world has witnessed the emergence of non-state actors as pivotal players in the international arena. These non-state actors include national and transnational criminal organizations, national and transnational non-governmental organizations concerned with human and minority rights, and netforces.<sup>1</sup> The latter two groups consists of actors who are committed to the advancement of certain principles or ideologies and attempt —through rhetoric, litigation, violence, politics, reporting, propaganda, and other means — to compel other social actors (including other non-state actors) to assist in or avoid obstructing the realization of these goals. These actors act within certain geopolitical contexts and must respond to actions by other actors that either constrain or support their respective causes. Paralleling the emergence of these non-state actors is the rapid advancement and proliferation of information technologies that provide social actors with new avenues

to further their cause. This paper will analyze the changing organizational structure of one such non-state actor, the terrorist network al-Qaeda, and then proceed to assess how al-Qaeda's current organizational structure influences its use of information technology (primarily the Internet) to spread its ideology, recruit, and attack its targets. It will conclude with a discussion of the implications of these findings for al-Qaeda's activities.

Overview and Conceptualization of al-Qaeda's Organizational Transformations

Al-Qaeda ("The Base") originated in the late 1980s with the expressed purpose of engaging in *jihad* (defined by al-Qaeda as the violent, theologically-driven struggle against anti-Islamic or un-Islamic forces) against Western influences that were regarded as polluting the *ummah* (the global Muslim community) and corrupting Muslim governments. Its ultimate goal was to restore the transnational Caliphate (Fishman 20). Al-Qaeda is the successor to the Services Office, which was "a clearinghouse for the

international Muslim brigade opposed to the 1979 Soviet invasion of Afghanistan.”<sup>2</sup> Osama bin Laden and Dr. Abdullah al-Azzam created the Services Office in order to facilitate the movement of Muslims who wished to engage in the struggle against the Soviets. Since its birth, al-Qaeda has been a multinational operation: the men often attributed with the creation of the organization, Osama Bin Laden and Al-Zawahiri, hail respectively from Saudi Arabia and Egypt. The organization also exhibited a clear religious-orientation at its inception: “[i]ts “founding fathers” came to fight, under the banner of Islam, against a superpower determined to oppress an Islamic revolution. Bin Laden and Al-Zawahiri arrived at the recruitment base of Peshawar located on the Afghan–Pakistan border, along with other so-called Arab Afghans, who streamed in from all over the Arab world to join this Jihad.”<sup>3</sup> It was this understanding of geopolitics that inspired bin Laden to form al-Qaeda and ensure the continuation of the “holy war” against other Western powers.<sup>4</sup> This conception of Islam as endangered by a belligerent, heretic, foreign enemy—often termed as an inevitable and irresolvable clash of civilizations—persists to the present day and constitutes the dominant paradigm through which Islamic terrorist groups, especially transnational networks such as al-Qaeda, legitimize their existence and frame their efforts to recruit and attack targets.

Al-Qaeda’s organizational features during its early years can be conceptualized as a hierarchical structure.<sup>5</sup> A hierarchical organization exhibits the following characteristics: a well-defined, top-down system of communication; well-defined and rigid positions and responsibilities; a rigid command chain; and clear time horizons for operations. This organizational structure is conducive to stability because it hinders communication between members operating at the same level who may share grievances or seek to challenge the organization’s leadership.

Ideology is less important for hierarchical organizations because formal, explicit rules are employed to maintain organizational cohesion and bridge actors.

The emir (bin Laden) sat atop this pyramid and was able to control and monitor the activities of the organization’s lower strata (see Schematic Drawing: *al-Qaeda Organizational Structure* at Overview of the Enemy, Staff Statement No. 15, National Commission on Terrorist Attacks). This hierarchical system, borrowed from the structure of the Services Office, allowed al-Qaeda to best respond to the threat posed by the Soviet forces and facilitate and control the movement of Muslim volunteers.

Al-Qaeda’s decision to espouse new objectives that focused on a global understanding of *jihad* (as opposed to the more localized or specific conceptions espoused by organizations such as Hezbollah and Hamas) required a significant organizational transformation towards a network structure. The hierarchical structure employed by the organization in its previous efforts was too rigid for and simply incompatible with the organization’s desire to engage in multinational efforts against the perceived enemy. An organization or group of organizations exhibits a network structure when “organizations constitute overlapping policy communities” and heterogeneity, rather than homogeneity, is present. Arquila and Rondfeldt conceptualize the network approach as “a set of diverse, dispersed nodes that share a set of ideas and interests and are arrayed to act in a fully intermitted ‘all-channel’ manner.” There are three “ideal types” of networks: chain networks, hub networks, and all-channel networks.<sup>6</sup> For our purposes, it is only imperative to elaborate on the hub network approach. Mishal and Rosenthal characterize the hub network as a system in which “all orders come from the player located at the center, and all information must pass through that node. Thus, one player sees the whole picture, while all other players are

subordinated to that central player, at least in the sense of receiving and transferring information.” Networks are also likely to employ new technologies and innovative tactics in preparing and executing their attacks and spreading their ideology. In contrast to the formal rules and rigidity of a hierarchical



A street scene in Peshawar, Pakistan, the recruitment base for Soviet jihad

structure that create opportunities for certain actors within an organization or group of organizations to dominate and compel action by other actors in the organization, the network approach is much more fluid and supports bargaining between actors in the network and guidance.<sup>7</sup> Despite this inherent flexibility, certain actors within the network are responsible for establishing and maintaining the health of the bonds that connect the different nodes within the network. These actors often use ideology to maintain the network’s compatibility with certain beliefs and understandings. If the network is a hub network, then these actors are responsible for ensuring that the hub’s ideology pervades throughout the organization.

Al-Qaeda exhibited a hub network approach from 1998 to September 11<sup>th</sup>, 2001. During this time period, bin Laden developed the “World Islamic Front for Jihad against the Jews and Crusaders,” which was essentially a network of organizations that adhered to the *jihadi* cause. This network extends throughout the Muslim world, from terrorist groups in Egypt to organizations in Pakistan and

Bangladesh. Bin Laden established bases in Sudan and Afghanistan in order to ensure that his chain of communication and commands was efficient and that his instructions were delivered by reliable agents (Mishal and Rosenthal 279). These bases also catered to the spread of the organization’s ideology among the constituents of these countries.<sup>8</sup> It is worth noting that both of these states were failed states: neither government was able to ensure the rule of law, maintain a monopoly on violence, or command the respect of their citizens. Conflict plagued these states and war-lords, not democratically-elected politicians, maintained most of the power. The emergence of Taliban rule in 1996 provided bin Laden with a friendly, insulated territory that could serve as a base for his operations. This institutional presence and permanent base was crucial for the development and testing of long term, sophisticated attacks that relied on a multitude of actors with different expertise.

Did al-Qaeda’s adoption of the network approach facilitate the translation of its violent vision into reality? Most commentators agree that it did and support their claims by noting that the preparation and execution of 9/11 were conducted under the network system. The linkages formed between al-Qaeda and other organizations allowed al-Qaeda to mobilize a vast array of resources that spanned the globe. The terrorists responsible for executing 9/11 hailed from countries throughout the Muslim world and Europe and received training in several regions. Despite the numerous, geographically separate actors that participated in the attack, elites within al-Qaeda were able to coordinate the actions of these disparate elements and ensure the successful execution of an attack against the “head of the snake.”

The success of al-Qaeda’s network approach was also its downfall. Following 9/11, the U.S. retaliated against al-Qaeda and its affiliates with extreme force and precision. Much of al-Qaeda’s leadership was decimated

“Al-Qaeda: The Many Faces of an Islamist Extremist Threat”, p. 7). Those leaders that remain or new leaders that have emerged as replacements continue to constitute the primary focus of U.S. attacks. Since these leaders were responsible for ensuring that the linkages between al-Qaeda and other organizations remained stable, the deaths of these leaders also meant the rapid erosion of the ties that bonded the distinct actors. The exchange of information and communication that made the network approach so profitable for al-Qaeda simply could not sustain these deaths. Despite this, it must not be forgotten that the adoption of the network organizational structure was a strategic decision that contributed significantly to the planning and execution of al-Qaeda’s “crown jewel.” From this perspective, the network approach served its purpose by fostering an environment in which al-Qaeda’s members and ideologies could spread throughout the Muslim world and facilitate the execution of a large-scale attack.

The 9/11 attack drastically altered the international arena. Terrorism came to the forefront of most Western countries’ political and social discourses. President George W. Bush announced the commencement of the U.S.’s “War on Terror.” States throughout the world altered their institutional make-up, creating new agencies and redirecting resources towards counterterrorism activities. The media continuously reported on Al-Qaeda, bin Laden, and “the next attack.”

How did al-Qaeda respond to these changes in the international arena and the constant barrage of attacks made by Coalition forces against all strata, but especially the elite, of its organization? Perhaps unsurprisingly, al-Qaeda responded by transforming its organizational structure. To persist in the same organizational pattern as it did prior to 9/11 and the U.S. assault would be simply impossible. Its leadership understood that the world’s attention—and perhaps more importantly, the attention of the world’s

sole superpower—was squarely focused on al-Qaeda. The organization’s funding was disrupted and drastically reduced, which in turn reduced its tactical capabilities (“Al-Qaeda: The Many Faces of an Islamist Extremist Threat”, p. 12; Bruno & Jeffreys). Its power to control the activity of other organizations within the network was also diminished. With its leaders either dead or hiding in the remote mountains on the Afghan border, the organization was incapable of dedicating itself to strategic planning against the West and the maintenance of the network. Taken together, these factors indicate that al-Qaeda today no longer resembles the al-Qaeda of yesterday.

Observers have had a tremendously

### ***The success of al-Qaeda’s network approach was also its downfall.***

difficult time categorizing and conceptualizing al-Qaeda’s current organizational structure and what threat the organization presents, especially because of the two aforementioned traits and the decimation of its leadership and general membership.<sup>9</sup> Indeed, some observers have declared that al-Qaeda is no longer a network, while others argue that the organization no longer constitutes a credible threat to the U.S. and its allies (Brachman 149; Robbins). Other commentators, however, feel that al-Qaeda remains a credible threat and that most observers have been incapable of adequately assessing and conceptualizing its organizational transformation (Hoffman; Bruno & Jeffreys). These observers have conceptualized al-Qaeda as “leaderless resistance,” “phantom cell network,” “autonomous leadership units,” “autonomous cells,” “a network of networks,” and “lone wolves” that are engaged in “netwar.”<sup>10</sup> Evidently, even among those who agree that al-Qaeda persists as a threat to the U.S., conceptual clarity in regards to the organization’s structure is disturbingly lacking. If al-Qaeda today cannot be conceptualized as a hierarchy or a network, how can (or

should) we conceptualize its organizational structure and the impact of that structure on its activities? In response to this question, Mishal and Rosenthal have presented a new organizational schema for understanding al-Qaeda’s current status. In its post-9/11 guise, al-Qaeda exhibits two unique characteristics: it no longer maintains a territorial base from which it conducts operations (although its leadership is concentrated in Pakistan<sup>11</sup>) and fluidity and speed in its engagement and disengagement with other organizations. Entitled the “dune” organizational structure, organizations that fall within this category are characterized by the following traits:

1. A lack of affiliation with any explicit territorial rational, thus rendering it difficult to monitor the organization’s maneuvers.
2. No imminent institutional presence. In fact, an organizational reality is often built on its disappearance.
3. Dynamic activity that lacks adherence to any sequential reasoning regarding interaction with other organizations.
4. Command and communication chains that may be waived, intentionally fragmented, or severed at any point in time.
5. Consequent maneuverability among various interests and the attendant ability to align with different regional conflicts.
6. Adherence to a grand vision, such as global jihad, as a substitute for affiliation to a specific territory. (Misahl and Rosenthal p. 283)

The uniqueness of this organizational structure is clarified when compared to al-Qaeda’s prior organizational features. Al-Qaeda no longer exhibits a rigid hierarchical or hub network structure through which its leaders can maintain the unity of the group’s ideology and its tactical operations. The communication, command, and control chains present in those conceptualizations are simply nonexistent in today’s al-Qaeda. Under the hierarchical and network approaches, bin Laden was able to approve and monitor all operations undertaken by al-Qaeda (National Commission on Terrorist Attacks upon the United States). Because of organization’s

current structural and tactical weaknesses, al-Qaeda is increasingly reliant on other organizations to further the *jihadi* cause.<sup>12</sup> The “hub” within Al-Qaeda, however, can no longer stringently control the activities of its partners and thus allies with other organizations only when interests temporarily coincide. It provides financial, nominal, and tactical assistance to partner organizations, but does not attempt to foster long-term relationships with other organizations as it did while operating under the network model.

Al-Qaeda’s relationship with Ansar al-Islam demonstrates the utility of the “dune” schema, especially in regards to al-Qaeda’s entrepreneurial approach to other organizations.<sup>13</sup> Ansar al-Islam operated in Iraq and sought to establish an Islamic state.<sup>14</sup> Sometime after 1999, the Jordanian Abu Musab al-Zarqawi joined Ansar al-Islam and became the leader of its Arab division. Zarqawi had earlier operated a terrorist training camp in Afghanistan, but never joined al-Qaeda because of his ideological differences with bin Laden. Both men sought to restore the Caliphate, but their ideological congruence ended there. Bin Laden sought to restore the Caliphate by targeting Western states that supported heretical regimes in the Muslim world or polluted Muslims through their cultural influences. This focus on the “far enemy” clashed with Zarqawi’s focus on the “near enemy,” the “apostate cultural and political influence within the Islamic world” (the near enemy), which [was a] separate issue from U.S. governmental support [of Muslim states]” (Fishman 20).

This ideological clash also led to a divergence in how each leader viewed the “non-mobilized” Muslim population. Whereas the al-Qaeda elite sought to ingratiate themselves towards the general Muslim population and convince them of the righteousness of their cause, Zarqawi condemned them and believed that by isolating himself, the rest of the Muslim society would realize its erroneous ways and follow his heroic lead (Fishman

22). Despite these ideological differences, in 2004, 18 months after the U.S.'s invasion of Iraq, Zarqawi established a new organization, dubbed al-Qaeda in Iraq (also known as al-Qaeda in Mesopotamia).<sup>15</sup>

Why did Zarqawi "vow obedience" to bin Laden? The U.S. invasion of Iraq and its subsequent support of recreated Iraqi institutions conflated the "near enemy" and "far enemy," thus providing an incentive for both Zarqawi and bin Laden to join forces. This "alliance," however, was self-serving for each side and born out of convenience. It did not resemble the permanent ideological congruencies extant in al-Qaeda's network relations. The crippled al-Qaeda was able to associate itself with successful attacks by Zarqawi's forces and vicariously continue its struggle. Zarqawi was able to recruit under the al-Qaeda banner and received funding and tactical advice (Mishal 280; Fishman 21). Al-Qaeda's inability to implement a hierarchical structure or hub network approach (which itself was the result of its failure to establish an institutional presence in Iraq) meant that Zarqawi was free to promote ideological views and tactics that contradicted those espoused by al-Qaeda. This combination of "subordinate's freedom" and ideological and tactical divergence led to the eventual deterioration of the relationship. Zarqawi's decision to plan and execute attacks against civilian and Shi'ite targets in the hopes of rousing a flood of violent sectarian sentiment was incompatible with al-Qaeda's focus on attacking the "far enemy" (Fishman 23). Despite criticism from al-Qaeda's Ayman al-Zawahiri, who protested that such tactics would harm the *jihadi* movement, al-Qaeda was unable to sufficiently pressure its affiliate to discontinue these attacks. Consequently, al-Qaeda disengaged with al-Qaeda in Iraq and sought other affiliates. The paper now addresses the question of how al-Qaeda's current organizational structure impacts its capacity to spread its ideology, recruit, and execute attacks. To answer this question, the

next section begins with a summary of the advantages information technology presents to organizations, and then proceeds to analyze al-Qaeda's use of information technology prior to and following 9/11.

"Glocalizing" al-Qaeda: Dune on the Web

The importance of the Internet and other information technology to movements attempting to generate social change—especially movements endangered by powerful enemies—has been well-documented by scholars and journalists.<sup>16</sup> A few of the advantages presented by the Internet will be discussed. First, the Internet allows for the flowering of free speech and the discussion of culturally or politically taboo issues without the fear of censorship (Brachman 149). Anyone can set up a website and present their beliefs to the online community. Indeed, the emergence of online forums focused on specific themes has allowed website creators to foster a community of like-minded individuals who can present and debate arguments and provide support for one another on topics that would be considered non-mainstream.

Second, the Internet allows for the consumer of Internet products to access these goods anonymously. Consequently, governments and other institutions have a difficult time tracing who has accessed what websites, and thus consumers of illicit or otherwise maligned products are able to access these goods without fear of detection or reprisal. Third, the Internet is accessible in most states and media placed on the web can be accessed instantly. This means that a message posted by a single user in one location can be viewed instantly by millions of consumers who may reside in several distinct locations. The ability of the Internet to amplify messages, especially the messages of disorganized, endangered, or fringe movements that lack (or are prevented from obtaining) the resources that would allow them to successfully voice their opinions through more traditional avenues, is truly astounding.<sup>17</sup>

Prior to 9/11, al-Qaeda employed the Internet primarily for operational communication. One of the architects 9/11, Khalid Sheikh Mohammed, used chat software to communicate with hijackers. Telephone services on the web were also used to plan attacks, including 9/11 (Wilson 18). Websites discussing al-Qaeda's vision were also present prior to 9/11 (Brachman 153). Despite this usage of the Internet and other information technology, such exploitation was not of central importance to the al-Qaeda leadership prior to 9/11. The centralized nature of al-Qaeda and the ability of its leadership to further its ideological vision under the hierarchical and hub network approaches meant that violence was an appropriate avenue through which the organization could spread its "clash of civilizations" paradigm and accomplish other organizational goals, such as recruitment.

As noted above, the U.S. assault against al-Qaeda and the Taliban in Afghanistan led to drastic alterations in the international arena and within al-Qaeda. Al-Qaeda was transformed into a "dune" organization that lacked the effective command and control and communication chain extant in its hierarchical and network incarnations. It was unable to maintain training camps or generate the high-impact, transnational violence that distinguished it from other terror groups. This organizational reconfiguration required a re-conceptualization by al-Qaeda's leadership of the role "al-Qaeda the embattled organization" could play in securing al-Qaeda's ideological vision and a reassessment of the organization's tactics.

The result of this re-conceptualization was a reconsideration of the organization's exploitation of the Internet and other information technology for ideological and recruitment purposes. Abu Musab al-Suri, an "intellectual mentor" to bin Laden, is responsible for the organization's newfound appreciation for technology (Brachman 159). Al-Suri intended to:

...transfer the training to each house of

each district in the village of every Muslim... making appropriate training materials available to more than a billion Muslims... *Taking advantage of information technology like the Internet, Suri contends that anyone interested can access military and ideological training in any language, at any time, anywhere.* Muslim homes, as envisioned by Suri, not only become the new training camps, where families can recruit, educate and train, but also serve as staging grounds from which ideological adherents are able to consolidate their strength and wage terrorism. Further complicating matters, Suri articulates expanded opportunities [for] participation in jihad for the large numbers of Muslims who may agree with the ideology he advances but are reluctant to engage in acts of violence. (Downing and Meese, *emphasis add*)

Al-Suri understood that the Internet provided the "dune" organization (which lacked any territorial institutional presence from which it could base its organizational operations) with the opportunity to continue recruitment at a global level, re-discover and re-network with the remnants of the organization that had survived, and "reconstitute [its] leadership" (Brachman 153). The Internet effectually provides al-Qaeda with an avenue through which it may overcome the organizational limitations it currently experiences and maintain its ideological integrity and present its worldview without the censorship associated with other forms of media. Lacking a secure territory, the Internet now serves as al-Qaeda's institutional base (Saltman 4).

Al-Qaeda is now actively adhering to al-Suri's understanding of the role information technology can play in the global and mass indoctrination and mobilization of Muslims.<sup>19</sup> It employs web forums where members can discuss relevant issues and that link to manuals that provide guidance on various topics, including software packages and explosives. Videos of beheadings, sniper kills, and speeches, as well as other vehicles of

propaganda such as online videogames that have strong *jihadi* sentiments, are continually uploaded and broadcasted. Al-Qaeda has also used the Internet to spread scholarly writings that support al-Qaeda's worldview and discredit figures and writings that criticize their position. It has also exploited the Internet for fundraising, surveillance, and operational communication (Saltman 5; "Al-Qaeda: The Many Faces of an Islamist Extremist Threat" 27). yTimothy L. Thomas has labeled this array of online activities as "cyberplanning." According to Thomas, cyberplanning "provides terrorists with anonymity, command and control resources, and a host of other measures to coordinate and integrate attack options... [it] refers to the digital coordination of an integrated plan stretching across geographical boundaries that may or may not result in bloodshed. It can include cyberterrorism as part of the overall plan (Thomas 112-113).



A US Army Sergeant receives road activity reports from a local and his interpreter in Nuristan Province, Afghanistan.

Al-Qaeda's strategic exploitation of the Internet has resulted in the realization of al-Suri's vision of bringing *jihad* to the masses. Unable to conduct violent operations as a result of tactical limitations and forced to rely on independent-minded organizations that are apt to contradict its vision, al-Qaeda has turned to the Internet to ensure the coherence of its ideology and network with Muslim and non-Muslim "lone wolves" committed to the furtherance of its tenets. Anyone interested in joining the al-Qaeda cause can access these web products and learn and

understand the ideological underpinnings of the organization's efforts, discover operational tactics such as how to form an autonomous cell or create explosives, learn about propaganda and recruitment techniques, and acquire financial and other types of assistance for terrorism-related activities from al-Qaeda ("Al-

### ***Al-Qaeda's strategic exploitation of the internet has resulted in the realization of al-Suri's vision of bringing jihad to the masses.***

Qaeda: The Many Faces of an Islamist Extremist Threat" 26-27).

As we can see from the above discussion, Al-Qaeda's exploitation of the Internet is directly related to the "dune" organizational qualities it exhibits. Al-Qaeda has strategically overcome its chaotic communication structure and minimal command and control by exploiting the Internet and other digital technologies. Indeed, this exploitation and advance use of technology is one attribute that separates al-Qaeda from other hierarchical and network terrorist organizations (see Intentions v. Capabilities in Appendix). Thus, despite the crippling of al-Qaeda's leadership and the weakness present in its organizational structure, al-Qaeda has adopted an entrepreneurial and opportunistic approach to technology that provides for the globalization" of its ideology.<sup>20</sup> The *jihadi* ideology espoused by al-Qaeda is now embedded in online discourses that are accessible by anyone interested in joining the cause. According to the Saudi researcher Khaled al-Faram, "[t]here are now about 5,600 Web sites spreading al-Qaeda's ideology worldwide, and 900 more are appearing each year" (Hassan).<sup>21</sup>

Indeed, it is arguable that al-Qaeda's ideology no longer requires the support of a centralized organization to maintain its relevance. The Internet, rather than a hierarchical or network organization, contributes to the proliferation of al-Qaeda's

"clash of civilization" paradigm.<sup>22</sup> Paul Eedle has succinctly made this point: "Whether bin Ladin or al-Qaeda's Egyptian theorist Ayman al-Zawahiri and their colleagues are on a mountain in the Hindu Kush or living with their beards shaved off in a suburb of Karachi no longer matters to the organization. They can inspire and guide a worldwide movement without physically meeting their followers—without knowing who they are" (Thomas 122).

### **Implications of the E-naissance**

Most commentators concur that al-Qaeda has incorporated the Internet and other technologies into its propaganda, recruitment, and operations arsenal, but the extent to which "e-jihad" has translated into actual attacks—that is, terror—is debatable. The emergence of Muslims residing in the West engaging with al-Qaeda or one of its affiliates and executing attacks is directly related to al-Qaeda's ideological activities on the Internet: Recent cases show clearly how al-Qaeda's traveling, transnational ideology bridged the divide between class, space and recruitment techniques. It served as an attractive magnet for high-achievers like the Christmas day bomber, Nigeria's Umar Farouk Abdul Mutallab, an engineering graduate of London University; Fort Hood's Maj. Nidal Malik Hasan; five integrated American Muslims from northern Virginia; and a Jordanian doctor, Humam al-Balawi, an informant-turned suicide bomber who killed seven U.S. intelligence agents on the CIA base in Khost province, near the Afghan-Pakistan border. What these individuals had in common was that they were radicalized online, on their own, while living an integrated life mostly in the West (Gerges).

After discovering al-Qaeda's ideologies, the various individuals listed above contacted and sought guidance from al-Qaeda or one of its affiliates. The 7/7 bombings that targeted the London transportation system also illustrate the impact of al-Qaeda's Internet activities. Al-Qaeda provided no financial assistance to the terrorists that conducted

this attack. Al-Qaeda's involvement in the attack was restricted to its posting of bomb-making instructions that the London terrorists had downloaded from an al-Qaeda website (Bruno). As evident from the above examples, the "networking" between Muslims in the West and al-Qaeda has been minimal and, in its current form, is unable to produce a well-coordinated, devastating attack (Blair 11). Evidently, the mass mobilization that al-Suri envisioned has not materialized. Whether this trend will continue, however, is unknown and likely dependent on the activity of other actors and other geopolitical considerations.<sup>23</sup> Nevertheless, it is important to note that the Internet continues to serve as a repository and amplifier for al-Qaeda's ideology and an access point for individuals inside and outside the Muslim world seeking to join al-Qaeda's efforts and engage in terrorist attacks. Al-Qaeda's Internet activity has also factored into its relationship with its affiliates and other organizations and its funding.

### **Conclusion**

This paper has traced the organizational transformation of al-Qaeda. It has noted that al-Qaeda initially exhibited a hierarchical system and then a hub network approach. Following 9/11 and the U.S. assault in Afghanistan, the environment in which al-Qaeda acted within was drastically altered and organizational changes became necessary. Employing the concept of a "dune" organization to explain the unique and fluid organizational features al-Qaeda now exhibits, it was demonstrated that al-Qaeda no longer maintains an institutional presence and lacks effective command and control and communication chains. In order to overcome these organizational limitations and their tactical disadvantages, al-Qaeda reconsidered its use of the Internet in particular and information technology in general. Al-Qaeda has established an institutional presence on the Internet by employing videos, forums, speeches, and other publications that support

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## Endnotes

- Mary Kaldor defines netforces as "armed networks of non-state and state actors. They include: para-military groups organised around a charismatic leader, warlords who control particular areas, terrorist cells, fanatic volunteers like the Mujahadeen, organised criminal groups, units of regular forces or other security services, as well as mercenaries and private military companies."
- "al-Qaeda" at <http://www.cfr.org/publication/9126/#p7>.
- According to some experts, Dr. al-Azzam is responsible for the creation of the intellectual foundation underpinning *jihad* and the "clash of civilizations" worldview it presents. See Katzman (2005), p. 3.
- Once the expulsion of the Soviets in Afghanistan became a certainty, the leaders of the *mujahidun* (Osama bin Laden and al-Azzam) were faced with an existential crisis. Al-Azzam sought to use the volunteer network as a rapid response organization that could assist endangered Muslims. Bin Laden, however, sought to use the network to actively topple secular regimes in the Muslim world. Al-Azzam's assassination in November 1989 ensured that Bin Laden's vision for the organization would triumph. *Ibid*.
- Mishal & Rosenthal p. 284.
- For an explanation of these network types, see Arquilla and Ronfeldt, 2001, p. 7-8.
- Mishal & Rosenthal p. 278.
- Bin Laden initially operated out of Saudi Arabia, but was expelled from the country following increasing tensions between him and the royal family in 1991. These tensions were the result of accusations made by Bin Laden that the Saudi government was betraying Islam by cooperating with the U.S. Bin Laden shifted to Sudan following his expulsion. In May 1996, the Sudanese government expelled bin Laden in response to demands by the U.S. and Egypt. That bin Laden remained in Sudan for several years and was only expelled in response for foreign pressure indicates that the government viewed bin Laden as a profitable partner, perhaps one that could enhance its image among the country's Muslim citizens. See Katzman (2005), p. 3.
- According to Gerges, al-Qaeda maintained a force of "about 3,000 to 4,000 fighters" in the late 1990s, but now only has "about 400 to 500 operatives" dispersed in Pakistan and Afghanistan.
- John Arquilla and David Ronfeldt define "netwar" as "an emerging mode of conflict (and crime) at societal levels, short of traditional military warfare, in which the protagonists use network forms of organization and related doctrines, strategies and technologies attuned to the information age."
- According to General Petraeus, Al-Qaeda's leaders "are using sanctuaries in Pakistan's lawless frontier regions to plan new terror attacks and funnel money, manpower and guidance to affiliates around the world." <http://online.wsj.com/article/SB124182556238902393.html>
- According to State Department's counterterrorism coordinator Henry A. Crumpton, "Al-Qaeda aspires to have the type of global network it did prior to 9/11. It works toward that end but because of our partnerships around the world, because of our collective operational success, al-Qaeda is crippled and is certainly not the organization it was. Al-Qaeda, however, has placed extra emphasis on inspiring other groups and trying to mobilize other groups and when and where possible, establishing links to these affiliated networks to have them help drive their agenda." Crumpton.
- Since the concept of a "dune" organization is relatively new and largely empirically unsubstantiated, I feel it is necessary to elaborate on the applicability of this concept to al-Qaeda and its activities.
- "Ansar al-Islam" at <http://www.cfr.org/publication/14811/>.
- Other organizations, such as al-Qaeda in the Islamic Maghreb, have also joined the al-Qaeda "franchise." Not all organizations that al-Qaeda cooperates with, however, with adopt the al-Qaeda name. For example, despite its cooperation with al-Qaeda, the Islamists Shabaab militia in Somalia maintains its name.
- See Steven Hick and John G. McNutt, eds., *Advocacy, Activism, and the Internet: Community Organization and Social Policy* (Chicago: Lyceum, 2002); Martha McCaughey and Michael D. Ayers, eds., *Cyberactivism: Online Activism in Theory and Practice* (New York: Routledge, 2003); and Quintan Wiktorowicz, *Islamic Activism: A Social Movement Theory Approach* (Bloomington: Indiana University Press, 2003).
- As Timothy L. Thomas notes, "The Internet allows a person or group to appear to be larger or more important or threatening than they really are." Thomas p. 121.
- Kaldor provides an elaborate description of the use of violence by netforces: "In the new wars, mobilising people is the aim of the war effort; the point of the violence is not so much directed against the enemy; rather the aim is to expand the networks of extremism... The strategy is to gain political power through sowing fear and hatred, to create a climate of terror, to eliminate moderate voices and to defeat tolerance. The political ideologies of exclusive nationalism or religious communalism are generated through violence. It is generally assumed that extreme ideologies, based on exclusive identities - Serb nationalism, for example, or fundamentalist Islam - are the cause of war. Rather, the spread and strengthening of these ideologies are the consequence of war."
- For specific examples of al-Qaeda's use of the Internet (as well as other digital technology) for recruitment and other purposes, see Saltman p. 4-7; Brachman p. 152-162; and Thomas.
- Reports to Committees concerned with terrorism have acknowledge al-Qaeda's use of technology for indoctrination purposes: "The increasing use of technology, especially the use of the Internet, by Islamist extremist groups has led to a new phenomenon known as "glocal" issues, whereas global issues are now becoming local issues. Usama bin Laden could not have his current, and increasing, level of success if Muslims did not believe their faith, brethren, resources, and lands to be under attack by the United States and, more generally, the West. The Internet has helped al-Qaeda reach Muslim communities around the world with this very message." "Al-Qaeda: The Many Faces of an Islamist Extremist Threat."
- Since tracking websites is quite difficult, these numbers should be regarded as lower baseline estimates.
- This is not to say that the ideology no longer requires some organizational or elite presence. In order to maintain the ideology's unity, legitimate actors (leaders) must rebuke potential detractors who could possibly undermine the ideology's appeal. There are other reasons why elite presence is still necessary for al-Qaeda, including the importance of charisma, the direction of activities, obtaining funding, etc.
- For example, many commentators note that Yemen is nearing failed state status. If Yemen does become a failed state and external actors do not rapidly respond to the situation, the al-Qaeda core may seize the opportunity to establish a base in the country and frame its actions as a resurgence of the organization. If this does occur, al-Qaeda's internet activities will likely contribute to an influx of volunteers who are willing to join the resurrected al-Qaeda. Even if other actors respond (for example, the U.S. decides to intervene), al-Qaeda may frame these actions as Western intrusions into an exclusively Muslim affair in its online publications other communications. Another issue that may contribute to the success of al-Qaeda's Internet ideology is the increasing social exclusion of Muslims and the negative attitude towards Islamic attire in particular and Islamic culture in general in Europe. If this trend continues, it is possible that some disaffected Muslims will turn to fundamentalists for consolation and purpose. A third issue worth considering is the U.S.'s fatigue towards the "War on Terror." If the U.S. decides to disengage or drastically reduce its presence in Afghanistan and Pakistan, it is possible that al-Qaeda will be able to reclaim its strongholds in the regions.

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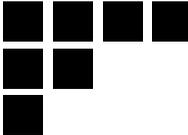
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[http://commons.wikimedia.org/wiki/File:Observation\\_post\\_outside\\_FOB\\_Kalagush\\_June\\_2007.jpg](http://commons.wikimedia.org/wiki/File:Observation_post_outside_FOB_Kalagush_June_2007.jpg)



# Mass Killing: Politics By Other Means

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*Mass killing (often carried out in the form of genocide) offends the sensibilities of many people around the world. It is considered a “crime against humanity,” such is its barbarity and ruthlessness. When it occurs, the question often asked by both victims and bystanders is, “Why?” I argue in this paper that mass killing is not, as is often portrayed, the result of primal bloodlust or racism. Through an examination of the Third Punic War, the Boer War, World War II, and the Rwandan genocide, I show that mass killing is actually carried out as a rational means to a political end; that is, it is simply politics by other means. If mass killing is a combination of politics and lethal violence, however, can it be called war? I argue that mass killing, while bearing similarities to and often occurring simultaneously as warfare, is nonetheless different from war because it does not require multiple sides actively fighting each other, as war does.*

Is mass killing the deliberate and indiscriminate killing of non-combatants politics by other means and, if so, is it the same as warfare? In this paper, I argue that mass killing is simply politics by other means, that it is a procedure used to effect an ideological or political policy. Examining historical case studies, I show that mass killing is a calculated, rational means to an end. I also argue, however, that mass killing is not the same as warfare, since mass killing targets non-combatants and does not require opposing forces.

## Mass Killing as Politics

My first case study, of Rome and Carthage, demonstrates that mass killing has a long history and is not unique to the modern era. After the Third Punic War, Rome reduced Carthage to rubble, sowed the fields with salt to ensure nothing could be grown, killed the men, and sold the women and children into slavery. The Carthaginian civilization ceased to exist. This was not done out of bloodlust or plunder, though that surely did occur; Rather, Rome was reacting to an economic

and political rival that was also geographically threatening. In the previous Punic War, Hannibal had roamed through Italy for seventeen years, plundering the inhabitants and killing a generation of Romans. To ensure national security, Rome had to permanently end its gravest threat. The Third Punic War had to be the last of its kind.

Thus, mass killing is not unique to the modern era, where it has continued as an instrument of policy. At the cusp of the twentieth century, for example, the United Kingdom imprisoned 120,000 Boers in concentration camps. Twenty-eight thousand Boers died, and 86 percent were under the age of sixteen). The United Kingdom enacted this policy to undermine the morale of the Boer fighters and to deny them aid, comfort, family, food, and home. British soldiers did not do this because they intrinsically hated Boers; rather, concentration camps aided the British war effort by pressuring the Boers to surrender. Locking up families and starving them to death was part of a policy, not the result of primitive, blind hatred. Like Rome before, Britain used and abused non-combatants to further policy.

As the twentieth century progressed to its midpoint, World War II illustrated the continued use of mass killing as policy. Japan’s brutalities, though numerous, were conducted not out of spite, but because of policy. Unit 731 in Manchuria conducted lethal experiments on non-combatants for scientific knowledge. The unit amputated limbs, injected diseased pushed victims to the limits of physical pain and endurance for the benefit of the Japanese military; and exposed victims to biological and chemical weapons to test their efficacy.



*An open tomb from the Rwandan genocide.*

Though it was cruel and barbaric, the scientific utility of the experiments was confirmed when the United States granted the unit immunity in exchange for the experiments’ findings.

In Germany, Nazi atrocities were also a result of state policy. The entire Holocaust ultimately was the result of the Final Solution, the German national goal of exterminating the Jewish race. Likewise, mass killing of other ethnic minorities, homosexuals, and the disabled, were part of Germany’s plan to ensure the “purity” of the Aryan race. Gas chambers were a rational way to accomplish that, as were army units in lead columns that doubled back to kill non-combatants. Germany pursued Aryan domination by killing non-Aryans.

The United States and the United Kingdom also targeted non-combatants as policy. It was thought that massive bombardment of non-combatant populations would sap morale and cause those populations

to demand that their governments sue for peace: “[T]here was no question, in the minds of the British and American advocates of strategic bombardment at least, that that was the quick and efficient road to victory.”<sup>2</sup> In Europe, the Royal Air Force killed 593,000 German civilians in the last three years of the European war,<sup>3</sup> while America’s strategic bombardment of Japan killed 300,000 civilians.<sup>4</sup> As the war in the Pacific continued, U.S. policy became one of ending the war with as few American casualties as possible. Nuclear devices were used, killing a further 100,000 in Hiroshima and Nagasaki.<sup>5</sup> Here was industrial-scale mass killing to effect government policy. The mass killing seen by all actors in World War II culminated in two bombs that wiped out two cities and hundreds of thousands of non-combatants.

A final illustration of mass killing as government policy is the Rwandan genocide at the end of the twentieth century. Fergal Keane writes: “The killings . . . were planned long in advance by a clique close to President [Juvénal] Habyarimana himself. This clique . . . bitterly resented the prospect of power-sharing with the Tutsi minority. Any democratization of Rwanda’s effective one-party state would have had disastrous consequences for the clique.”<sup>6</sup> Unwilling to share power, the Hutu government unleashed a propaganda campaign, telling Hutus that Tutsis were a danger and that they would return to colonial and pre-colonial times and make Hutus “beasts of the field once again.”<sup>7</sup> Mass killing became a way for the state to consolidate power — power cannot be shared with a population that does not exist.

While there may have been individual Hutus whose hatred towards Tutsis motivated killings, their actions were merely part of a broader government policy to eliminate a specific people from the state. Rather than expel Tutsis, as Idi Amin did to the South Asian population in Uganda, the Hutus chose the bloodier path of extermination. Their process was grotesque and inhumane, but politically

rational, organized, and planned. Keane highlights the organization and foresight of the Hutus when describing the compilation of Tutsi lists, the complicity of Sylvestre Gacumbitsi.<sup>8</sup> The government broadcasts of anti-Tutsi propaganda, the Tutsi identification system, and the use of Interahamwe militia all facilitated Tutsi killings. Tutsis, therefore, perished for a political cause espoused by the state.

The four case studies thus show that acts of mass killing have been perpetrated throughout the course of history and are not phenomena unique to the Industrial Age, when machines made murder more efficient. Mass killing is carried out by liberal democracies, not just by totalitarian regimes. However, no matter when mass killing is carried out or by whom, it has occurred as a governmental policy, a rational (i.e., logical) means to a political end.

### Is Mass Killing War?

Mass killing is thus politics by other means, but it is not the same as war, because there are no forces actively fighting each other; there exists just one force imposing its will. War, as Carl von Clausewitz writes, “is nothing but a duel on a larger scale.” He states: “Each tries through physical force to compel the other to do his will.”<sup>9</sup> For war to transpire, then, there needs to be a minimum of two opposing forces. In mass killing, there is no such requirement, due to the nature of non-combatants. Armenians did not actively resist the Turks. Jews did not actively resist the Germans. Japanese non-combatants did not actively resist Americans. The same applies to the cases of the Germans and the British. Tutsis hid in churches. Indeed, Mass killing may occur most often in wartime, as in Baghdad in 1258 or Bosnia in 1994, but that may be because these two policies are complementary. They are not inherently the same.

Mass killing is not a duel between forces actively opposing each other. It is a one-sided affair in which one force exterminates a

second force that cannot resist. Mass killing is a rational policy inflicted upon those who do not fight back. War is a rational policy inflicted upon those who do fight back.

### Counterarguments

One counterargument to make is that I have confused the victim for the process, that it does not matter who is killed, so long as the act of killing is the same. I argue, however, that the nature of the victim is paramount, because as Clausewitz noted, war is a duel. If the person killed was not armed and was not seeking to kill in return, then it was not a duel. The absence of reciprocal violence is acknowledged by normative language. If there were no difference between targeting

***Mass killing is this politics by other means, but it is not the same as war, because there are no forces actively fighting each other.***

non-combatants and targeting combatants, we would not need phrases like “genocide,” “collateral damage,” or “strategic bombing.” We would simply use the word “war.”

A second counterargument requires me to explain how mass killing and warfare could occur so often within the same historical period if they are not the same. Such critics confuse complementarity with sameness. If this critique were correct, then one would have to call the Tiananmen Square Massacre a war and the Six-Day War a mass killing. This would stretch the definition of war to a uselessly broad extent, like the “war” on poverty. I would also note that not every war has seen mass killing, and not all mass killings have occurred in wars. Even if wars and mass killings only occur together, such a relationship would only prove correlation, not sameness or causation.

A final counterargument is that mass killing is not policy by other means, but merely the bloodlust of crazed psychopaths. I argue that this is a gross simplification of the issue. While there are individual instances of killing

for killing’s sake, the history of mass killings, including those examined here, show that they are done in fulfillment of a rational objective.<sup>10</sup> Examined at a societal, rather than individual, level, one sees that mass killing has a practical purpose. Ultimately, ideological justifications for mass killing tend to mask more practical motives.

### Conclusion

Mass killing, however cruel, undeserved, inhumane, and offensive, is a rational, calculated, policy-driven means to some end. It is one of many ways to implement

a policy. However, there is no transitive effect between mass killing, warfare, and policy by other means. Mass killing may be policy and war may be policy, but this does not mean that mass killing is necessarily war. Killing unarmed people is fundamentally different from killing armed people. While both actions may be complementary, and doing either constitutes policy, only the latter is warfare.

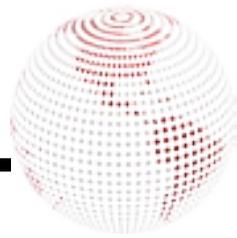
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### Endnotes

- <sup>1</sup>Daryl G. Press, lecture, Silsby Hall, Dartmouth College, Hanover, NH, April 15, 2008.
- <sup>2</sup>Gwynne Dyer, *War* (New York: Crown, 1985), 91.
- <sup>3</sup>*Ibid.*, 92.
- <sup>4</sup>*Ibid.*, 94.
- <sup>5</sup>John W. Dower, *War Without Mercy: Race and Power in the Pacific War* (New York: Pantheon Books, 1986), 41.
- <sup>6</sup>Fergal Keane, *Season of Blood: A Rwandan Journey* (London: Penguin, 1995), 8.
- <sup>7</sup>*Ibid.*, 9.
- <sup>8</sup>*Ibid.*, 85-86.
- <sup>9</sup>Carl von Clausewitz, *On War*, ed. and trans. Michael Howard and Peter Paret (Princeton: Princeton University Press, 1976), 75.
- <sup>10</sup>See Benjamin A. Valentino, *Final Solutions: Mass Killing and Genocide in the 20th Century* (Ithaca: Cornell University Press,) 2004.

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# The Odd Couple: Modernization and Democratization in Southeast Asia

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## Introduction

Seymour Martin Lipset's, "the more well-to-do a nation, the greater chances that it will sustain democracy,"<sup>1</sup> has set off over five decades of intense debate over the conditions most conducive to democratic transition and establishment. Variations of what has become known as the modernization theory have been applied to innumerable cases in a variety of ways, in attempts to test its validity. In the process, Southeast Asia (SEA) has emerged as a region which seemingly defies the general thrust of this theory.<sup>2</sup> With both incredibly rich authoritarian regimes and incredibly poor democracies, on the surface the modernization theory doesn't seem to apply. Yet, despite what appear to be a number of exceptions to the modernization theory in Southeast Asia, it still carries great weight in explaining the state of democracy in the region. While leaders and other powerful political figures surely make a difference, individual agency seems to be secondary to socioeconomic development.<sup>3</sup> I will begin by describing the modernization theory of democratization and presenting some data to bolster its validity. With this theoretical base, we will then move into the region at hand and show how each of the eleven cases examined,<sup>4</sup> in their own way, validates the theory. I will then conclude by discussing some of the implications of the analysis with respect to the future of

democracy in Southeast Asia.

## Modernization Theory of Democratization

The modernization theory of democratization's central claim is that higher levels of socioeconomic development will make states more likely to transition to, and sustain democratic forms of government. At its core, it is really a theory about power relations. In poor societies with authoritarian leadership, power is concentrated in the hands of the few at the top, resembling what Lipset calls an "elongated pyramid."<sup>5</sup> With the increased individual wealth that comes with state modernization, power becomes increasingly diffuse, spread more evenly among the populace. To reemploy Lipset's analogy, rather than a pyramid, society begins to resemble a "diamond."<sup>6</sup>

It must be stated though, that it is not the increase in individual wealth, per se, that spurs a democratic transition. A \$100 increase in per capita gross domestic product (GDP) won't automatically lead to a commensurate increase in a regime's "democraticness" in all places, at all times. Rather, it is what generally accompanies such increases, namely: a market economy; rising literacy and education levels; an increasingly affluent, urban, property-owning middle class; temperance of class divisions; the secularization of the public

sphere; and the rise of a Tocquevillian civil society.<sup>7</sup> This newly empowered middle class is expected to push for democratic reforms within the favorable structural context created by state modernization. And if a democratic transition does take place, it will be more likely to survive with the support of this newly empowered *demos*.

Simply put, modernization theory predicts that, in most cases, the shift in relative bargaining power from the ruling elites to the middle class allows the latter to prevail and sets democratization in motion.<sup>8</sup> The body of modernization theory literature though, isn't a coherent whole, as there is some debate as to whether economic modernization is more important for the *initiation* of democratization or for the *maintenance* of democracy post-transition.<sup>9</sup> There are also competing claims over how much development is required, but commonly cited figures float around \$7000 per capita GDP.<sup>10</sup> Theorists also note that states with a per capita GDP under \$1000 are highly unlikely to transition to or sustain democracy,<sup>11</sup> and this range (\$1000-\$7000) of per capita wealth forms something like what Huntington refers to as "the zone of transition."<sup>12</sup> Whatever the case may be, it seems relatively clear that Lipset's famed statement has stood the test of time, as there is broad consensus that socioeconomic development and democracy are positively related,<sup>13</sup> and the causal arrow runs from development to democracy.<sup>14</sup>

An old aphorism warns against allowing exceptions to define general rules, and this advice should be well-heeded with regards to the modernization theory. Like anything else in social science, it is not perfect; neither a silver bullet nor a panacea. Individual agency does matter, and the mere mentioning of names such as Hitler, Stalin, Mao, Ghandi, or Mandela attests to this fact. Yet individuals act within the context of certain levels of socioeconomic development. Popular social movements, for democracy or otherwise, are much more likely to succeed when the people are empowered with increased economic

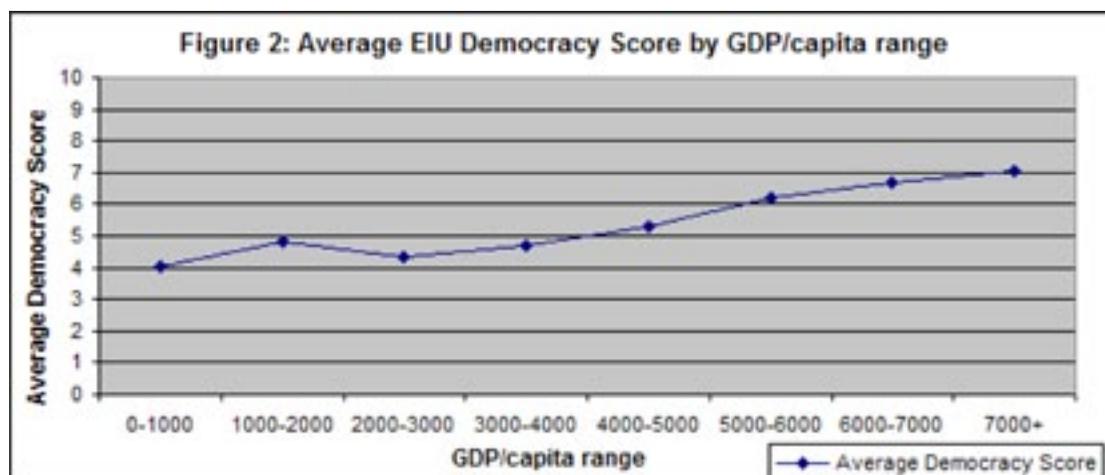
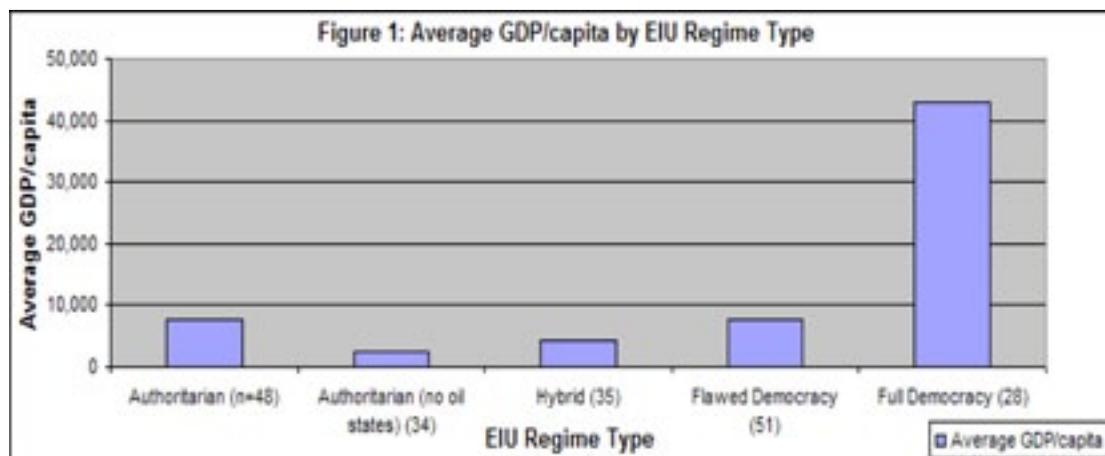
resources. In cases where social elites initiate democratic reforms, they are most often yielding to bottom-up pressure from a newly empowered middle class, rather than altruistically forfeiting their power positions. It is not that agency doesn't matter; it is that it is most often preceded by structure.

But perhaps I should allow the numbers to speak for themselves. In 2008 the Economist Intelligence Unit (EIU) developed an index that measures the quality of democracy in 165 states and territories around the world.<sup>15</sup> The index scores states on a scale from zero to ten (zero being perfectly non-democratic and ten being perfectly democratic) based on a fairly rigorous set of criteria<sup>16</sup> and characterizes regimes as "authoritarian" (0-3.9), "hybrid" (4.0-5.9), "flawed democracy" (6.0-7.9), and "full democracy" (8.0-10). Looking over the data for 2008 adds credence to the modernization theory. The average GDP per capita among

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"full democracies" is \$43,096, among "flawed democracies," \$7,537, among "hybrid regimes," \$4,333, and among "authoritarian" regimes, \$7,801. Once primarily oil-producing economies<sup>17</sup> are controlled for, this final category falls to \$2,388 (See Figure 1).

Furthermore, of 54 states with a GDP per capita above \$10,000, a mere 8 (15%) are authoritarian, all of which are primarily oil-producing economies.<sup>18</sup> Of 69 states with a GDP/capita less than \$3,000, only two (India, East Timor) have democracy scores of 7 or better. In sum, in 2008 if your GDP/capita was above \$7,000, you were most likely a "flawed democracy" leaning towards "full democracy." Figure 2 shows the process of democratic development as one progresses through



(7.02). If it was below \$7,000, you were likely a “hybrid regime” leaning towards authoritarianism (4.71).

Huntington’s “zone of transition.” States with a GDP/capita between \$0 and \$1000 have an average democracy score of 4.04, progressing all the way up to states above \$7,000, which have an average score of 7.02 (See Figure 2).

### Southeast Asia

We turn now to our region of interest. Here the data seems to continue to support the modernization theory. In 2008, the average EIU democracy score of a Southeast Asian state with a per capita GDP above \$7,000 was 6.69, within the “flawed democracy” range. For states below \$7,000, the score drops to 4.72, a lower-level “hybrid regime” score.<sup>19</sup> Other indices concur with the EIU findings. In

the same year, the average Polity Score of a SEA state above \$7,000 GDP/capita was 4.46, and below \$7,000, 0.85.<sup>20</sup> Similarly, the 2008 Freedom House combined Freedom Index scores show states with per capita GDPs above \$7,000 averaging 3.87 (higher), and below \$7,000, 4.93 (lower).<sup>21</sup> The use of quantitative data in analyzing a mere twelve cases, though, can be highly misleading, so we must examine the cases individually. SEA regional states, for our purpose, can be broadly categorized three ways: those that fit the modernization theory, those that are exceptions to the modernization theory, and those in the “zone of transition.” It is in this order that we will proceed.

### Those that fit...

There are a number of regional states which conform nicely to the modernization theory, albeit for somewhat depressing reasons. Cambodia, Laos, Vietnam, and Myanmar/Burma are just as autocratic as the theory would predict them to be. Cambodia’s current GDP/capita rests at \$805,<sup>22</sup> its EIU democracy score is 4.87 (low-hybrid),<sup>23</sup> and Freedom House has given it a combined score of 5.5 and labeled it “not free.”<sup>24</sup> Laos is also greatly under-developed, with a GDP/capita of \$878,<sup>25</sup> and a corresponding EIU democracy score of 2.1 (authoritarian).<sup>26</sup> Much like Cambodia and Laos, Vietnam also fits the theory readily. In spite of recent impressive growth levels, it remains relatively poor (GDP/capita \$1060)<sup>27</sup> and harshly authoritarian, with a democracy index score of 2.53.<sup>28</sup> And unsurprisingly Burma, which has one of the most repressive governments in the world, has a per capita GDP of \$459<sup>29</sup> and a democracy index score of 1.77 (authoritarian), the fifth-lowest of the entire dataset.<sup>30</sup> As a result of their authoritarian governance then, these four states — Cambodia, Laos, Vietnam, and Myanmar/Burma — are almost exactly as non-democratic as the modernization theory would assume.

### The Exceptions...

Southeast Asia also includes a number of states which appear to be exceptions to the modernization theory. The first and most prominent is Singapore, which some insist undercuts the legitimacy of the modernization theory.<sup>31</sup> Boasting the region’s highest GDP/capita of \$37,293,<sup>32</sup> its highest human development rating (0.94),<sup>33</sup> and its highest transparency rating (9.2),<sup>34</sup> one would expect Singapore to have a far higher democracy score than 5.89 (hybrid).<sup>35</sup> However, there are two very good reasons for its unexpectedly low score. The first is Singapore’s massive civil service relative to its small population and territory. With a population of approximately 4.66 million, Singapore maintains a civil

defense force of 522,800, totaling 11.2% of the entire populace.<sup>36</sup> Comparatively, the closest regional state is Vietnam (6.2%), whereas most states in the region, such as, Malaysia (1.7%), Thailand (1.0%), Indonesia (0.4%), and the Philippines (0.3%) have civil defense forces that are *much* smaller. Furthermore, if we add the approximately 66,000 non-defense-sector civil servants to Singapore’s total,<sup>37</sup> the



A view of the Singapore skyline; Singapore is considered to be an exception to modernization theory due to its resilient authoritarianism.

number swells to 12.6% of the population officially employed by the regime in power. If we imagine that each potentially has even one dependent at home, we are at nearly a quarter of the population that is structurally dependent upon the success of the ruling People’s Action Party (PAP). So, in this way, the PAP has successfully “co-opted the state”<sup>38</sup> to maintain its power. The second reason for the resilience of authoritarianism in Singapore is that, since its independence in 1965, it has been afforded the rare blessing of incredibly capable authoritarian leaders. With the regions highest individual wealth, most transparent government, highest literacy rate (94.4%),<sup>39</sup> and longest life expectancy (80.2),<sup>40</sup> citizens have little reason to throw off their yokes and demand a democratic shift.

The next notable exception is the micro-sultanate of Brunei. With its high level of economic development (GDP/capita \$26,325), the modernization theory would predict it to be more democratic than its Freedom House score suggests (combined score 5.5, “not

free"). This anomaly can be explained by the fact that, like those eight highly-developed authoritarian states referred to earlier (see note 18), Brunei is quite literally "floating on oil."<sup>41</sup> According to the CIA, crude oil and natural gas production account for over 50% of Brunei's GDP and over 90% of its exports.<sup>42</sup> This incredible resource wealth concentrates power in the hands of the state and reverses the old axiom: "no representation without taxation."

The final exception in the region is East Timor. As one of the poorest states in Southeast Asia with a per capita GDP of \$542,<sup>43</sup> its democracy index score is surprisingly high (7.22, flawed democracy),<sup>44</sup> as is its Polity IV score (7).<sup>45</sup> This contradiction though, can be explained by the fact that East Timor is an embryonic state that only gained official international recognition since 2002 after breaking away from Indonesia in 1997. The fact that it is so democratic has more to do with international pressure, aid, and norms than any natural process of development. It should also be noted that, in spite of its democratic credentials, its abysmal transparency rating of 2.2 is even worse than that of authoritarian Vietnam (2.6),<sup>46</sup> and, according to the World Bank, its government functions at a lower level than that of Cambodia.<sup>47</sup> So, for a variety of idiosyncratic reasons, Singapore, Brunei, and East Timor are understandable exceptions to the logic of the modernization theory.

### The "zone of transition"...

The final four regional states, Indonesia, Malaysia, Thailand, and the Philippines, fall into what we are referring to as the "zone of transition." In terms of economic development, these four states form a sort of middle ground<sup>48</sup> between Singapore's affluence and East Timor's poverty. In terms of democratic development these states are also in the middle with EIU index scores all in the 6s,<sup>49</sup> Polity IV scores between 4 and 8,<sup>50</sup> and Freedom House combined scores from 4.5 to 2.5.<sup>51</sup> Some states in this category, such

as the Philippines, have had relatively free, fair, and competitive democratic elections, while others, such as Malaysia, have not. Additionally, some states in this category, such as Indonesia, have seen recent improvements in their quality of democracy,<sup>52</sup> while others, such as Thailand, have seen it decay.<sup>53</sup> While Indonesia has progressed considerably further in this process than Malaysia, neither can be said to be fully democratic nor fully authoritarian. What essentially brings these four states together is that they are in a state of flux between somewhat-authoritarian and somewhat-democratic forms of governance. As a group they are somewhat democratic, relatively corrupt,<sup>54</sup> and have governments that generally function at only mediocre levels.<sup>55</sup> Effectively, they are *in transition*.

### Conclusion

So, it seems the modernization theory applies to Southeast Asia after all. Between the states that are an obvious fit (Cambodia, Vietnam, Laos, Burma/Myanmar), the states that are understandable exceptions (Singapore, Brunei, East Timor), and the states in the "zone of transition" (Indonesia, Malaysia, Thailand, the Philippines), the modernization theory provides a helpful tool for understanding democratization in the region. With this in mind, what can be said about the future of democracy in Southeast Asia?

First, the states to keep an eye on are Malaysia and Vietnam. Malaysia is the most highly-developed among the "zone of transition" states and the least democratic. As it leaves the "zone" and begins to have GDP/capita levels above \$7,000, it will be increasingly likely to take steps in the direction of democracy. In Vietnam's case, it is just entering the "zone of transition" (GDP/capita \$1,060). As it grows rapidly, it will be interesting to see whether increasingly empowered voices for democracy will be heard at the highest levels of government. Second, the fast-paced economic growth in the region is a hopeful

prospect. In authoritarian states, economic growth over the past decade (2000-2010) has been impressive, with Laos averaging 6.73%, Vietnam, 7.46%, Cambodia, 9.25%, and Myanmar a whopping 12.98%.<sup>56</sup> A number of Southeast Asian states have also weathered the global economic crisis impressively. While the global average was -0.8% in 2009, Vietnam sustained a 5.3% GDP growth rate, Laos, 6.4%, and East Timor, 7.2%, the sixth-highest rate in the world.<sup>57</sup> As these states grow, according to our analysis, they should become increasingly democratic, and so their rapid growth rates are something that should definitely be encouraged. Third, just because it is possible for all of Southeast Asia, or the world for that

matter, to become democratic, it doesn't mean it is probable. We exist in a world of finite economic resources, and it is likely that Southeast Asian and global democracy, in most cases, will continue to reflect this reality. And finally, the most effective way to promote democracy in Southeast Asia is to encourage further economic growth. Overthrowing authoritarian regimes by force or backing elites who *claim* to be democrats seem to be far too risky ventures to undertake. While economic growth may not automatically lead to democracy at any time in history and in any place in the world, it is by far the most reliable enabling agent for democracy's future.

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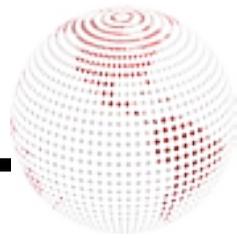
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## Endnotes

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2. See William Case, *Politics in Southeast Asia: Democracy or Less* (London: RoutledgeCurzon, 2002), 19 – 20.
3. "Socioeconomic" is used, rather than simply "economic" to imply the inclusion all of the social changes that generally accompany increased individual wealth in society (discussed below).
4. This analysis includes all ASEAN member-states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar/Burma, Philippines, Singapore, Thailand, Vietnam), and East Timor.
5. Lipset, "Some Social Requisites of Democracy," 83.
6. Lipset, "Some Social Requisites of Democracy," 83.
7. For more discussion of the modernization theory see, Seymour Martin Lipset, "The Social Requisites of Democracy Revisited: 1993 Presidential Address," *American Sociological Review* 59, no. 1 (February 1994), pp. 1 – 22.; Ronald Inglehart and Christian Welzel, "How Development Leads to Democracy: What We Know About Modernization," *Foreign Affairs* 88, no. 2 March/April 2009), pp. 33 – 48.; Christian Welzel, "Theories of Democratization," *Worldvaluessurvey.org*, 2009. [http://www.worldvaluessurvey.org/wvs/articles/folder\\_published/publication\\_579/files/OUP\\_Ch06.pdf](http://www.worldvaluessurvey.org/wvs/articles/folder_published/publication_579/files/OUP_Ch06.pdf) (accessed 16 June 2010), 80-81, 86-88.; Larry Diamond, "Economic Development and Democracy Reconsidered." *American Behavioral Scientist* 35, no. 4/5 (March/June 1992), pp. 450 – 499.; Francis Fukuyama, "Do we really know how to promote democracy?" *NED.org*, 2005. [http://www.fpa.org/usr\\_doc/Francis\\_Fukuyama.pdf](http://www.fpa.org/usr_doc/Francis_Fukuyama.pdf) (accessed 16 June 2010).
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9. For an argument on the "initiation" side, see Carles Boix and Susan C. Stokes, "Endogenous Democratization," *World Politics* 55, no. 4 (July 2003), pp. 517 – 549. For an argument on the "maintenance" side, see Adam Prezowski and Fernando Limongi, "Modernization: Theories and Facts," *World Politics* 49, no. 2 (January 1997), pp. 155 – 183.
10. Diamond cites a figure of \$6,000 GPD/capita in Diamond, 467.; Fukuyama also cites a figure of \$6,000 GPD/capita in Francis Fukuyama, *The End of History and the Last Man* (New York: Free Press, 2006), 344.; Prezowski and Limongi cite a figure of \$6,055.15 in Prezowski and Limongi, 160.; Boix and Stokes put forth a figure of \$7,000 in Boix and Stokes, 522. See Boix and Stokes, 522.; Prezowski and Limongi, 159 – 160.
11. Huntington claims that in this zone, "traditional forms of rule become increasingly difficult to maintain and new types of political institutions are required to aggregate the demands of an increasingly complex society and to implement public policies in such a society." See Samuel P. Huntington, "Will More Countries Become Democratic?" *Political Science Quarterly* 99, no. 2 (Summer, 1984), 201.
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13. Huntington, 199.; Burkhardt and Lewis-Beck, 907.; Boix and Stokes, 525.; Inglehart and Welzel, 42.; Diamond, 466.
14. All EIU data can be found at "Economist Intelligence Unit Democracy Index 2008," *EIU.com*, 2008. <http://graphics.eiu.com/PDF/Democracy%20Index%202008.pdf> (accessed 16 June 2010).
15. The EIU democracy index combines measurements of: electoral process and pluralism; civil liberties; the functioning of government; political participation; and political culture.
16. OPEC (Algeria, Angola, Iran, Kuwait, Libya, Nigeria, Qatar, UAE) and OAPEC (Bahrain, Egypt, Tunisia, Syria, Saudi Arabia) states and Oman were excluded.
17. The 8 states are: Equatorial Guinea, Libya, Oman, Saudi Arabia, Bahrain, Kuwait, the UAE, and Qatar.

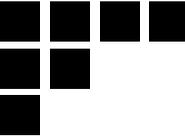
19. As a microstate, Brunei is not included in EIU's dataset, which likely skews these results.
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21. Freedom House's Freedom in the World Survey assigns regime's scores for both Political Rights and Civil Liberties. These ratings run from 1 (full freedom) to 7 (no freedom), and the combined score results from simply adding the two together and dividing them by two. For more, see "Freedom House Freedom in the World Survey," *Freedomhouse.org*, 2010, <http://www.freedomhouse.org/template.cfm?page=15> (accessed 16 June 2010).
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30. After Burma are Uzbekistan, Turkmenistan, Chad, and North Korea (in that order).
31. See Case, 81.
32. *IMF.org*, 2010.
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57. The five highest growth rates preceding E. Timor were Macau, Qatar, Azerbaijan, China, and Ethiopia. See *CIA.gov*, 2010.

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[http://commons.wikimedia.org/wiki/File:Singapore\\_skyline.JPG](http://commons.wikimedia.org/wiki/File:Singapore_skyline.JPG)



# Divisive Economic Device? Understanding China's Choice to Create a Sovereign Wealth Fund

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This essay seeks to elucidate the puzzle of China's policy decision to create a Sovereign Wealth Fund (SWF). Much literature has been put forth on the topic to predict the strategic benefits China may be pursuing through its investments in American firms using its SWF, China Investment Corporation (CIC). Such speculation on these ambitions continues to present inconclusive theories, and with the available data, further articulations on this matter are unproductive. Three explanations for *why* China created CIC, however, can be elaborated with much more evidence. This essay will show that both rational-actor, profit seeking models and bureaucratic politics provide strong explanations for CIC's creation. A third explanation — that China is seeking international power — is much more difficult to prove. This section is of value however, because it permits an opportunity to discern the causes for CIC's creation from the implications of its creation, which have been harped on in previous literature. This paper finds that there could be an explanation for CIC at the international level, but contrary to alarmist literature, there is no evidence to support the claim that CIC was created for use as a strategic tool to threaten the United States.

The ultimate conclusions on the CIC is that the development of the Chinese sovereign wealth fund reflects China's growing power as well as a shift in the international order,

in which the interaction between the state and others has changed. In fact, it appears China is using CIC as a way to engage further within the international financial system as it comes to recognize that its power stems from domestic economic growth. This seems to mirror the global trend towards a politicized economy or political capitalism<sup>1</sup>. While this paper shows that CIC is a representation of this trend within China, and that CIC serves an end for international relations for China, it cannot be discerned that this was an explicit goal of China's at the creation of CIC. It is therefore important to underline that CIC is not a tool of foreign policy, but rather a method of international engagement. By outlining the three reasons why China created the CIC, the mechanisms of China's engagement in the international system will be explained. To accomplish this, the essay will be organized in to five sections: the first section will provide a brief overview of CIC, the following three sections will discuss reasons for creating CIC and the final section will be a contribution to the existing literature on the intentions of the CIC in relation to American security, that draws from the conclusions made in the three preceding sections.

## Part I: The Guts of CIC

The creation China Investment Corporation was announced in March of 2007. The China Jianyin Investment Company,

a government agency, initially bought a \$3 billion non-voting stake in Blackstone Group, before officially setting-up operations in September, when the investment group transferred the shares over to CIC<sup>2</sup>. With a starting capital fund of \$200 billion, CIC's addition to the collection of SWFs worldwide is noteworthy. It is marked as the 4<sup>th</sup> largest in the world, but also the most recently created. In the CRS Congressional report for January 2008, it was predicted that if China made more of reserves available, the fund could be worth over \$1 trillion<sup>3</sup>. The report cites Brad Setser, who argues an organization "with a working capital for \$1 trillion dollars would have the ability to push the US economy into recession."

The financing of CIC was convoluted. Understanding the power and capital flows within the system can be difficult (for reference, see omitted flow chart with indications by Cognato, Aizenman and Glick, and Shih).<sup>4</sup>

The CIC is headed by Lou Jiwei, who holds the title of Chairman within CIC and doubles as CCP party Secretary. More public within the organization is Gao Xiqing, the CEO who chairs the fourteen members of the executive board council for CIC. The majority of the council members have a background in finance; Gao and another executive, Wang Janxi, worked on Wall Street for several years prior to their CIC careers<sup>5</sup>. Two executives are also involved with the National Development and Reform Commission, considered one of the most formidable commissions within the Chinese bureaucratic system<sup>6</sup>. NDRC makes most of the pertinent policies today, and under the Mao era it was in charge of managing the planned economy<sup>7</sup>.

The CIC website posts little information about its holdings, despite many complaints about CIC's lack of transparency, and the promises by Gao Xiqing that the institution would boast levels of transparency comparable to Norway's Global Pension Fund<sup>8</sup>. The most current tally of CIC's holdings can be found in the Security and Exchange Commission's annual report (see SEC report,

ending quarter December, 2009).<sup>9</sup> According to the report, CIC's largest holdings are in Blackrock, Morgan Stanley, and Teck Industries; however, the Chinese portfolio has never been highly diversified; it mainly contains stocks in financial institutions, technology and research corporations, and energy-production industries<sup>10</sup>. Prior to the 2008 financial crisis, CIC held almost singularly equities stock. Jiwei reported after loosing 2.1% of its initial investments in the U.S. in 2009 that the CIC would broaden its holdings — leading to an expanded portfolio<sup>11</sup>. Evidence shows that interests have been directed towards primary consumer goods, particularly in American agricultural production companies<sup>12</sup>.

## Part II: CIC has some Guts

### Explanation 1: acting rationally

On October 14<sup>th</sup>, 2010 China reported that it held \$2.65 trillion in US foreign exchange, the highest citing ever<sup>13</sup>. Holding vast forex is a sophisticated problem for China: while the influx of American dollars represents a transfer of productivity to the Asian continent, it comes at an opportunity cost; with each increase of forex holdings, China's dollar holdings diminish in value<sup>14</sup>. It has been cited that holding these forex reserves costs China \$100 billion a year<sup>15</sup>. In his interview on 60 minutes, Gao Xiqing, CEO of CIC, explained that the decision to create CIC was essentially a way to reduce opportunity costs of owning so many US dollars and to reduce the risk that forex holdings would depreciate in value as the dollar weakened<sup>16</sup>. From a rational-actor stand point we can understand the decision of China to move its US dollar holdings out of US bonds and into the equities market as profit maximization. The move also provided China the opportunity to increase rates of return by taking on more short-term, higher risk rather than maintaining long-term, lower yield investments in bonds.

Further support that CIC was created

for profit maximization comes from the SWF's dependency on fast payouts. Due to its structure (briefly recounted above) CIC is responsible for paying out on billions in bonds. This set-up differs somewhat from common SWF construction, but is due to the fact that CIC's capital flows from foreign exchange reserves that sit under the State Affairs Foreign Exchange<sup>17</sup>. To finance CIC's creation, bonds were purchased from the Peoples Bank of China, and therefore CIC is responsible for paying-out on these bonds annually, which amounts to RMB 1.55 trillion<sup>18</sup>. This translates to a cost of \$40 million per day to run the CIC, or \$14.6 billion per year<sup>19</sup>. Because CIC is not deferential to any other bank within the system, only to the State Council, CIC is completely dependent on the quick and fast payouts from its investments to make the payments on the bonds. It is in the great interest of CIC Chairman Lou to find high yielding investments therefore, which commonly take the form of equities investments.

CIC is also very unique in that the forex that finance the fund came not from sales of natural resources — like the petrol financed SWFs of many middle-eastern states, but rather from mass exports. This varies the importance of the SWF somewhat, because the high demand for Chinese products is premised upon the strength of the USD against the RMB. The very existence of the Chinese SWF affects Chinese export strength and China's continued ability to accumulate massive forex, therefore the situation of financing and payout is much more interdependent than is found in natural resource-based SWFs. If the Chinese government did not address the problem of the massive forex, then the USD would continue to lose its value against the RMB and the Chinese advantage of low-cost exports would be diminished. The establishment of the CIC is pivotal in maintaining the low valuation of the RMB because if China continued to accumulate USD then the RMB would naturally inflate in value to equalize import/export

margins. As Chinese growth necessitates a devalued currency, China had to find way to circumvent currency inflation. The creation of CIC disposed of some of the USD influx. This explains why CIC is not particularly risk averse *and* why the top leadership continues to invest despite the enormity of losses it faced in 2008. This also provides a very rational explanation for CIC's creation — a mechanism to allow China to continue growing.

The issue of unequal USD flow into China because of the pegged value of the RMB parallels China's continued investment in American corporations to prevent equalized trade margins. Both mechanisms simultaneously unravel the possibility for a greater quantity of exports from the U.S. and a recalibration of U.S. reserves across the international system<sup>20</sup>. The political effects of this are detailed by Herman Schwartz in his book *Subprime Nation* where he explains: "As SWFs come to hold more and more of U.S. overseas debt, their expectations about a higher return will force an end to the pattern of US Arbitrage,"<sup>21</sup> which he pinpoints as the source of U.S. growth and power. He continues, "If Asian countries and oil exporters shift out of the U.S. Treasury debt into equities via sovereign wealth funds (SWFs), they pose an immediate threat to US power," by jeopardizing the potential for growth based on foreign investment in the Treasury.<sup>22</sup> SWFs move investments out of the U.S. government and make it practically impossible for the USD to recover its value.

This, in turn, threatens the dollar as the international reserve currency and debases America as the leading economic power — to which US political power is tied<sup>23</sup>. In this way the development of the CIC has strong political implications, and it is not simply, as Gao articulates, an investment cooperation. Yet, while it is clear that CIC was created to improve returns on US currency, it is not clear whether shifting the economic and consequentially political system was also a goal of the Chinese government. It is more likely that the fears of

the changing power differentials outlined by Schwartz are in fact reflections of trends and not decisive actions.

### **Explanation 2: dictated by Chinese bureaucratic politics**

Leading up to the creation of the CIC, there was considerable debate within China amongscholarlycriticsabouttheaccumulation of vast foreign exchange reserves and what to do with them<sup>24</sup>. Two opinions were vocalized most loudly. One was to employ private financial groups to handle the funds with the single goal of increasing returns on China's foreign exchange reserves<sup>25</sup>. The other was to create a sovereign wealth fund to back state-owned Chinese companies. It was even proposed to create a super-sovereign reserve of currency<sup>26</sup>. The top leadership tried to create an entity that satisfied both camps and to create an institution that would act in both capacities concurrently. Even before the creation of the CIC, however, there were arguments at the bureaucratic level over control of the future institution. The Ministry of Finance and the People's Bank of China, which operates under the State Association on Foreign Exchange (SAFE), both rivaled for control. Eaton and Ming, in their essay *China's Sovereign Wealth System*, describe the development of CIC as an idea that was born out of the bickering between the SAFE and the MoF for greater control over forex. A SWF was initially decided upon as an option that would allow both institutions to exercise influence over the reserves. In the end, however, neither party gained direction over CIC; instead it was decided that the organization would report directly to the State Council and that its ties would be more strongly allied to the MoF because traditionally ministries of finance control SWFs<sup>27</sup>. This proposes the idea that the structure of CIC was determined by bureaucratic politics.

CIC was finally endowed and began functioning as an investment agency when the CIC bought RMB \$200 billion worth

of bonds from the PBoC<sup>28</sup>. Two thirds of this amount was invested into domestic institutions, namely Central Huijin, which controls three of largest recapitalized banks in China: the Industrial and Commercial Bank of China (ICBC), the Construction Bank of China (CBC) and the Bank of China (BoC); and to aid two other ailing banks: the China Development Bank (CDB) and the Agricultural Bank of China (ABC)<sup>29</sup>. Shih has argued that the CIC will act essentially as a lobbying group for these banks and not particularly as a tool for Chinese diplomacy because the majority of CIC investment is concentrated in domestic institutions. Therefore, the majority of the CIC's capital will flow from dividends paid by these banks, and thus the bulk of CIC's attention will go towards persuading the government to limit competition within the banking sector, slow down foreign entry, set interest rates to give banks a healthy spread, and bail-out bans if non-performing loan ratios rise<sup>30</sup>. Senior policy analyst for the US Senate, Eric Anderson, noticed that through these domestic investments, China may be attempting to correct some issues with non-performing loans. These issues developed out of some faulty economic policies enacted in 2006 to ensure that certain state owned enterprises would not crumble. The issue of these loans barred China's full accession into the WTO back in 2001<sup>31</sup>. China was given a five-year grace period to restructure these loans — a task that she continually stalls on<sup>32</sup>. The creation of CIC and the subsumption of these failing banks into CIC could represent an effort on China's part to fix these failings of its domestic financial structure at a superficial level to permit China to fully integrate into the WTO.

From this perspective, it is interesting to consider CIC as an emblem of movement towards greater Chinese participation in the international monetary system and increased acknowledgement of her own political power, stemming from her own economic growth. It seems China feels she has reached a certain

economic capacity and that she is legitimated to participate in the international political system. This explains the heavy concentration of CIC's capital in domestic SOEs rather than a dispersal of the capital abroad: if China believes that her political legitimacy in the international realm stemmed from heady economic policy at home, she would be more interested in strengthening this structure than venturing abroad. Interest abroad is still evidentially part of the creation of CIC, but perhaps understanding this perception of her own economic power we can shift our understanding of CIC as a mechanism to consolidate Chinese economic power. Such consolidation will legitimize great economic

**“The decision to create CIC was essentially a way to reduce opportunity costs of owning so many US dollars.”**

growth in China as a way to assume more clout on the international political scene.

**Explanation 3: striving for international control**

Distinct evidence to support the claim that the CIC was established as a mechanism for international control does not exist. Indeed it is from this puzzle that most of the literature on the CIC stems. The best way to understand if foreign policy explains CIC's creation is to imagine the structures that would appear within the institution if this were its purpose and to discern if CIC does indeed have such structuring. If CIC were to be a tool for foreign policy, it would work in two ways: at a macro-level from the Chinese state herself to affect the American financial system in a systemic way, or from within the businesses in which CIC holds stakes. Both Kirschner and Drezner have put forth convincing arguments debasing the possibility that the CIC could work as a macro-level foreign policy tool. Kirchner asserts in his article *Sovereign Wealth*

*Funds and National Security: The Dog that Will Refuse to Bark* that if China were interested in financial coercion, direct action through forex would be much more effective<sup>33</sup>. Drezner, too, expounds on the limits of financial statecraft, particularly against great powers<sup>34</sup>. From these arguments it is clear that using SWFs as a tool of foreign policy at the macro-level would be almost impossible footwork and that the CIC displays little of the necessary structure to carry-out such financial jockeying. If CIC were hoping to act from the inside, we could predict that China would set up CIC in certain ways: lack of accountability and transparency within the investment apparatus, strategic investments, adopting controlling or voting stakes within these companies, and using financial relationships to lobby domestically within debtor countries. The first three of these we can discard as a goal of CIC, while the last proves more difficult due to lack of evidence.

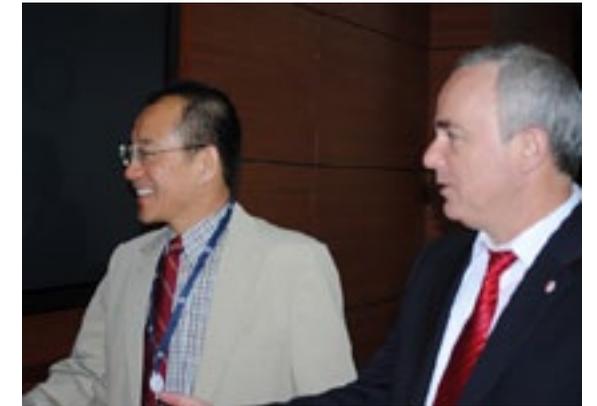
At the conception of CIC, many complained that the institution was less transparent than the Singapore SWF<sup>35</sup>. To date, CIC has little information available on its website about its holdings, intentions, investment strategy or long term aims. In his 2008 60 minutes interview, Gao Xinqin explained that China's SWF would be as transparent as Norway's and that there was no need to implement international regulations over transparency of SWFs<sup>36</sup>. That same year, the IMF, at the request of the G-7, developed a policy of greater regulation, this incited great backlash, particularly on the part of China<sup>37</sup>. One of the huge points of contention for China was the “teeth” underlining in the IMF policy<sup>38</sup>. Bodies receiving investments could punish the foreign states for not upholding the IMF code by mandating investigations or even freezing further investments<sup>39</sup>. China, however, came to accept the policy. One might argue that China had little choice but to accept if she wanted to continue investing, particularly since the U.S. at this time had also begun implementing its own, more stringent, policy towards SWFs. But further action by China shows that skirting

transparency and incorrect investor behavior were not priorities.

One might predict that during the temporary lapse of American power during the financial crash China would use the opportunity to act less-than-transparently. But, in the face of great disdain for the transparency impositions, China continued to act accountably. This shows that given the opportunity, China did not use CIC as a foreign policy tool to accumulate politically sensitive holdings within the US economy. Additionally, it is not profitable to reason that CIC was too new in 2008 to circumvent such regulations. At this point, CIC was able to take on the \$1.8 million dollar stake in Morgan Stanley. It was likely of more interest to China to follow these international protocols to ensure future investment opportunities and also to gain legitimacy in the international realm for complying with the IMF's standards<sup>40</sup>.

One might also expect CIC to acquire strategic holdings if it were purposed to be a foreign policy tool. In section one is a chart of CIC's holdings as most recently reported to the US Congress. First, it is worth noting that China has refrained from investing in military and defense technology. Despite being a lucrative sector in the American economy, she has respected that this would be a suspicious investment in the eyes of most Americans. Second, one will note the numerous holdings that are actually purchased through a third body. This represents an effort on the part of China to distance herself from direct interaction with the corporation in which it seeks holdings. Lastly, it is necessary to address the commonly cited argument that China is seeking stakes in America's most influential firms to usurp the country from the inside-out<sup>41</sup>. The problem with this argument is that America's most powerful firms also happen to be the most worthy of investment. It makes sense that China would invest in equities and natural resources because these types of firms tend to have the highest and quickest paying returns. As shown in section one, at least part

of China's intention in CIC must be to earn high and fast payouts. Investing in America's strongest industries, finance and natural resources, proves to be the best path to this



Gao Xiqing, the Vice Chairman and Chief Investment Officer at CIC, meets with members of Israel's Ministry of Finance.

goal.

The third reason CIC should not be classified as a foreign policy tool is because she has overtly declined voting stakes in her investments. One of the most frequently cited alarmist arguments is that CIC will win voting stakes in the companies in which it invests. The argument asserts that through a bottom up mechanism, China will gain control of these companies, and by extension the U.S. government<sup>42</sup>. Yet, China to date, has declined all voting stakes in its investments. The most public instance of this was CIC's decline of a board seat in Morgan Stanley, despite owning a 9.9% stake in the company, the second largest stake in the company overall<sup>43</sup>. Winston Wenyan reported that the fund was “not really looking for voting rights or control but [was] trying to take advantage of surging asset values in China and depressed valuations here in the U.S.” He continued to explain that the Chinese “like minority stakes, so as not to raise the ire of politicians in Washington.”<sup>44</sup> A voting stake is clearly not the game China is hunting. Wenyan's observation also supports part-one conclusions that China is intent on raising capital quickly.

The last way CIC might act, if it were a foreign policy tool, would be to use its stakes

to lobby the U.S. government. Because of the protests against CIC investing in American institutions at its conception in 2007, such blatant action on the part of CIC would be untactful. The Chinese government and CIC officials are certainly aware that such outright action would never go un-protested. But arguing that these leaders are competent is not proof enough to dispel this theory. In fact, there is no evidence to be found about this claim. It is probable that if CIC were able to lobby the US government through one of its acquisitions, they would do this as surreptitiously as possible<sup>45</sup>. American policy, however, has remained steadfast towards Chinese interests, and so it seems unlikely that CIC is using its powers in this way, or if it is, they are quite ineffective.

In total, it is unlikely, but not completely determinable, that CIC is a foreign policy tool. While the first two proposed explanations for CIC's creation, profit maximization and bureaucratic politics, provide more resolute explanations, this third explanation proves exceedingly hard to negate due to limited information. The great question remains: even if CIC was created as a tool, could it threaten the US? The arguments of Kirchner, Drezner and Cognato dispel this thought. I believe a softer coercion is more likely. Just by the nature of investing \$1.4 trillion in the US economy means the CIC has a measure of soft power, as it has obtained stakes in 60 of some of America's most important industries<sup>46</sup>. We cannot discern whether soft power was a specified goal for the creation of CIC, or if China's leaders even recognized in 2007 that it would gain such great soft power. It is evident that CIC is now aware of its current and future source of soft power thanks to its investments in American equities by some of the top leadership's recent press-statements.

China has credited herself as being the stopgap between economic failure and the U.S. and she will verbally recognize her economic importance to the United States. China's continued investment in the U.S. and

exportation of cheap goods to maintain the high volume of U.S. dollars that flow into China show the soft-power importance that Chinese investments and exports have for the U.S. In the CRS report for Congress published on August 15<sup>th</sup>, 2008, it was argued that Chinese soft power was augmented by her investment in Morgan Stanley when the stock was plummeting<sup>47</sup>. This shed a heroic light on CIC and China as an investing agency in general. Since then the American government has turned to China as a potential stable investor, most notably in U.S. bonds.

China's strength throughout the financial crisis may be another source of soft power for the country as a sound investment body that can lend legitimacy and stability to an industry. Gao Xiqing was reported saying "The US economy is built on the support, the gratuitous support, of a lot of countries. So why don't you come over and ... I won't say knowtow, but at least be nice to the countries that lend you money."<sup>48</sup> In this way, China benefits from enlarging the intersection between the economic and the political as it begins to take on an image of a quickly growing investment body, a rarity in these economically hard times. As the concentration of power in the world system comes to center more on economic growth, the perception that such growth emanates from China is exceedingly important, and positions her more centrally as a source of power within the system. CIC only works to promulgate this image as an investment body of endless reserves. It was not until after the financial crisis that such articulations like the one cited above by Gao were uttered. In fact, the assumption by both investors and receivers was that if any type of power would flow from CIC, it would be due to investments in technology and natural resources<sup>49</sup>. Perceived as an illegitimate way to consolidate power within the international system, China adamantly insisted that the intention of the CIC was purely profit maximization of forex holdings<sup>50</sup>. Influencing American foreign

policy by reminding the U.S. government of the debt China owned, is perceived by the international community as more legitimate

***"It has been cited that holding these forex reserves costs China \$100 billion a year."***

diplomacy because the interests of the two states have become "aligned."

The conclusion to draw from this study of CIC's effect on foreign policy relies on the conclusions developed in section three: CIC is a way for China to continue economic growth because growth in China is recognized as the source for increased international attention. To tie all this together, it is helpful to think back to the proposals for CIC before it was formed. Zhou Xiaochuan, CCB governor, proposed that China create a super-sovereign wealth fund. He imagined the entity would be led by the IMF and would revoke the U.S. dollar as the dominant currency and replace it with several currencies including the Euro and the Yen. He also envisioned special drawing rights for states with large investments. This proposal demonstrates several Chinese objectives: to secure an improved way to invest forex, to enhance her domestic growth by making the Yen a dominant currency of trade, and to use her economic power as a way to engage further with the international system<sup>51</sup>. Understanding this purpose of CIC provides an effective framework to also understand the Chinese oversight in the creation of BRIC. It explains Chinese stubbornness in maintaining a devalued currency in the face of US demands<sup>52</sup>. It also explains China's agreement with other BRIC economies to contribute to IMF reserves through the purchase of IMF bonds denominated in Special Drawing Rights that allowed China to modestly advance her

goal of developing non-dollar currencies as reserve currencies<sup>53</sup>.

**Part III: When and how CIC will display its Guts**

"Political might is often linked to financial might, and a debtor's capacity to project military might hinges on the support of its creditors" Brad Setser<sup>54</sup>.

What does it all ultimately mean? China has recognized her growing economic prosperity as a platform to command greater political power and to realize a greater number of her international desires. She seems to be using this power as means to engage further with the international system. Although China has not been able to demand outright for specific policy changes within the United States, she has been able to deter Washington from certain pursuits, such as involvement in North Korea<sup>55</sup>. While we cannot make founded observations on the true intentions of China in relation to its purpose with CIC in the international system, we can conclude that it is currently not being used as a tool of foreign policy. This does not mean that China will not look to its SWF or simply to its vast forex reserves for policy coercion in the future. As CIC stands currently, the only foreign policy implications it represents are not divisive, but simply manifest, as its pure existence represents China's growing power in the international system. With that follows a certain legitimacy that simultaneously serves to delegitimize some of the United States' similar soft coercive powers. The bottom line is that China is becoming more politically important in the international system through her economic policies.

## Endnotes

<sup>1</sup>The term Politicized capitalism emerged at the transition of the Chinese political economy in the early 1980' when Deng Xiaoping worked to develop a market economy around a planned sphere economy. Victor Lee and Sonja Opper charectorize the term in their chapter in "On Capitalism" as the following: "Politicized capitalism is a hybrid institutional order in which recombi- nant elements of central planning and state control combine and interact with emergent markets and private ownership forms. It comprises institutional ar- rangements patched together in ad hoc improvisations to address the needs and demands arising from rapid market-oriented economic growth." Nee, Victor, and Richard Swedberg. *On Capitalism*. Stanford, CA: Stanford UP, 2007. Print.

<sup>12</sup> Cognato, Michael

<sup>3</sup> Martin, Michael. 2008.

<sup>4</sup> Indications for this chart came from Cognato, Aizenman and Glick, and Shih.

<sup>5</sup> Cognato, Micheal.

<sup>6</sup> Cognato, Micheal.

<sup>7</sup> Cognato, Michael.

<sup>8</sup> Truman, Edwin

<sup>9</sup> SEC report, ending quarter December, 2009.

<sup>10</sup> Martin, Michael

<sup>11</sup> Somerville, Glenn

<sup>12</sup> Interview conducted with , director of agricultural investment at CIC, 12-09-2010.

<sup>13</sup> [http://www.chinadaily.com.cn/china/2010-10/14/content\\_11407514.htm](http://www.chinadaily.com.cn/china/2010-10/14/content_11407514.htm)

<sup>14</sup> Leonhardt, David

<sup>15</sup> The 'norm' for SWF's is that capital flows directly from the ministry of finance, where forex reserves generally lie. The power and capital flows are therefore singular and less complicated than CIC's because there is only one link and that is to the ministry of finance. Dani Rodrik, "The Social Cost of Foreign Exchange Reserves," *International Economic Journal* 20 (September 2006); 115-130 Drezner

<sup>16</sup> [http://www.cbsnews.com/stories/2008/04/04/60minutes/main3993933\\_page2.shtml?tag=contentMain;contentBody](http://www.cbsnews.com/stories/2008/04/04/60minutes/main3993933_page2.shtml?tag=contentMain;contentBody)

<sup>17</sup> As shown in the chart in section one, the PBOC does not sit under the same commission as the CIC. To finance the CIC, there was a cross bureaucracy exchange.

<sup>18</sup> Eaton, Sarah, and Ming Zhang

<sup>19</sup> Eaton, Sarah, and Ming Zhang

<sup>20</sup> Schwartz, Herman. *Subprime Nation*, p.14-22, 208-226.

<sup>21</sup> Schwartz, Herman. *Subprime Nation*, p.16.

<sup>22</sup> Schwartz, Herman. *Subprime Nation*, p.22.

<sup>23</sup> This may also be the reason American analysts are so quick to assert that these policies of China are a direct threat to US power.

<sup>24</sup> Cognato, Michael

<sup>25</sup> Bahgat, Gadat

<sup>26</sup> Drezner, Daniel. "Bad Debts: Assessing China's Financial Influence in Great Power Politics."

<sup>27</sup> Eaton and Ming,

<sup>28</sup> Martin, Michael.

<sup>29</sup> Deduced from reporting of Eaton and Ming, Cognato, Aizenman and Glick, and Shih

<sup>30</sup> Shih, Victor. "Tools of Survival: Sovereign Wealth Funds of Singapore and China." *Geopolitics*. 14.2 (2009): 300-375. Print

<sup>31</sup> Anderson, Eric.

<sup>32</sup> Anderson, Eric.

<sup>33</sup> Kirshner, Jonathan. "Sovereign Wealth Funds and National Security: The Dog that Will Refuse to Bark." *Geopolitics*. 14.2 (2009): 305-315. Print.

<sup>34</sup> Drezner, Daniel. "Sovereign Wealth Funds and the (in)Security of Global Finance ." *Journal of International Affairs*. 62.1 (2008): 115-130. Print.

<sup>35</sup> Eaton and Ming declared the most transparent SWF to be Norway's and the least transparent to be Singapore's. This is attributed to their governing styles. In this instance, transparency refers to the ease with which one can discern the institutions holdings, intentions, and future investment strategies. In this paper transparency has the same definition.

<sup>36</sup> "China Investment An Open Book?." *60 Minutes*. CBS: New York, 06 04 2008. Television. 15 Nov 2010.

<sup>37</sup> Drezner, Daniel. "Sovereign Wealth Funds and the (in)Security of Global Finance ."

<sup>38</sup> Gurria, Angel

<sup>39</sup> Gurria, Angel

<sup>40</sup> The question of poor reporting and transparency in CIC's investments can be explained by China's governance style more confidently than it can be explained by malicious intentions of China. Kathryn Lavelle explains in her article that SWF engagement style and transparency is highly correlated with the parent government's governing style; therefore authoritarian regimes tend to be much more opaque in their investment strategies than their democratic counter parts.

<sup>41</sup> An argument most notably promoted by Larry Summers.

<sup>42</sup> Truman, Edwin and Lynch, David

<sup>43</sup> Martin, Michael. *United States of America. China's Sovereign Wealth Fund: Developments and Policy*

*Implications* . Washington DC: Congressional Research Service, 2010. Print

<sup>44</sup> "Morgan Stanley Posts loss; Sells Stake to China," Harper, Christine. 12-19-2007, Bloomberg News. <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a61Th6lcsbsU>

<sup>45</sup> This view is asserted by Larry Summers in his article *Funds that Shake Capitalist Logic*, it is also shown in Micheal Martins essays for CRS from 2008 and 2010, and lastly in the CRS report entitled, *Comparing Global Influence: China and the US Diplomacy, Foreign Aid, Trade and Investment in the Developing World*

<sup>46</sup> In this essay soft paper "soft power" has the sense of power that is otherwise completely political, that stems from a source other than pure governmental policy and is employed through means of pressure or influence.

<sup>47</sup> Lum, Thomas and Blanchard, Christopher and Cook, Nicolas and Dumbaugh, Kerry and Epstein, Susan, and Kan, Shirley and Martin, Michael and Morrison, Wayne and Naton Dick and Nichol, Jim and Sharp, Jeremy and Sullivan, Mark and Vaughn, Bruce

*United States of America. Comparing Global Influence: China and the US Diplomacy, Foreign Aid, Trade and Investment in the Developing World*. Washington DC: CRS, 2008. Web. 22 Nov 2010. <<http://www.usembassy.it/pdf/other/RL34620.pdf>>.

<sup>48</sup> Drezner, Daniel. "Bad Debts: Assessing China's Financial Influence in Great Power Politics." *International Security*. 34.2 (2009): 7-45. Print.

<sup>49</sup> Lum, Thomas and Blanchard, Christopher and Cook, Nicolas and Dumbaugh, Kerry and Epstein, Susan, and Kan, Shirley and Martin, Michael and Morrison, Wayne and Naton Dick and Nichol, Jim and Sharp, Jeremy and Sullivan, Mark and Vaughn, Bruce

<sup>50</sup> Jessie Wang reportedly stated, "The mission for this company is purely investment driven."

<sup>51</sup> The reason this proposal was not adopted is because the United States protested strongly against it at the G-7 meeting in 2007.

<sup>52</sup> "In late March, Zhou Xiaochuan — the head of China's central bank and the senior official who's closest to Geithner — gave a speech suggesting that the dollar be replaced as the world's reserve currency" Leonhardt, David. Drezner, Daniel. "Bad Debts: Assessing China's Financial Influence in Great Power Politics."

<sup>53</sup> Drezner, Daniel. "Bad Debts: Assessing China's Financial Influence in Great Power Politics."

<sup>54</sup> "At the end of a discussion with Lardy about the imbalances between the U.S. and China, I asked him what forms of leverage he thought the Obama administration had. "We have no leverage," he replied. He then couched this slightly, saying that the administration could threaten the Chinese with trade barriers but that such threats weren't likely to be very credible."

<sup>55</sup> Leonhardt, David. "The China Puzzle." *The New York Times*, (17-05-2009) 1-5. Print

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