

Message from the Editor

This issue of the Whitehead Journal of Diplomacy and International Relations is dedicated to the dean of the Whitehead School, Ambassador Clay Constantinou, (Ret.). The release of this Journal marks the departure of Dean Constantinou after his completion of a second three-year term. The dean was instrumental in the founding of the Journal and continued to play a major part in its publication throughout his tenure.

In 1999, Dean Constantinou envisioned the Whitehead School as one of prominence in both the academic community and the international community at large. Under his leadership, the school has experienced unprecedented growth, nearing 600 students in its undergraduate and graduate programs. The school also developed an alliance with the United Nations Association of the United States of America, allowing our students and faculty access to UN resources. The dean was also instrumental in bringing prominent international leaders to campus, including Mikhail Gorbachev, Kofi Annan, Shimon Peres, John Hume, Prince Turki Al-Faisal, Mohammad Khatami, and others.

Upon leaving the school, the dean said in a message to the students, “While I am personally excited by the opportunities that lay ahead, I am also somewhat sad that we will no longer journey on the same path. I am optimistic, however, that our paths may cross again as I intend to continue to support the School.” The Journal would like to thank the dean for his support in helping the Journal find its path.

In our World Leaders’ Forum section, the Journal is honored to present an address by former president Mikhail Gorbachev. This prestigious world leader visited the Whitehead School and delivered an address to the student body and University community. His speech addressed democracy and marked the twentieth anniversary of perestroika. In addition to President Gorbachev’s address, this issue also features articles by international dignitaries such as Giandomenico Picco and the Cypriot ambassador to the United States, Euripides Evriviades.

Our forum topic for this issue is Economic Development. The Journal is pleased to have J. Brian Atwood, Dean of the Humphrey Institute of Public Affairs and former Administrator of USAID, lead this forum. Mr. Atwood has significant perspective on the role of the US in promoting economic development. The forum also features contributions that contain an array of approaches and views on economic development. The contributions demonstrate an ongoing change in the thinking about these processes with an overarching theme of a shift in ideas that demonstrates the importance of political participation as a necessary step in fostering development.

In addition to the Economic Development forum, the Journal continues with its discussion of democratization, focusing on regional developments. Further, the Journal's Global Health and Theory section is pleased to offer contributions by preeminent authors David P. Fidler and Bill Hare. The success of our Global Health and Theory section is due in great part to the assistance of Dr. Yanzhong Huang of the Whitehead School's Center on Global Health.

The Journal would like to thank the Whitehead School's Interim Dean Rev. Paul A. Holmes and Associate Dean Marilyn DiGiacobbe for their help in the publication of this issue. As always, the issue would not be possible without the assistance of our faculty advisor, Professor Philip Moremen.

Finally, this issue marks the departure of the editorial board involved with the Journal for the past two years. We would like to give our best wishes to the new editorial board. We are confident they will continue with the Journal's successes and will contribute many accomplishments of their own.

Michael P. O'Bryan

WORLD LEADERS FORUM

Address to Seton Hall: Democracy in Russia and the World Today

by Mikhail S. Gorbachev

Good afternoon, ladies and gentlemen. I am very pleased to have this opportunity to meet with you because I see present here two very important institutions of society. The first institution is religion, whose role in the life of nations is enormous, and which we felt once again when we were saying farewell to the person whom I knew very well and with whom I was in constant contact and with whom I was in correspondence, Pope John Paul II.

Of course, the other institution is the institution of diplomacy. Diplomacy can lay claim to a very important role in the world. I will be speaking a little more about this in my remarks, but let me say from the start, that whenever there is a problem, we do not need missiles, cannons or guns, but diplomacy.

When it was suggested that I speak on the subject of visions for democracy, I thought that indeed this is an important theme and a subject with which I am very familiar. The problems of the development of democracy are problems that are very familiar to me and of great concern to me, but it is not easy to develop this theme and say something to you on this subject that would be of real importance and of real relevance.

The problem of democracy is a problem that has concerned me from the time I was a student at Moscow University. I am a lawyer by education and I studied not only the history of law in my country, but also the constitutions of foreign countries. At that time, it was called the Constitutions of Bourgeois States. We also studied subjects such as the history of diplomacy and the history of political movements from ancient times to the modern era.

That is when I started to study this subject, and I continued all my life. My diplomacy work, my thesis at the university, was called "Participation of the Masses in the Government." Again, this is a key problem for democracy.

Let me start by quoting from Vladimir Lenin before the 1917 Revolution. He said that the proletariat will gain power by democratic means and will govern the country by democratic means.

Mikhail S. Gorbachev, former President of the Soviet Union and Nobel Peace Prize Laureate, visited Seton Hall University on April 19, 2005. This year marks the 20th anniversary of the Gorbachev presidency and the beginning of glasnost and perestroika. As leader of the Soviet Union from 1985-1991, Gorbachev is credited with introducing a new age of openness and decentralizing the country's government. In 1990, he was awarded the Nobel Peace Prize for his leading role in bringing an end to the Cold War.

Of course when he acquired power, or seized power to be more precise, he abolished the Constitutional Assembly in which other parties had more voices than the Bolsheviks. Instead of democracy, the Bolsheviks chose the dictatorship of the proletariat and rejected democracy. Whenever there is a dictatorship, whether you call it a dictatorship of the proletariat or of the people, it is still a dictatorship. All dictatorships are alike.

We needed to liberate our country and our people from the fetters of the totalitarian regime and move the country from a situation of a lack of freedom to a state of freedom.

Because of the situation that prevailed for years after the Revolution and because Lenin was a large personality, he concluded that the Bolsheviks had made a mistake. He felt that they had taken the wrong path, and therefore, the entire political course had to be reexamined. This is when he proposed a new economic policy. This is when he proposed to reestablish private property, economic concessions, cooperatives, and certain elements of democracy.

However, after Lenin's death in 1924, things returned to the way they were in the past. The clock was turned back to the first years of the Revolution, and a group, led by Stalin, seized power. They held power for a long time by using dictatorial methods of repression and deception. By exploiting ideology, that group established a totalitarian regime that existed for thirty years in the Soviet Union.

Democracy is the theme that permeated the perestroika that started twenty years ago, in March 1985. Perestroika faced a most important task for our country and for all of our people. Because the Soviet Union was a country in which all religions were present, whose people spoke 225 languages and dialects, was full of social as well as other problems, and was so heavily militarized, it needed to go back to the ideas of democracy. We needed to liberate our country and our people from the fetters of the totalitarian regime and move the country from a situation of a lack of freedom to a state of freedom.

Attempts to get rid of the legacy of Stalinism were started by Khrushchev. He started in 1956 at the 20th Congress of the Communist Party where he criticized Stalin's personality cult and the results of that cult. This was the beginning of attempts to change the situation after the death of Stalin.

However, when Leonid Brezhnev became the Soviet leader, we returned to a kind of neo-Stalinism. It was a more humane kind of Stalinism, a Stalinism without massive repression, but a situation similar to a party controlling all aspects of our life, ideology, politics, economy, the social sphere, and religion and the church, to the point that every matter of a citizen was under the control of the party. When, for example, a person was baptized or christened, that person, and his or her parents, were expelled from the Communist Party. In a way, another kind of religion, a dictatorial religion, supplanted the religion of Christianity, and this religion rejected

democracy and humanity.

Because of this situation we started perestroika. The new leadership that came to power with me initiated the perestroika in 1985. We knew our country from within. My own career was in Soviet politics. I was the leader at various levels of government and in various areas.

I was the leader of a rural district, then of an urban district. I was governor for seven years. Then I worked in Moscow with Brezhnev, Andropov and Chernenko. We thought that we knew everything about our country and our system. At least we understood the need for a change that could be implemented by a new generation, a generation that replaced the veterans.

However, the situation turned out to be a lot more difficult than we imagined. As soon as we started to take the first specific steps, we realized that the burden of history, or the legacy of history, was a tremendous pressure on us. Historians know that Russia lived for 300 years under Mongol domination, followed by centuries of serfdom. Then, it experienced seventy years of the communist regime. This certainly affected the culture and the mindset of the people. Given the size and the scale of our country, which is a vast territory covering nine time zones, managing this country in a European way would not be possible.

However, the situation turned out to be a lot more difficult than we imagined. As soon as we started to take the first specific steps, we realized that the burden of history, or the legacy of history, was a tremendous pressure on us.

We knew that it would be difficult, but we probably did not know how much the mindset of the people was affected by history. What is more, we made our own mistakes. Our initial view was the illusion that we could preserve the old system by improving it. But after two years, we understood that the system itself resisted any attempt to reform, to go the way of perestroika, to go the way of democracy, glasnost, or to go the way of creating a market economy. We acted too late to reform our union state.

We did not take the opportunities we did have to better control the situation in the consumer market. We took a number of steps to improve the social situation, which increased the income of the people and increased consumer demand. But the supply of consumer goods was not sufficient, and as a result of this, the money mass exerted tremendous pressure on the consumer market and disorganized this market. As a result of this, the attitude or sentiment of the people became rather harsh because they didn't like this situation. They had expected reforms to improve their lives.

We had some ideas about how to do it, but we did not have the courage to implement those ideas. We had the courage to start perestroika for example, but

when we understood that a 10 percent cut in the defense spending would solve the problem of the consumer market, we did not do it. Right now the military budget in Russia is one-tenth of what it was in the Soviet Union. At that time, cutting perhaps fifteen billion rubles from the military budget could have been done, but unfortunately we did not take that step. Nevertheless, the country was moving forward, and it moved to the point from which there could be no return to the past.

When I am asked whether perestroika won or lost, I say that perestroika won, because it brought the country and the processes of political return, to the point of no return. In the future we will probably see some reversals, and maybe some authoritarian steps will be taken. It is very difficult for Russia to continue to move toward a democratic society with a well-established democracy and socially oriented market economics. Nevertheless, there is no return to the past. There is no turning back the clock. I would like to emphasize this, because people ask, what is happening in Russia? It is a very well-educated country with tremendous resources, but why is it not moving faster? This is a question that President Bush put to me. He said to me, you have wonderful engineers. You have very good workers. You have well-educated people who are very well-disciplined and know how to work. You have the resources, perhaps more resources than the rest of the world. So why aren't you moving faster? I told President Bush the reason is that we still have to create a system built on the principles of freedom, democracy and a socially oriented market economy, where people can show initiative and succeed by doing so.

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Today we can say that perestroika gave freedom to our people and hence, political and economic pluralism, glasnost, cultural and ideological pluralism, freedom of the media, and freedom of religion. The first free elections in the 1,000 year history of our country were held in 1989. It is a fact, I recall, that the first time I invited all the leaders of our various faiths to the Kremlin, I had them sit down at the table of the Politburo. I said to them, many people have sat at this table, but let us now sit at this table and together draft a law on freedom of conscience. Today, this is the most democratic law on the freedom of conscience, probably in the world.

So I could continue listing the successes of perestroika, but that would take me too far from my subject. Even though perestroika was later interrupted by its opponents, and also by reckless radicals, the achievements of perestroika were not negated. Although Yeltsin emphasized shock therapy, and aggressive methods for addressing problems, because he wanted to solve every problem in three or four years, and because he promised that the country would be among the four or five leading nations of the world in three or four years, he could not negate the achievements of perestroika.

A fully fledged democracy was accepted by the people, and they responded by starting to actively participate in all democratic processes. Then a different group of people came to power, and they had a different approach, which I believe was reckless. This democracy became a mechanism for ways and actions that were ultimately harmful to the people. President Putin inherited a situation of chaos in our state, our army, our society, and in the economy. President Putin used his first term to stabilize the situation, and this is a historic achievement. He stabilized the situation and prevented the disintegration of the Russian Federation. We also saw economic growth, and we saw that people's income grew. But now he's facing a new choice, which I will later describe and discuss.

I am convinced that the choice of democracy and freedom was the right choice. What is more, it was the only right choice.

Despite the complexities of the recent history in which I participated and was a player, I am convinced that the choice of democracy and freedom was the right choice. What is more, it was the only right choice. Today therefore, I defend the principles and the values of democracy. Any attempt to replace those values with other values will not work. Perestroika also had an impact on the democratic process that started in the final quarter of the twentieth century in other countries. As a result, we saw the bloodless, velvet revolutions in the countries of Central and Eastern Europe. The process of democracy continues there, and as a result, those nations have moved further along in the democratic change in their countries. We have seen the impact of perestroika on other countries as well.

I recall the words of the former president of South Africa, Nobel Peace Laureate, Frederick de Klerk, whom I know rather well, since we sometimes speak to similar audiences. In one of our conversations, he said that without the Soviet perestroika we wouldn't have been able to start the changes in South Africa that eliminated apartheid. Soviet perestroika also stimulated the democratic process in Latin America, and of course it made a great contribution to ending the Cold War.

At that time, we saw the hopes that were shared by people in all countries. Perestroika was a step toward a new world order that would be based on democratic principles. We were hoping that the resources that were released as a result of ending the arms race would be used for good purposes such as addressing mankind's global problems, dealing with the environmental crisis, and helping third-world countries in countering the problems of backwardness and poverty. We were hoping that this would create a better atmosphere to strengthen and further develop the democratic process throughout the world.

However, the opportunities that we had were not fully utilized. Why did that happen? After all, we believed in a better world order, and we were trying to do something in order to give an impetus to that world order, specifically in Europe. We met in Europe in November of 1990 and adopted a document called the Charter

for a New Europe. We hoped that that charter would be a document for building a new united democratic Europe that would be friendly to both the Soviet Union and to the United States of America.

The wave of hope that spread throughout the world after the end of the Cold War has been replaced by disappointment.

It is my conviction that the fact that this did not happen, and our plans turned out to be a kind of illusion, is due, above all, to the fact that world politics lags behind the events. We have entered upon a global era, but we often live by old methods and old habits. Since the breakup of the Soviet Union, we have become a lot slower in the process of moving toward the new world order. As a result of this, we see that processes are developing in a dangerous and uncontrolled way. The wave of hope that spread throughout the world after the end of the Cold War has been replaced by disappointment. Wherever I go I hear questions, because people are concerned and alarmed. They are asking what's going to happen? Why is it that so many hopes have been broken?

Politicians reacted incorrectly at the end of the Cold War. Instead of creating some kind of world government, a new architecture of international security was built. Instead of switching resources from military purposes to the purposes of development in the West, the West indulged in a euphoria called the West's victory in the Cold War. It cultivated the victory complex and the primacy of force in international affairs.

When we were ending the Cold War, it was understood by people in the West that change was necessary in the West as well. Perestroika was necessary in every country because we were moving from a long confrontation that lasted for decades and affected every country. Every country needed renewal. When the Soviet Union disappeared, it was seen by all as the funeral of communism. I said then, and I will say again, the ideas of Jesus Christ, which are basically socialistic ideas, were buried many times, but those burials never succeeded.

The true idea of socialism is the idea of justice and fairness. This is something that every country needs to use in some way. A country cannot succeed when people are not respected, when their rights are not respected, and when there is no social justice. There will be crisis again and again. It will just continue if justice is rejected.

There is also a defeat complex, and that's a very severe disease that is very difficult to combat. The victory complex is also a disease, and I think that the West is only now beginning to understand this. All of us lost the Cold War, particularly our two countries because the Soviet Union and the United States spent \$10 trillion each for the arms race. It is a kind of financial universe that could be used for better purposes.

Recently at a conference in Cancun, it was said that \$10 billion more would be used for international aid, but the Cancun conference did not open up the Western

markets to developing countries. Former vice chancellor Genscher of Germany said that this was a shameful decision. How can we hope to combat backwardness and poverty in the third world if Western markets are not open to the products from the developing countries? At the same time, of course, the West is the master of the markets in the developing countries themselves.

So again, this is the victory complex that I believe is actually quite damaging, and that is why some people are saying that the victorious West does not need the United Nations. They say that what is necessary are decisive military actions, and that democratic regimes and democratic models can be imposed by means of preventive strikes, etc. I believe that all those views are erroneous, and I believe that we are beginning to understand that.

The problem in Iraq is that we have Islamic people versus a coalition of mostly Christian nations.

We see in Iraq a problem that I saw after the military victory. A military victory which was, of course, inevitable because it would have been odd if 75 percent of the military might of NATO could not cope with Iraq—that would have been a scandal. The military victory was certain. The problem in Iraq is that we have Islamic people versus a coalition of mostly Christian nations.

At that time, I wrote a letter to both John Paul II and to George Bush, the president of the United States, warning that this could result in a religious conflict and religious strife. I believe that we should end military actions. I believe that occupation should be ended as soon as possible.

Of course, you can say that the war is over, but if there is still occupation, people will react. If there is occupation, people will react to it as occupation. I heard that when your president met with the pope, the pope said, “George, this is a problem that should be addressed.”

So, I would like to recommend that this process, which is difficult for both America and us, move forward. No one wants America to be defeated in Iraq because that would be a defeat for all of us, but let us take this process forward as soon as possible, and let us hope that it will finally culminate in positive results.

I would also like to say that we were not able to take positive advantage of globalization because globalization was an uncontrolled process. This again is an issue of democracy. Globalization was a spontaneous process, and as a result of this we saw that developed countries had a tremendous advantage from the start. After the end of the Cold War, they were able to benefit tremendously from globalization. But those countries that are poorer did not benefit from globalization, despite the various declarations and commitments of the international community.

The gap between the rich countries and the poor countries has grown as a result of the ten years of globalization. This happens when there is no real democracy, and when there is chaos in the world. Of course, some people can benefit from the chaos by managing chaos for their selfish interests.

Therefore, what we need is democratic principles that take into account the interests of different countries. We need at least a minimal degree of governance. I'm not referring to a world government. It would be an illusion to hope for that, but we need to adapt the existing system at the national level, at the regional level, at the level of international organizations, and at the UN level in order to adapt all of those mechanisms to the challenges of our time.

I would like to say that what we are dealing with is a situation where very often the opinions of the people are being rejected and not respected. We see that whole nations are being humiliated. Why be surprised at all kinds of resistance and even terrorism? If 2.8 million people in the world live on one or two dollars a day, if children do not go to school, if children die because of hunger, bad water and lack of medicine, then we have the soil from which terrorism and extremism can grow. Religious and political fundamentalism is the breeding ground from which extremists recruit their followers. This is because of the situation in which a large part of the world lives. We should address this.

We've also seen that the democratic wave of the past that initially resulted in ending authoritarian and totalitarian regimes in many nations, is being rolled back. According to UN experts, we originally saw an advance of democracy in dozens of countries, but now we see a roll back of democracy. Why is that?

Political scientists at the Congress in Quebec discussed this problem, and then another similar congress was held in South Africa in 2003. They concluded that many people are unhappy with democratic government. They are disappointed with democratic government because democratic government has often failed and disappointed them. These people are ready to support a different kind of authoritarian leader who promises solutions to their vital problems.

The vital needs of the people have to be addressed, because if they are not addressed, then democracy is in jeopardy. Again, this is not something that can be decided by some crusade to impose democracy. We need above all to help to address the problems of security, poverty and backwardness, and the problems of the environment. These are the three challenges of democracy today.

We need above all to help to address the problems of security, poverty and backwardness, and the problems of the environment. These are the three challenges of democracy today.

I think that to conclude as the political scientists did in Quebec when they said that this could result in the twenty-first century becoming a century of authoritarianism, would be a very hasty conclusion. People continue to appreciate and value democracy. They appreciate opportunity in business and in politics. They want democracy.

For example, the president of Kyrgyzstan who became a president in my time in the Soviet Union was an academic, a physicist, and a very cultivated person, who appeared to have everything needed to create the conditions for democracy in that country. However, he probably stayed fifteen years longer than he should have, and people saw that clans were moving into positions of power and appropriating property. They saw that the parliament that was elected in the recent election included more than a dozen members of the family of that president. At the same time, people were living in dire poverty. When people saw that the president, in whom they had placed so many hopes showed little concern for their vital needs they marched on the capital Bishkek. They ousted the president, and he had to flee to Russia. That revolution took just two days.

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I think that it is still good that the impetus of perestroika, which was supported in the world, is still there. It is still playing a positive role. Last fall, I visited Latin America, Venezuela, Ecuador, Peru, and Mexico. Now, let me tell you, I had the impression that I was walking on burning soil.

There is no work there. The percentage of unemployed is up to 30 to 35 percent of the population. Eighty percent of the people are poor. That is why in Uruguay we see turmoil even though the country is potentially wealthy. A colonel was elected president, and when the right wing forces who were unhappy with what this very radical president was doing ousted him from the presidential palace, the people returned him to power.

Today, they continue to support him. Chavez has their support because he wants to solve people's problems and address people's vital needs. Look at the situation in Argentina, in Uruguay, in Brazil. In all of those countries, radical leaders have been elected democratically because people want them to address the vital problems.

Let us not be disappointed with democracy. Churchill was right when he said, democracy, of course, is a bad system, but all the others are a lot worse. Indeed, there are many weaknesses in the current state of democracy, even in the developed countries. The problem is how to have participation, democratic participation.

Very often people ignore the democratic process and do not even bother to vote. They see that democracy is flawed. I think today the real problem that is pivotal to democracy, even in advanced countries, is decentralization. Today,

administrative reforms are underway in practically all Western countries with advanced democracy. Delegation of authority, of financial authority, to the level of self government by the people, enables problems to be solved better. So, there is a need for a very serious discussion of how democracy should function.

To conclude, I would like to add to my remarks a special additional chapter about relations between our two nations, Russia and the United States of America. I believe that right now the situation between our two nations enables us to draw some conclusions.

The first conclusion is that we have relegated confrontation to the past. We will never have this kind of confrontation, and this is a great achievement. Among the important steps taken by we Soviet reformers during perestroika was to normalize relations with the United States of America. A similar wish to have a better relationship with us was present among the US leaders.

I will not talk a lot about why this had not happened before. So far as we are concerned, we took practical steps to improve our relations, and I must say President Reagan responded. He was the partner who transcended his previous statements, and he met us half way. He was ready to cooperate. He was a great president, and we pay tribute to him for what happened at the end of the last century when we ended the Cold War and developed a normal relationship between the United States and the Soviet Union.

I believe that perhaps things could have been quite different if it had been a different president. When we first met on the very first day of our summit in Geneva in the fall of 1985, we actually called each other names. I said to my colleagues that Reagan was a real dinosaur. President Reagan called me a diehard Bolshevik. Nevertheless, two days later we signed a document that contained some very important ideas. The most important statement in that document was that a nuclear war cannot be won and must never be fought.

I think today the real problem that is pivotal to democracy, even in advanced countries, is decentralization.

Once you agree on that, you need to change policies and have a different doctrine. The process we started that ended the Cold War and included eliminating several classes of nuclear weapons, reducing strategic weapons, and reducing the threat of nuclear war, was a full-fledged policy. Unfortunately, now it is not a straight line but rather a dotted line, and the new doctrine in the United States of America and in Russia contains the idea of the possible use of nuclear weapons. Preemptive strikes are also being considered.

If there are such provisions in the military doctrines, is it something more than just rhetoric or just words? Does it mean that we are returning to the past? I think it would be a mistake to do so. Preemptive strikes or super armament cannot solve

those problems that require political solutions. Again, security, poverty, and the environment are the challenges.

Now is the moment when all countries, and that also includes the United States and Russia, will be making an important choice. I think this is a moment that is as important as that in the mid-1980s. The United States of America must choose a model of leadership for itself.

Wherever I go, people have agreed that they don't want America to be a policeman. They want a stable, well protected and free world where everyone feels good.

The United States has tremendous economic, political and military power as well as cultural influence. It has a wealth of democratic traditions, and that places the United States in a special position of responsibility and a special role. The special role and special responsibility are two sides of the same coin. A country with a special role should always act responsibly. I believe the United States can lay claim to international leadership, but the question is, will it be a leadership by domination? Will it be the leadership of imposing one nation's will, militarily, on other nations, or will it be a leadership through partnership?

I visit America two or three times a year and have visited probably more states than many of your presidents. My experience and my talks with political leaders and with ordinary people in various countries, including here in America have persuaded me that the first scenario of leadership by domination is being rejected now and will be rejected in the future. That is of course if US policymakers choose this scenario of leadership by domination.

The second scenario, leadership by partnership is something that the people will accept and will support. Is it so hard for Americans not to be an enforcer or not to be a global policeman? Is this the way to realize the democratic function of American society by having democracy within the country and being a policeman internationally? Wherever I go, people have agreed that they don't want America to be a policeman. They want a stable, well protected and free world where everyone feels good.

Russia could become a key partner with America not only in fighting terrorism but also in addressing other important challenges. The future of relations between our two countries is a fair and equitable operation in building a new democratic world order. By the way, Pope John Paul II was asked if he thought a new world order was necessary, and he said yes. We must create a new world order instead of the old bipolar order. Pope John Paul II formulated very tersely and succinctly what kind of world order this should be. He said a new world order is necessary, and that it should be more stable, more just, and more humane. That is the best way of putting it, and today, as we recall those great words, we pay tribute to the pope who did so much for the world.

In today's world, where we see the emergence of new power centers, the emergence of new dangers and where we see the unpredictable new non-state players,

America and Russia should walk together. This is my conviction. Both in the United States of America and in Russia, there are people who think very differently. They are suggesting some very different ideas, and they would like to sow doubts among Russians and Americans about the future of our relations. I think that we paid a heavy price to end confrontation and start cooperation when solving international problems, and we should continue this cooperation.

Finally, I think that the first thing that we need to do is to get rid of fears about each other. Action by Russia in the former Soviet Union is necessary because we used to be one country, and it remains in many ways an interlinked economy. Cooperation there is necessary. But whenever Russia is active, there is fear in many parts of America and among American policymakers that Russia is trying to recreate an empire.

At the same time, when the United States is taking some steps with former Soviet republics, people in Russia begin to think that America is encircling Russia. Very often those people on both sides are exacerbating those fears, and that makes it more difficult for our two nations to take advantage of the great opportunities that we have as a result of ending the Cold War. The real picture in Russia is that Russia doesn't have to fear anyone. Russia is currently addressing its problems. Two-thirds of the Russian population still lives in poverty.

In today's world, where we see the emergence of new power centers, the emergence of new dangers and where we see the unpredictable new non-state players, America and Russia should walk together.

Since the stabilization that we achieved during President Putin's first term, we need to move further. We need to implement a technological modernization that will improve our economy, education, science, small and medium size business, and people's income and will create a market. I will not discuss this in detail, but these are the pressing tasks. We had problems in the beginning of this year, and mistakes were made by the government for which extraordinary steps had to be taken to put the developments back on track. However, I believe that it's very important to preserve the trust between our nations that we built during perestroika. This is tremendous capital, and this capital has to be increased rather than frittered away because cooperation is difficult to establish and should be preserved.

I would like to conclude my remarks by saying that I continue to be an optimist. I believe, and I am hopeful that concerning the relations between our two nations, the United States and Russia, the best is not in the past but is yet to come.

The Demands of Diplomacy: The Role of Career and Honorary Consuls

by Euripides L. Evriviades

It is a distinct honor, both professionally and personally, to be here today as a speaker at the 2005 conference of the Consular Corps College. I would like to focus on a topic of particular significance today: the demands of modern diplomacy and the specific role of career and honorary consuls. Naturally, I will also be making references to the experience of my own country.

First, I would like to extend my appreciation to the Dean of the Consular Corps College, Italian Vice Consul Ed Fanucchi, to Vice Dean Gayle Anderson, who also serves as the Chief of Protocol, Diplomatic Relations and International Trade for the State of Nevada and to Catherine Hansen, the Chief of Protocol, for their kind invitation and hard work in organizing this conference. I would be remiss if I failed to acknowledge my own friend and colleague, Dr. Takey Crist, the Honorary Consul of Cyprus, who is based in Jacksonville, and who is going above and beyond the call of duty to do a very fine job for Cyprus. Let me also thank Elaine Marshall, the Secretary of State of North Carolina, for her kind introduction. I would like to thank Mayor McCrory for being here and Mr. Almeida, Vice President of Duke Power for his generosity in making this event possible.

I have been looking forward for quite some time to being here today. It gives me a wonderful excuse to leave Washington and experience the America beyond the beltway. But I must admit that I am somewhat humbled by such an impressive group of diplomatic professionals gathered here today.

Since joining the diplomatic service of my country in 1976, I have treasured the opportunity to serve in New York, Germany, the USSR/Russia, Libya, Israel, the Netherlands, and now in Washington, as we work toward closer relations with the United States. Having lived and worked as a diplomat in this wonderful country, as well as having received most of my education here, I have developed a great fondness for the American people; for their warmth, hospitality, generosity, openness to diversity, and the incomparable natural splendor of this nation, from sea to shining sea.

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Yet my diplomatic experience has also taught me the specific importance of career and honorary consuls, especially in light of the increasing demands of diplomacy in this age of terrorism, conflict and globalization. The vital role of the consul is all the more important as diplomacy is far too often relegated to a secondary effort in today's troubled world. Ironically, the need for diplomacy and discourse has never been as apparent, nor as imperative, as it is today.

But what is diplomacy? There have been a number of definitions of diplomacy and diplomats, some of them humorous, others academic. A diplomat has been described as one "who thinks twice before saying nothing." Henry Wotton, an English poet and diplomat in the mid 1600s wrote, "an Ambassador is an honest man sent to lie abroad for the good of his country." Peter Ustinov, the well-known British actor said that, "a diplomat these days is nothing more than a head waiter who is allowed to sit down occasionally." Another definition says, "when a diplomat says 'yes', he means 'perhaps'. When he says 'perhaps' he means 'no'. When he says 'no', he is no diplomat." My favorite, which describes exactly how I feel these days is, "an Ambassador is like a swan, poised and graceful above water, but underneath, pedaling like hell."

Diplomacy is the application of intelligence and tact to the conduct of foreign relations. It also requires a thorough knowledge of both the country the diplomat is serving, and the country the diplomat is serving in.

Seriously, diplomacy by definition is an art, a practice, and a skill. It is also so much more. Diplomacy is the application of intelligence and tact to the conduct of foreign relations. It also requires a thorough knowledge of both the country the diplomat is serving, and the country the diplomat is serving in. However, a fine balance is required as too much diplomacy with not enough knowledge may be dangerous, and too much knowledge with too little diplomacy may be disastrous.

One of the most pressing demands on the diplomat is the imperative to keep pace with the dynamics of change. Just as the world around us is changing rapidly in scale and scope, so too is diplomacy. Some of the more profound developments in diplomacy stem from such global change. These changes range from an increase in the importance of civil society to a decrease in the dominance of nation states in diplomacy.

Modern diplomacy goes far beyond the confines of relations between states and between governments; it increasingly involves and incorporates the citizen. No longer is the citizen merely a spectator, as the recent events in Georgia, Ukraine, Lebanon and now Kyrgyzstan, have shown. As the wonders of globalization have forged new and more rapid networks of global communication and interaction, diplomacy must also adapt and adopt new ways to manage the speed and amount of information. Thus, while the avenues for diplomacy have widened, the vehicles for diplomacy must keep pace as well.

As a diplomat, I will be one of the first to admit that diplomacy is not for the timid or the weak. The sheer toll and tax on the diplomat is both physically and spiritually daunting. Yet intellectually, the reward is immense, and the reward is also a personal one. My own philosophy is best reflected in the wisdom inherent in Bosnian scholar and diplomat Drazen Pehar's definition of diplomacy as "primarily words that prevent us from reaching for our swords."

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THE ROLE OF THE CONSUL

Consuls have been with us since antiquity, preceding by many centuries the establishment of diplomatic missions. The institution originated in classical Greece and extended to the period of 500 BC / BCE. The need to have information or intelligence about the policies and public opinion of city-states was as vital in ancient Greece as it is for all of us today. Given the non-existence of data banks or foreign ministries, knowledge was personalized and time limited. What the Greeks did on a grand scale and in lieu of establishing diplomatic ministries was appoint consuls or *proxenoi*, as they were called.

The *proxenoi* were almost always well known, politically involved citizens of the city-state in which they resided. In 374, Polydamas, who was the Spartan *proxenos* in Thessaly, described his duties as transmitting useful information to the state that had appointed him as consul. Other famous consuls included Callias, who was the Spartan consul in Athens. Punishment or even death was sometimes the price paid by other *proxenoi* in other Greek city-states—a misfortune that luckily never occurs to consuls today. The *proxenoi* were the forerunners of the resident ambassador created in Italy during the late fifteenth century.

One of the interesting aspects of the definition of consul was his role in the Roman Empire. At that time the consul was a bridge or link between the governing and the governed. This unique historical role of public service to a community of citizens is consistent throughout the development of consular history and is reflected in the modern role of the consul and the honorary consul.

The modern term consul is derived from the Latin "consulere," meaning "to advise or to attend." It was no accident that the great novelist Graham Greene chose to name his work on political chaos and moral responsibility, "The Honorary Consul." Just as Greene was driven by personal complexities and drawn to the political "wild

and remote,” the honorary consul seeks to simplify the complex, often serving in various locations as our outposts and sentinels of public diplomacy.

The honorary consul also serves as a vital link and liaison between the government’s embassy and its citizens living abroad. But the honorary consul is no mere civil servant; he or she is actually a “civilian servant.” The honorary consul is called upon to help citizens with a number of problems, including legal assistance, immigration help and even medical aid, while always helping to promote trade and investment. In this way, the honorary consul is our “first responder” in times of crisis, helping citizens in distress and, in some instances, aiding citizens in despair. In this role, the honorary consul is also the human face of the government, endowed with a human touch that is the most important element of diplomacy. And this is more so in the case of my small country, since we rely almost exclusively on the work performed internationally by our honorary consuls. Currently our honorary consulates number 119, almost three times the number of diplomatic missions we maintain abroad.

By the sheer weight of demography and the burden of geography, the consul is the key to building the bridges and bonds of friendship between nations and peoples.

In the United States, we maintain fifteen honorary consulates in such diverse places as Chicago, Phoenix, Atlanta, New Orleans, San Francisco, Boston, Washington state, Houston and, of course, Jacksonville, North Carolina. Given the prominent role the honorary consuls play in representing Cyprus abroad and because of our European Union accession and the responsibilities that come with it, we have a relatively strict set of criteria for the selection of the individual who will be entrusted with the duties of the honorary consul. A major criterion relates to character. The honorary consul should be someone who has demonstrated a high level of integrity, sound judgment, initiative and zeal. He or she must also be socially well connected and financially sound. As far as I am concerned, the Cyprus government gets the best financial value from its honorary consuls because they cost the Cypriot taxpayer next to nothing.

Thus, we rely heavily on the work of our honorary consuls. We depend on their role as our “sentinels.” They are our true outposts of public diplomacy. By the sheer weight of demography and the burden of geography, the consul is the key to building the bridges and bonds of friendship between nations and peoples.

The task of the consul is obviously daunting. It requires constant attention to developments ranging from issues of international trade and investment to the political and economic, and it includes the cultural and the social. It is no easy task.

The cultural element of the mission is also essential. Cultural awareness and appreciation is an essential prerequisite to promoting greater understanding between and among peoples. This is especially important in the face of mounting intolerance and insularity.

Despite such an impressive range of responsibilities, I must also stress that often the honorary consul does not receive enough honor for this role. However, I repeat that the commitment and dedication of the consul is driven by a personal sense of service, not by the pursuit of profit. The satisfaction is personal and professional, as the consul bolsters bilateral relations.

In this way, the work of the consul and the honorary consul of today follows what I call a basic set of the “ABCs of diplomacy.” These “ABCs of diplomacy” include advocacy, belief, and communication: advocacy in representing the interests of the country; belief in the ideals of service; and communication in articulating policy.

THE EXERCISE OF “SOFT POWER”

In response to the challenges and complexities of international relations today, diplomacy has also assumed a much deeper mission. There is also a set of more sophisticated tools available today. This is evident in what Harvard University Professor Joseph Nye terms “soft power.” In this context, Nye defines soft power as “the attractiveness of a country’s culture, political ideals, and policies.” This concept of “soft power” applies most fittingly to the skill and craft of the consul, whose representation of his or her country rests on the attraction and appeal of the very ideals and principles of diplomacy, rather than on the force of threat or on the threat of force.

Although the academic community has only recently recognized this concept, the cultural, political and social aspects of this so-called “soft power” have long served as the tools of our trade. In practice, Nye holds that the exercise of such soft power is based on the premise that “seduction is always more effective than coercion.” From my perspective, representing the small island nation of Cyprus, which has a troubled history, this is particularly significant. Having taken a course with Professor Nye during my studies at the Kennedy School of Government, I can assure you that he is no “softie”. He is very much a pragmatist.

THE RELEVANCE OF CYPRUS

Specifically, the diplomatic history of Cyprus is a rather special one. It is a special history of persuasion over coercion, of cooperation over conflict and of upholding the rule of law. For example, as a new member of the European Union, Cyprus is pursuing a very active role in the Euro-Mediterranean Partnership, a multilateral initiative between the European Union and a number of key Mediterranean states. This EU partnership comprises a truly diverse set of states, including Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, the Palestinian Authority, Syria, Tunisia and Turkey. Our part in this Partnership centers on serving as a bridge between the EU and the Mediterranean. Exploiting our unique geography as a “crossroads” of culture and civilization, Cyprus strives to bring Europe closer to the region and forge a new atmosphere of cooperation over conflict, stressing security over instability.

Through this partnership, we are seeking to establish a common Euro-Mediterranean area of peace based on a common sharing of fundamental principles. These unifying principles include respect for human rights and democracy, endowed with a political and security dimension, as well as a commitment to the overall creation of an area of shared prosperity through a free-trade area between the EU and its Mediterranean partners. An integral component in this Euro-Mediterranean Partnership is dialogue, and it is the process of dialogue and debate that enhances this effort and emboldens our commitment to peace and security.

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The Cypriot example of diplomacy is also a special one for another reason. Cyprus is, in fact, a divided island still plagued by the legacy of the Turkish invasion of 1974. This is particularly troubling for me personally and professionally. After all I have been working for reconciliation, understanding and a solution to our problem for almost thirty years now. This past July, we sadly commemorated the 30th anniversary of the invasion of Cyprus by Turkey. We remember all those who lost their lives during this tragic period. We remember the refugees, the missing and all those whose lives are still affected by the actions of this aggression of more than three decades ago.

But at the same time, we cannot live in the past and we should certainly not be prisoners of it. Let us not dwell on the history of the past, but instead let us dwell on shaping what will be the history of the future. We must move forward. It is very much like driving a car toward a specific destination. Although we occasionally glimpse at the rear view mirror in order to get a sense of what is behind us, we continue driving forward toward our destination, never fully taking our eyes off the road.

Just as responsible drivers must refrain from constantly looking at their rear view mirrors, so must we. If we are totally focused on the past, we will never reach our destination, and we will most certainly crash. As the driver of the car, we must look forward to our destination, and, of course, our desired destination is the reunification of our country. In that same spirit, we ask our friends around the world to join us in a renewed pursuit of a fair, workable and lasting settlement.

Let me close with some new signs of promise, not peril. Last May, Cyprus entered the European Union (EU) in what can be seen as the single most important strategic development since our country's independence in 1960. This is the beginning of a new era for Cyprus and its entire people. We are proud to be full and integral members of this great and growing European family. EU membership promises economic improvement, enhanced world stature, greater challenges and opportunities, and above all, it offers security and stability. While our entry into the EU marked a

joyous graduation for our country and for our people, it was tempered by the reality that we were forced to enter as a divided country.

As a member of the EU, Cyprus stands as a strong supporter of European values, policies, and the rule of law, while at the same time it strives for stronger transatlantic ties with the United States. We see this path as one of the most important journeys toward resolving the world's litany of conflicts and challenges.

As this is a journey shared by each of us here today, I remain firm in my belief that through the power of diplomacy, all of us—diplomat, consul and honorary consul alike—can succeed in forging a new period of promise and prosperity.



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A New International System?

by Giandomenico Picco

Those who hoped to see the end of ideologies and dogmas after the collapse of the Soviet Union were disappointed within a decade. Ideologies and dogmas are back in full force in the international political arena, as demonstrated by their resurgence in many domestic polities. The world lost another opportunity to give preferential treatment to facts. Indeed, what is sad is that, as in the days of secular ideologies, many cannot be bothered by facts. Polarization has emerged again as a leading force in several parts of the world. As in the times where ideologies were triumphant, the world is today profoundly affected by those who claim to be in sole possession of the truth.

THE COEXISTENCE OF ASYMMETRY AND “ONE SUPERPOWER”

The polarization during the Cold War began to fade well before 1991. I would submit that in that context the Cold War came to an end some five years earlier. It was during the autumn of 1986 that a little-remembered change in international affairs came to pass. For the first time ever, the five permanent members of the United Nations Security Council—the United States, the United Kingdom, the Soviet Union, China, and France—met among themselves as a caucus of a sort, without the presence of the non-permanent members. The new Soviet leader, Mikhail Gorbachev, had much to do with this, for he initiated changes in the foreign policy of his country as well as altering Moscow’s involvement in the UN. Gorbachev said as much when addressing the Afghan nightmare and indeed the Soviet Union demonstrated this change by moving forward the negotiations on their withdrawal from that Central Asian country. Although these shifts are suggestive of major changes in the world system, it was another conflict that brought the Security Council’s Permanent Members around a “cup of tea” in October 1986: the conflict between Iraq and Iran. Appearing as the premier item on the agenda of Security Council meetings, it marked a first in Cold War history; for it was the first regional conflict in which both East and West, Moscow and Washington, supported the same side: Saddam Hussein. In 1988 both the agreements for the withdrawal of the Soviets from Afghanistan and the end of the Iran-Iraq conflict were achieved.

By 1991, a common set of interests and approaches had emerged among the major powers. As the new Russia took the place of the USSR, there were hopes that

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ideologies would be confined to the dustbin of history. The dream lived on for a few years, although it was challenged during the crisis in the Balkans. With the Cold War officially over, some interpreted the first part of the 1990s as a clear indication of victory—or defeat, depending on geographic perspective. Apparently, only a few felt that the international system could have been one in which facts could prevail over dogmas. Although it seemed the potential was there, it was not to be.

The concept of enemy, an old management tool of power, was again invoked. This time it emerged in a cultural and religious context. In 1992 Usama bin Laden told a high-level Saudi official that, having destroyed one major infidel—the Soviet Union—in Afghanistan, he was now going to defeat the other one, the US. In the Balkans, the issue of religious identity was brought to the forefront not just in politics but in war. And more, much more, was yet to come.

The search for a new international system, comprised of the five permanent members working together, was almost set aside as the search for new enemies—real or imagined—continued in earnest. And enemies must be at least perceived as “real” if they are to serve their purpose: no wonder that religious and “civilization” connotations were given to represent the new enemies.

To some extent, the disappearance of the East-West divide and the march towards globalization offered an opportunity for a more interdependent world. On September 11, 2001, the definition of a “unipolar world” assumed a rather different meaning. To be sure, the term was mostly used to indicate the imbalance existing in the international scene. The reality however was that globalization had brought with it a new world, the world of asymmetry. Asymmetry was, in a way, a challenge to the simplistic “one superpower” image. In the past, the “large” held influence over the “small,” but now the opposite could also be true. Perhaps the anti-globalization movement has missed a major part of the meaning of this phenomenon: the empowerment of the “small” to attack, retaliate against, and affect the “large.” Clearly globalization came about in stages. It could have been the environment and the threat of contagious diseases that first brought to the forefront the fact that we live in an interconnected world; but economics and finance have surely shown that we all affect each other. Those who had missed it would realize after September 11, 2001, that, at the basic level of security, globalization also meant asymmetry.

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In actuality, the US can be harmed without its enemy touching a square inch of its soil. For example, if the demand for oil is effectively equal to the production, creating little spare capacity as is currently the case, a shutdown for whatever reason of one million barrels a day over a period of several weeks by any producer or a

combination of producers would create a chain reaction that would strike at the very heart of many Western societies. Similarly, a terrorist attack against oil tankers would cost more than just the price of a fully loaded ship. The economic cost would be compounded by the unpredictability induced by “fear and uncertainty.” This “fear and uncertainty” is figured into the price of many commodities, and Western societies are at the mercy of a few well-organized individuals who can use it if they so choose. Financial markets factor in the “terror premium,” thus implicitly accepting the effect of the actions of small groups on world economy.

Financial markets have come to be seen as the engine of modern societies, much more than the engine of one single nation. Yet they do not feel immune to the possible attacks that a non-state actor (read a terrorist group) may perpetrate through a variety of means. When the Asian financial crisis struck in 1997, the markets of the world trembled. Strangely enough, it all began in Thailand, a country not known as a major power. A monetary crisis in a colony of the British Crown affecting the markets in London would have been unthinkable only a century earlier.

Cyber-security and energy security can be targeted and reached by “small actors” seeking to threaten the international scene. The size of the danger has no relation to the size of the potential perpetrator of the attack.

Furthermore, how much of the critical infrastructure is protected or protectable? Since we live in societies that are interconnected, our critical hubs are also interconnected. Cyber-security and energy security can be targeted and reached by “small actors” seeking to threaten the international scene. The size of the danger has no relation to the size of the potential perpetrator of the attack.

Asymmetry does not mean terrorism alone. It means that a mistake by an individual who is part of the system could accidentally provoke a chain reaction that might affect many in a very short time. Asymmetry includes the hubs of our critical infrastructures that are not only connected but are also vulnerable to mismanagement and involuntary mistakes of large consequences. Access to information, real-time communication, and cyberspace allow small entities, be them states or not, to affect global reality. Asymmetry implies a lower level of predictability and an increased complexity of risks management at almost all levels: nation-states, institutions, corporations, and individuals.

The history of Afghanistan over the last few years is a case of asymmetry in progress. During the Taliban regime (which emerged from the civil war that followed the collapse of the Najibullah regime in 1992), the failed state of Afghanistan showed the world—through its exportation of drugs and Al Qaeda terrorism—how a rather small entity could affect more people than just the population living within its own territory. Indeed, as a failed state in the early 1990s, Afghanistan was considered

inconsequential; thus it was “abandoned” and forgotten by the West, though not by Pakistan and Saudi Arabia. Its size and remoteness misled many; but an asymmetric world gave Afghanistan a chance to affect a large part of the globe.

Effective NGOs—a group of unelected, self-appointed individuals—have become able to dictate the agenda of the international society and to force changes in the behavior of large corporations or even nation-states. From Greenpeace to Amnesty International, these entities have shown a level of power outside the framework of institutions which was unheard of thirty years ago. Indeed, unofficial groups are playing increasingly more effective and influential roles in the very domain of, and once limited to, governments. Diplomacy, one of the last monopolies of a government, is now accessible to and performed by NGOs as well as individuals who have one main characteristic: credibility. Although unprecedented in previous decades, the role of second-track diplomacy and successful negotiations by private organizations is another facet of asymmetry.

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For those who believed that we had moved from a bipolar to a hegemonic world, asymmetry may be a disturbance of sorts. It appears, however, that asymmetry is likely to be an indefinite component in the world as it is driven by the very globalization that seems to fuel the powerful. The strong may be stronger, but some of the very weak have also become better able to influence, affect, and be taken into account by so many.

ALIGNMENTS RATHER THAN ALLIANCES

The bipolar world did leave the impression at first that old alliances had been made superfluous, and that a single global alliance may have been in the making. Just ten years after the fall of the Soviet Union, to claim as an obvious observation that the “victorious” Western alliance had been altered would be to understate the point.

The world of alliances required “allies” to be united on every front and on every issue: indeed they were ideological alliances based on philosophies and, arguably, on dogmas. But the world of the 1990s began to show that the euphoria of the early post-Cold War years was not to last. The unity of the Western alliance was tested in the Balkans, the Middle East, Africa, and now in Iraq. However, trade issues, environmental matters, and human rights concerns have already shown that even the “Western allies” had chosen a more pragmatic approach to their “alliance.”

No longer would friends blindly support the choices of their allies on every issue, which is more strictly the sense of an ally; instead, the alliance became more “à la carte.” Alliance on an issue-by-issue basis is more properly called “alignment.” The

Iraqi situation brought this change to the forefront with considerable controversy. NATO was indeed enlarged, but divergence of views among its members was never so stark. Many looked at this in a negative light; harsh words were exchanged, even among “allies,” and relations seemed to become sour within the same “alliance.” Unanimity of views on issues affecting the globe, or at least a large part of it, may be seen by many as the most hopeful sign of the new times, but I would submit that the “world of alignments” may have its advantages. Indeed, it forces everyone to work harder at relations rather than take them for granted. It also opens up the world to what I would call a better environment for “international democracy,” a world where each is valued on a case-by-case basis and where each is really asked about its role and opinion on each case. The automaticity of the alliance seems to have vanished as different alignments have developed around different issues. Being friends no longer means agreeing on everything friends do. Indeed, friendship at the international level may be gained or lost every day.

Alliances are less likely to develop for another reason: the lack of clarity over the concept of “enemy.” Terrorism, proliferation of weapons of mass destruction, drug trafficking, and poverty have each been named at various points in history as the enemy of our time. Clearly the “allies” have prioritized them differently. To imagine alliances with total solidarity among their members when each perceives the threat rather differently is perhaps unrealistic. Moreover, “allies” have shown, in many cases, divergences on the approaches to a specific threat even when there is agreement on the perception of the threat.

The partners of alignments, as opposed to alliances, choose when to side with each other and when to disagree. This choice may well be a feature of societies that no longer feel that their very existence is threatened. Interestingly enough, the US and Russia seem to feel the terrorist threat as an existential one. On the other hand, the European electorate is rather less sure that they have been targeted in a conflict that undermines the very existence of their societies.

The all-for-one-and-one-for-all alliances of the past would appear to be over, having been replaced by more realistic alignments whose members make decisions on an issue-by-issue basis.

Beyond terrorism, another reason for the emergence of alignments and the fading away of alliances is perhaps the economic trends prevailing in the US and Europe. Europe and the US have had different views on a number of trade matters, financial and business issues, as well as regulatory questions. This should not be surprising, since the two sides of the Atlantic have been developing two different kinds of capitalist societies: shareholder capitalism in the US and stakeholder capitalism in Europe. The economic priorities of the two societies do not completely coincide, thus offering different responses to problems. This is especially notable since the

European Union is a larger unit today than it was twenty years ago as the European Community, and its economic integration is more advanced. The all-for-one-and-one-for-all alliances of the past would appear to be over, having been replaced by more realistic alignments whose members make decisions on an issue-by-issue basis.

THE RETURN OF IDEOLOGIES

If asymmetry and alignments would appear to push the international scenario towards pragmatism and even more international democracy, another trend is pulling in the opposite direction. Since the political ideologies of the Cold War faded away, a new set of dogmas have entered domestic politics in some quarters of the world. Dogmas with religious connotations were used in the Balkan wars, in the Caucasus conflict, in the Afghanistan civil infighting during both the pre-Taliban civil war and the Taliban regime, in the civil tensions in India, and in Sudan. Religion re-entered the political scene of conflict in many areas, and in various parts of the globe some began to use the religious divide either as an explanation or as a tactic. The religious dimension of Al Qaeda and other groups that use violence against innocents as a tool of war and politics provided an entire *weltanschauung* based on dogmas and on a new ideology.

The use of religious references by political leaders and other actors on the international scene has become another regular motif of the domestic politics in several countries.

The revival of fundamentalism of various kinds from the Muslim, Christian, Jewish, and Hindu worlds encouraged several politicians to bring new ideologies with heavily religious tones into the political fray. Political actions, not to speak of wars and terrorist activities, began to be justified or at least explained through religious discourse. As dogmas cannot be negotiated or compromised, polarization has emerged both within nations and at the international level.

Within ten years of its demise, the polarization of the Cold War was replaced by another kind of polarization. To be sure, we are not yet in a totally polarized world because a large number of countries and groups have not accepted this kind of template for our world as unavoidable. But civilizational, religious, and cultural divides have become embedded in our daily perceptions, our lingo, and even our *weltanschauung*.

In a way, the ideologies of the past were secular in nature; however, today they are full of religious overtones. The use of religious references by political leaders and other actors on the international scene has become another regular motif of the domestic politics in several countries. Ironically, this is becoming more common despite years of conflicts where religion appeared to have been part of the problem and not part of the solution. If secular ideologies are, per se, based on pre-established interpretation of events yet to happen, ideologies with religious connotations are

clearly based on dogmas. Considering the ongoing major conflicts, it is possible that only those in sub-Saharan Africa seem to be devoid of religious overtones, though some tensions and civil unrest in that area are also connected to religious issues.

The very idea of “dialogue among civilizations” launched by the United Nations in 1998 as a response to the “clash of civilizations” theory of the early 1990s did not find fertile ground even after 9/11.

It may be hard to tell whether the revival of ideologies with religious overtones is a reaction to the homogenization process resulting from globalization; or whether their revival is a conscious or unconscious search for identity in the face of migrations from the South to the North and cultural flows from the North to the South; or whether it is the result of a primitive fear engendered by rapid change. It would appear however that the revival of both religious ideologies in the Islamic world and political ideologies strongly tainted by Christian fundamentalism in the West are raising questions within each of their respective worlds about their own real identities. In other words, who speaks for these worlds? Who speaks for the West? Is it the fundamentalist Christians in the US, the Orthodox zealots of the Balkans of Srebrenica fame, or the secular intellectuals of Europe? Likewise, who speaks for the Arab world? Is it the *takfiri* of Usama bin Laden or the authors of the UNDP Arab development reports?

The very idea of “dialogue among civilizations” launched by the United Nations in 1998 as a response to the “clash of civilizations” theory of the early 1990s did not find fertile ground even after 9/11. It was thought at that time that the “dialogue” could become a convenient “anti-terrorist manifesto.” There were, however, no takers at the government level for this approach. I did assume then, and have no reason to believe otherwise today, that the very use of the “dialogue among civilizations” as an anti-terrorist manifesto implied the search for a common global narrative.

But it became clearer and clearer that the divides of culture and religion, as imagined by those who cultivate dogmatic visions of the world, could not tally with the vision of a global narrative. Indeed the new ideologies, like the old ones, rely on the existence of divisions, so that bridging divides may simply be an existential impossibility. Thus, polarization within countries where ideologies prosper (whether they are called such or not does not matter) has also clearly increased.

Terrorism itself has become more ideological over the last ten years, exposing us to what I call “strategic terrorism.” For decades prior, however, we have been accustomed to dealing with “tactical terrorism.” From the IRA to Hezbollah, terrorist acts have been used as a “tactic” to achieve a political objective which was clearly defined and known, unchangeable, and in some cases, even politically negotiable. These terrorist groups also engage in negotiations with the “enemy,” either directly or through intermediaries, and more importantly, their social base was and is firmly

rooted in a specific area where they exist. They are very careful to keep their number of enemies as few as possible (usually one or two groups or nations). These groups that engage in tactical terrorism can survive even without the “enemy” because of their other role as social actor in a given setting.

By contrast, “strategic terrorists” of the Al Qaeda type have changing political objectives, unclear at times, and one universal objective: the establishment of a world Caliphate without infidels. They are known to neither have had any negotiations with the “enemy,” nor have they sought any. They have had no qualms about making more and more enemies for themselves as the list of countries attacked by these groups has now grown very long. Their overarching definition of “enemy” seems to include just about anyone (as the *takfiri* base of their ideology clearly indicates). They offer no jobs, social infrastructures, or economic growth to any specific social group in a given country. Thus, they are not stakeholders in any society. As their ideology indeed indicates, their primary need is a perpetual enemy, for without an enemy they would effectively negate their existence. Al Qaeda’s type of terrorism—based more on dogmatism than that of any other group—is in pursuit of a perpetual conflict, a real clash of civilizations. It feeds the *weltanschauung* of “us and them” based on unchallengeable dogmas.

WHAT NEXT?

Interestingly, we may be closer to a world where like-minded people and groups across the globe find themselves more at ease with each other across these national and geographical divides than with some of their own compatriots. Various accusations are being leveled against those groups of individuals who believe in the global and interdependent reality of today and in the commonality of human ethical values across borders and divides. But while the extremes in every society are able to project a vision, no matter how absurd, the great majority of the “non-dogmatic” seem to be mute and unable to articulate their own vision. No wonder the extremes seek confrontation and even wars, for it is in such an atmosphere of conflict that the silent majority will find a diminished ability to build coalitions, propagate its values, and eventually marginalize the extremes.

On September 12, 2001, a sense of commonality and solidarity spontaneously emerged across the globe. Irrespective of religious and national divisions, a large majority of the world’s peoples, perhaps the largest in memory, communicated with each other and openly shared a sense of common belonging. Since then, determined groups of ideologues have created more divides and deepened those already in existence. Is a coalition between the “non-dogmatic” of both the West and of the Islamic world still a possibility?

The Vital Development Mission

by J. Brian Atwood

Poverty is no longer uniquely a humanitarian challenge for the developed nations of the West; it is now a first-order security problem. The evidence is now overwhelming that poverty contributes to violent conflict, helps the spread of infectious diseases, threatens global income growth and causes environmental damage.

Governments are beginning to react to this threat, but have yet to mount a collective effort sufficient to stem the tide. What is needed is an alignment of resources, cooperative action and policies that will reverse the momentum of pervasive poverty in a world whose population of poor people is expected to grow exponentially in coming decades. This alignment will not be possible until there is renewed appreciation for the development mission.

It would appear that Western governments find it easier to reach accord on development goals than to find the political will necessary to achieve them. In 2001, for example, the United Nations General Assembly adopted the Millennium Development Goals (MDGs). These goals collectively commit nations to address a series of development challenges and specified targets for them to meet, most by the year 2015.¹ Despite an increase in official development assistance from US\$56 billion in 1993,² to US\$78 billion in 2004,³ few are optimistic that these goals can be reached within this timeframe.

American leadership has been largely absent despite a significant rise in its foreign assistance spending, some 60 percent since the mid-1990s.⁴ President George W. Bush created a new development agency, the Millennium Challenge Corporation (MCC), with the promise of US\$5 billion a year in new spending for poor nations deemed to “rule justly, invest in their people and encourage economic freedom.”⁵ He also pledged US\$15 billion to combat HIV/AIDS,⁶ and US\$1.2 billion to counter the threat of malaria in Africa.⁷

The MDGs and the increase in resources committed to foreign aid are promising signs of a new awareness of the threat poverty holds, but thus far efforts fall far short of what is needed. I will argue here that: 1) most of the US increase in foreign assistance appropriations is non-developmental in nature and has little impact on poverty per se; 2) the utter absence of coordination within the US Government significantly reduces our ability to adopt a strategic approach to development and to play the leadership role expected of the United States in the achievement of the MDGs; and 3) the lack of coherence among development, finance and trade policies undercuts the limited investments we are making in the effort to reduce poverty.

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THE DEVELOPMENT MISSION

The words “sustainable development” are said to confound the American people, members of Congress and Executive Branch policymakers in Washington. I suggest, however, that there is less confusion than strategic misinterpretation. Each of the bureaucratic entities with a piece of the Foreign Operations Appropriation pursues important objectives, and each has an interest in maximizing its individual prospects by stressing the urgency of its mission. In this zero-sum game, the case to be made for long-term investments in “sustainable development” frequently seems more obscure and somehow less relevant. Yet, these investments are essential in addressing the poverty challenge, in positioning the United States to lead the world in achieving the MDGs and reducing the widening gap between rich and poor.

Development assistance is not a gift or a reward to another nation, but a way of creating conditions that will, in the long run, aid the recipient nation, the United States, and the global community.

To date, development assistance has competed poorly with demands on Congress that are deemed more urgent. The House Foreign Operations appropriation for FY2006 was nearly US\$20.27 billion.⁸ This sum includes resources for bilateral and multilateral development assistance, post-conflict aid (Iraq and Afghanistan being the most prominent), political support (the Economic Support Fund which supports recipient nations selected largely on political grounds by the State Department), and humanitarian relief. Post-conflict aid and humanitarian relief accounts have grown significantly in recent years. Approximately US\$14.03 billion of the total appropriation could be categorized as “official development assistance” under the “volume” rules of the OECD’s Development Assistance Committee, but the bulk of this amount is in the form of transitional or humanitarian relief assistance and the rest is carved into various accounts and earmarks, making it difficult to use in a strategic way.⁹

It is more essential than ever that we renew our commitment to the development mission and that we engender a broader appreciation of the meaning of development and the methodology for achieving results. Our challenge today is to exercise the political will to promote development and to accept that it is in our vital interest to do so. Development assistance is not a gift or a reward to another nation, but a way of creating conditions that will, in the long run, aid the recipient nation, the United States, and the global community.

The development mission will complement other efforts over time. It is distinct from the diplomatic mission, but in improving conditions and creating stability and prosperity, the development mission will support American diplomacy. The development mission is distinct from America’s efforts to foster trade and commerce, but over time it will enhance commercial prospects by creating new markets and trading partners. The development mission is distinct from the security mission, but

over time it will create conditions that will reduce the prospect of violent conflict and gain friends for America rather than allow new enemies to emerge. The development mission is distinct from the public relations mission, but it will enhance our national image as it becomes the lens through which other peoples view Western values and our commitment to social justice, equal opportunity, and democratic freedoms.

ACHIEVING DEVELOPMENT RESULTS

What then is development and how does one achieve enduring development results? A precise definition was provided by former USAID Deputy Administrator and scholar Dr. Carol Lancaster, who wrote that “development makes land, labor and capital more productive.”¹⁰ The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), described

*[F]oreign aid (or Official Development Assistance)...[as] the transfer abroad of public resources on concessional terms..., a significant objective of which is to bring about an improvement in economic, political, or social conditions in developing countries.*¹¹

Development has proven easier to define than to achieve on a sustainable basis. Studies have shown that the effectiveness of external aid is dependent on two factors above all others: 1) the national policies of the host government; and 2) the ability of the people to participate in the development process.¹² A partnership with a government that shares a sophisticated vision of the development challenge, and is willing to act on it, is indispensable. This does not always mean that political will translates into capacity, but the desire to reform is essential and must be reflected not only in the national leadership, but in the polity as a whole. External aid can be crucial in providing a safety net for the process of change that development creates. It can provide important technical advice to government ministries and it can help build human capacity where it is lacking. What it cannot be is a substitute for a sound national development strategy, good economic policies and a reasonably healthy, non-corrupt political system.

A healthy political system assures the democratic participation of the people in the development process.

A healthy political system assures the democratic participation of the people in the development process. This facilitates the expression of free will through institutions and laws that preserve the right to that expression. Study after study supports the notion that development results are better achieved when the people affected by development initiatives have an opportunity to participate in the decisions that impact on them.¹³ This does not mean that democratic institutions need to be fully formed, but it does require a government to commit itself to a democratic path and to consult widely when people's interests are affected.

THE NEED FOR A FRAMEWORK

If cooperation with a host government and the participation of its people are possible, the minimal requirements exist for partnership and results. That is just the first step along the road. The next is to devise a comprehensive strategy. Here, the host government, working with experts, must define its goals and prioritize them.

Every society holds different challenges, but a framework for development can help. I have found it useful to refer to a list of seven sources of physical and social capital devised by scholar and development entrepreneur Michael Fairbanks. They include:

1. *Natural endowments such as location, subsoil assets, forests, beaches and climate*
2. *Financial resources of a nation, such as savings and international reserves*
3. *Humanly made capital, such as buildings, bridges, roads and telecommunications assets*
4. *Institutional capital, such as legal protections of tangible and intangible property, efficient government departments, and firms that maximize value to shareholders and compensate and train workers*
5. *Knowledge resources, such as international patents and university and think tank capacities*
6. *Human capital, which represents skills, insights, capabilities*
7. *Cultural capital, which means not only the explicit articulations of culture like music, language and ritualistic tradition, but also attitudes and values that are linked to innovation.¹⁴*

These seven attributes, or potential attributes, are shared by all nations in varying degrees. Understanding what needs to be done to improve the status of each requires a deep knowledge of the society and the political standing to act on it. The first three sources of wealth are more easily measurable and are often the focus of the international community. However, it is the four remaining items of *social* capital that form the essence of the development challenge in addition to the leadership challenge for government. Creating functioning legal systems, knowledge assets and human capital is often the most difficult in the poorest countries. Exploiting culture for development is a political challenge in that it means influencing society to accentuate the positive while managing the negative.

DEVELOPMENT COOPERATION

If a foreign agency is to be effective in assisting a nation pursuing a development strategy, it must have adequate numbers of professionals on the ground (including a large number of host-country citizens), and programmatic flexibility to direct resources where needed. Its professional representatives must have the standing and knowledge to coordinate with the government and with other donors. The skills needed are managerial, diplomatic, and technical, combined with cultural sensitivity and language capacity.

The Whitehead Journal of Diplomacy and International Relations

There is perhaps no better example of a coordinated effort to assist in the creation of a viable strategy and its implementation than in Mali in the late 1990s. President Alpha Oumar Konare, one of Africa's new breed of independent, well-educated, and democratic leaders, took hold of his country's destiny by developing a national strategy working with foreign donors. The origins of this initiative reveal a model for collaboration.

Konare asked to see the USAID Mission Director early in his term of office. The mission director had just done a study of where investments were being made by all donors to counter the HIV/AIDS epidemic in his country. He came in with transparent overlays which he placed over a map of Mali. It showed that most prevention interventions—educational programs and the provision of contraceptives—were being made in areas that were *not* principal sources of the HIV/AIDS virus. Largely missing, for example, were interventions along truck routes and parts of Bamako, the capital, where the sex trade was prevalent.

Interventions in certain sectors in partnership with host governments may create very positive results while overall poverty persists.

Konare decided he should examine other development investments in his country as well. It was not long before the Konare government was able to take ownership of a comprehensive development strategy. This local initiative was so impressive, and relatively rare, that it was discussed at the annual meeting of development ministers at the DAC.¹⁵ Soon thereafter donors committed to make the Mali experiment a model of cooperation. Donors agreed to be more flexible in their distribution of funds and to follow the Mali government's lead.

The success in Mali led to a similar experiment in Bolivia. The window of opportunity, however, soon closed in these countries, but when a host government and donor agencies are operating in sync, the prospects for development progress are at their greatest.

Host government ownership of a strategy and the participation of its people are important, but even when these factors exist, the record of foreign assistance is mixed. Interventions in certain sectors in partnership with host governments may create very positive results while overall poverty persists. President Konare lifted his country and improved its status overall, but Mali is still a poor country. Human capacity remains the biggest challenge of the world's poorest nations.

The absence of adequate healthcare systems in the face of ravaging infectious disease saps the productive capacity of these nations. Education systems that leave most girls out of the system, or achieve no better than two or three years of primary education, are destined to create workforces that cannot compete. The best macroeconomic policies in the world cannot compensate for this.

Aid donors often cite their most important admonition: "do no harm." Yet, their own legal constraints and conditions are often complicating factors that get in the

way of development results. Cooperation was the norm in Mali and Bolivia because the DAC determined that donors should support the government of these two countries and refrain from imposing their own pre-conceived programs. That is not the case in other places where interventions are based more on the need to spend earmarked resources than on the priorities of the host country.

A multiplicity of reporting requirements and evaluation systems also constitute a burden on poor nations. Many of these countries do not have the capacity to handle this reporting and consequently spend more time on this than on activities that directly support development. Despite a great deal of talk among donors, very little has been done to lighten this burden.

POOR COORDINATION WITHIN THE US GOVERNMENT

The coordination issue is not just a problem among donor governments; it is a growing problem within the US government. Since the inception of foreign assistance programs, government departments have loaned their technical experts to assistance initiatives and some created international divisions to conduct this work more efficiently. The funding resources most often came from USAID, and the nation's development agency was able to exercise some influence over the use of the funds. In addition, small development agencies—the Peace Corps, the African Development Foundation and the Inter-American Foundation—were created to do grassroots development work (in the 1970s, USAID was perceived to be too oriented to government-to-government activities).

This earlier expansion of foreign assistance agencies was manageable. USAID overseas missions were able to coordinate activities and occasionally augment funding for certain grassroots activities that were having a positive impact. The situation changed dramatically, however, when the Berlin Wall came down and the US government was handed the challenge of transforming the former communist world.

The coordination issue is not just a problem among donor governments; it is a growing problem within the US government.

The Support for East European Democracy Act (SEED) was enacted in 1989.¹⁶ Perceiving a slow response to the collapse of communism on the part of the Reagan administration, the Senate Foreign Relations Committee under Subcommittee for Europe Chairman Joseph Biden seized the initiative. The development goals set forth in the legislation were a veritable shopping list that involved the US government in every aspect of the development challenge in these nations (in fact, the Act specifically authorized domestic agencies to work in Poland and Hungary). The underlying assumption was that our entire government would be thrust into the process. Most importantly, a coordinator would be designated by the president to reside at the State Department with the authority to direct resource allocations for the government.

The Whitehead Journal of Diplomacy and International Relations

When the Soviet Union collapsed, a second piece of legislation was passed. The FREEDOM Support Act was very similar to the SEED legislation, authorizing resources for a myriad of activities under a State Department Coordinator who would allocate the appropriation among various departments and determine the program mix as well.¹⁷

The coordinators tended to be diplomats or, in one case, a private sector manager, with no experience in development. They made little effort to devise a strategic approach to the challenge and resources were distributed in a scattershot pattern. Government departments put on a full court press arguing they could best implement the portion of the transformation which most resembled their domestic mission. USAID received a little over half the funds, but the competition was keen and over time, the USAID allocation shrank.

The State Department Coordinators, with few exceptions, were more interested in pushing the money out the door and fending off powerful cabinet secretaries than in achieving development objectives.

The domestic departments had no overseas presence and no delivery capacity. Funds sat in Washington offices, sometimes for years, with little work being done on the ground. When activities commenced, it became clear that these departments, quite naturally, had more interest in pursuing their domestic mission than in sustainable development abroad. Often, the departments would issue requests for proposals (RFPs) and end up using the same contractors used by USAID. Even then, the mission and the follow-up evaluations were less developmental than domestic-mission oriented.

The State Department Coordinators, with few exceptions, were more interested in pushing the money out the door and fending off powerful cabinet secretaries than in achieving development objectives. USAID's work suffered as its chain of command was disrupted. Agency bureaus and missions were receiving instructions from both the expanding State Coordinators' offices as well as their own authorities. Efforts to devise a more comprehensive strategy were seen by the coordinators as second guessing.

This history is recited here because it represents the antecedent of a coordination problem that is even worse today. I have often thought it ironic that individuals with the title "coordinator" could wreak such disarray. The coordinator fad has continued. Now there are some seven coordinators who control development or development-related resources.¹⁸ It is virtually impossible to adopt a single strategic approach in cooperation with an enlightened developing nation government.

The new Millennium Challenge Corporation (MCC) represents yet another development agency on the Washington scene. Its purpose was to reward nations that had achieved certain eligibility benchmarks along the development path. Some

sixteen measurable indicators were developed to determine progress in economic market reform, democratic governance and investment in social services. These criteria were sound in developmental terms and the debate over what they should be and how to measure them was a healthy one. The president's announced goal was to distribute US\$5 billion a year through the MCC to pay for projects devised by the eligible governments. A staff of fewer than 100 was to manage these resources.¹⁹

It came as little surprise to most development professionals that by the summer of 2005, only one country program had actually been initiated (Madagascar). The Appropriations Committees, seeing the slow disbursement of funds, reduced the appropriations to under US\$2 billion.²⁰ In early summer, the MCC administrator announced his resignation. Reports were that President Bush was unhappy that so few funds had been disbursed. In my view, pushing these resources out the door more quickly would have resulted in waste, fraud and mismanagement. Shared strategic goals, oversight and results measurement should be part of any successful development enterprise.

The US government's uncoordinated approach to development that characterizes the situation today means precious government resources are wasted and dissipating the international leadership capacity of the US. It is long past time that the responsibility for coordinating development strategies is placed in the hands of development professionals. I strongly support the recommendation of the Commission on Weak States and US National Security, a commission, on which I served, to "[e]stablish an integrated development strategy and implement it within a single, Cabinet-level development agency."²¹ As the Hart-Rudman Commission on US National Security in the 21st Century observed after reviewing the current governmental structure, "In practice...no one [is] in charge."²² The Weak States Commission report goes on to state:

A new architecture must give development issues a single, strong voice at the Cabinet level; better coordinate the multiple agencies and entities that deliver foreign assistance; play a role in development and trade policy; establish a single, unified budget for development; and integrate strategies for countries and regions. Development policy is an increasingly important tool—it is more than just writing a check—and the United States needs to invest in developing the expertise and capacity to wield it effectively.²³

A COHERENT POLICY APPROACH IS NEEDED

Development programs can support nations that are following good strategies and that have the right set of policies, but development interventions alone are insufficient. Development, trade and finance policies at least must be in rough alignment. Yet, a development perspective has been largely absent from the consideration of trade and finance policies. In the US government these subjects are reserved for the Treasury and Commerce Departments respectively, with the National Economic Council coordinating for the White House. The Treasury Department oversees the multilateral development banks and, at the international level, the

International Monetary Fund (IMF) dominates the finance agenda while the World Trade Organization implements the trade regime.

Nobel Prize winning economist Joseph Stiglitz, former chief economist of the World Bank, has been highly critical of the IMF for its fixation on macroeconomic stability.²⁴ The Fund, he writes, seeks a “one-size-fits-all” model in its approach to reform in developing economies. Stiglitz’s strong criticism of the so-called “Washington Consensus”—privatization, low inflation, trade, and market liberalization—is summed up in this quote:

*We have seen how trade liberalization accompanied by high interest rates is an almost certain recipe for job destruction and unemployment creation—at the expense of the poor. Financial market liberalization unaccompanied by an appropriate regulatory structure is an almost certain recipe for economic instability—and may well lead to higher, not lower interest rates, making it harder for poor farmers to buy ... [seed and fertilizer] ... Privatization, unaccompanied by competition policies and oversight to assure that monopoly powers are not abused, can lead to higher, not lower, prices for consumers. Fiscal austerity, pursued blindly, in the wrong circumstances, can lead to high unemployment and a shredding of the social contract.*²⁵

A more developmentally-oriented, differentiated approach on the part of the IMF is needed, as is a spirited defense of development within the US government. At the present time, there is little or no opportunity to make the case for development. Development economists, for the most part, are not even at the table.

I recall asking that a USAID economist be invited to an early drafting session of the Clinton administration’s Africa Growth and Opportunity Act (AGOA) legislation. I was told by the international economist at the National Economic Council that the legislation dealt with access to markets and US investment in Africa, and that it had nothing to do with development or USAID. I pointed out that USAID missions in Africa were working with governments to enhance their capacity to trade and to liberalize their markets. If we failed in that endeavor, opening US markets and encouraging investment would accomplish little. In the end, the AGOA legislation gave equal billing to development, trade, and investment, but this was not a foregone conclusion at the outset.²⁶

Whether discussing debt forgiveness, access to markets, currency exchange, agricultural subsidies, trade promotion strategies, intellectual property rights, labor standards, or a myriad of other trade and finance issues, it is vital that policymakers understand the impact of their decisions on the effort to reduce poverty. Decisions taken in Western capitals can undo years of development progress. The undermining of a long-term development strategy is not inconsequential. To assure that we “do no harm,” development economists should be at the table alongside experts in international financial markets and trade.

Within the US government, the development perspective is mute under current arrangements. Congress seems more concerned that our aid programs will somehow contradict our foreign policy, something that simply cannot happen given the checks

and balances in the system and given that development itself is a foreign policy objective. No one seems to worry that a trade or finance decision could offset millions of dollars of development investments. Improving coordination and enhancing the prospects for policy coherence in our effort to reduce poverty are a compelling rationale for creating a new cabinet Department for International Development Cooperation and giving that department a strong policy voice.

CONCLUSION

Awareness of the dangers of growing poverty has not yet translated into meaningful action. As we throw more and more money at the symptoms, it should become obvious that we are not succeeding in treating the disease. Even more resources are needed for the development mission, but a renewed mandate and a more focused, coordinated effort are just as important. There is more consensus in the international community than ever before on what is needed and how to achieve results. That consensus is best captured by the Millennium Development Goals, which have been endorsed by most of the international community, including the United States. These goals can only be reached by adopting comprehensive country and regional strategies and by integrating enlightened, developmentally friendly trade and finance approaches.

This effort would be greatly enhanced were the US government organized to exercise leadership. Currently, it is not. Its interest in development is episodic; its focus is not yet on prevention, but rather on crisis management. The development mission is vital. If we fail to recognize that, we will be confronted by even more pervasive poverty and all of its imposing and dangerous manifestations.

Notes

¹ United Nations General Assembly. "UN Millennium Development Goals," available at <http://www.un.org/millenniumgoals/>, accessed August 5, 2005. The UN Millennium Development Goals (MDGs) are 1) eradicate extreme poverty and hunger; 2) achieve universal primary education; 3) promote gender equality and empower women; 4) reduce child mortality; 5) improve maternal health; 6) combat HIV/AIDS, malaria, and other diseases; 7) ensure environmental sustainability; and 8) develop a global partnership for development.

² Organisation for Economic Co-operation and Development, "Net ODA from DAC Countries from 1950-2003," December 9, 2004, available at www.oecd.org/dataoecd/43/24/1894385.xls, accessed August 26, 2005.

³ Organisation for Economic Co-operation and Development, "Table: Net Official Development Assistance in 2004," www.oecd.org/dataoecd/59/51/34700392.pdf, accessed 26 August 2005.

⁴ Organisation for Economic Co-operation and Development, "Net ODA from DAC Countries from 1950-2003," December 9, 2004, available at www.oecd.org/dataoecd/43/24/1894385.xls, accessed August 26, 2005.

⁵ Millennium Challenge Corporation, "What is the Millennium Challenge Corporation?" available at <http://www.mca.gov/>, accessed August 5, 2005.

⁶ US Department of State, "Turning the Tide Against HIV/AIDS," February 17, 2005, available at <http://www.state.gov/p/eur/rls/fs/42556.htm>, accessed August 26, 2005.

⁷ Peter Baker, "Bush Pledges \$1.2 Billion for Africa to Fight Malaria," *Washington Post*, July 1, 2005. President Bush announced that the US is providing US\$1.7 billion in aid for Africa, US\$1.2 billion of which is to be used for Africa.

⁸ Larry Nowels and Susan B. Epstein, "Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2006 Appropriations," *CRS Report to Congress* (Received through the CRS Web), updated July 1, 2005, available at <http://www.fas.org/sgp/crs/row/RL32919.pdf>, accessed August 23, 2005. The US Senate Foreign Operations Appropriation passed on July 20, 2005, was US\$22.10 billion. Roxana Tiron, "Appropriations: State, Foreign Operations and Related Programs," *The Hill*, July 27, 2005, available at www.lexisnexis.com, accessed August 26, 2005. The two Houses had not reconciled their positions as of this writing.

⁹ Larry Nowels and Susan B. Epstein, "Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2006 Appropriations," *CRS Report to Congress* (Received through the CRS Web), updated July 1, 2005, 65-69, available at <http://www.fas.org/sgp/crs/row/RL32919.pdf>, accessed August 23, 2005.

¹⁰ Carol Lancaster used this abbreviated definition in a lecture at the Humphrey Institute for Public Affairs, University of Minnesota in 2003. For a more in-depth discussion of this topic, see Carol Lancaster and Ann Van Dusen, *Organizing U.S. Foreign Aid: Confronting the Challenges of the Twenty-first Century* (Washington, D.C.: Brookings Institution Press, 2005), 4-5.

¹¹ Carol Lancaster, *Transforming Foreign Aid* (Washington, D.C.: Institute for International Economics, 2000), 9, emphasis in the original.

¹² The World Bank, *Assessing Aid: What Works, What Doesn't, and Why*, World Bank Policy Research Report (New York, NY: Oxford University Press, 1998), 28-59, 135-138.

¹³ The World Bank, *Assessing Aid*, 135-138. See also, Joseph T. Siegle, Michael M. Weinstein, and Morton H. Halperin, "Why Democracies Excel," *Foreign Affairs*, Vol. 83, No. 5, September/October 2004, 57-71.

¹⁴ Michael Fairbanks, "Changing the Mind of a Nation: Elements in a Process for Creating Prosperity," in Lawrence E. Harrison and Samuel P. Huntington, eds., *Culture Matters: How Values Shape Human Progress* (New York, NY: Basic Books, 2000), 270.

¹⁵ The USAID Mission Director related this to the author; it was later confirmed in a meeting between the author and President Konore. DAC took up the issue circa 1997.

¹⁶ The Support for East European Democracy (SEED) Act became law in 1989. See the State Department Home Page for details, available at <http://www.state.gov/>.

¹⁷ The FREEDOM Support Act, PL102-511 was enacted October 24, 1992. See the Department of State home page for details, available at <http://www.state.gov/>.

¹⁸ In addition to the statutorily-created coordinators for SEED and the Newly Independent States (two positions now held by one individual), coordinators have been created (either by statute or by administrative action, or both) for Afghanistan, Iraq, HIV/AIDS, Reconstruction and Stabilization, Trafficking in Persons, and the Middle East Partnership Initiative.

¹⁹ Steven Radelet, *Challenging Foreign Aid: A Policymaker's Guide to the Millennium Challenge Account* (Washington, D.C.: Center for Global Development, 2003), 170.

²⁰ Millennium Challenge Corporation, "Millennium Challenge Corporation CEO Paul Applegarth comments on House Appropriations subcommittee on Foreign Operations Markup," Press Release, June 16, 2005, available at http://www.mca.gov/public_affairs/press_releases/pr_061605.shtml, accessed August 26, 2005.

²¹ Jeremy M. Weinstein, John Edward Porter, and Stuart E. Eizenstat, *On the Brink: Weak States and U.S. National Security: A Report of the Commission on Weak States and U.S. National Security* (Washington, D.C.: Center for Global Development, 2004), 30.

²² Cited in Weinstein et al., *On the Brink*, 31, emphasis in the original.

²³ Weinstein et al., *On the Brink*, 31, emphasis in the original.

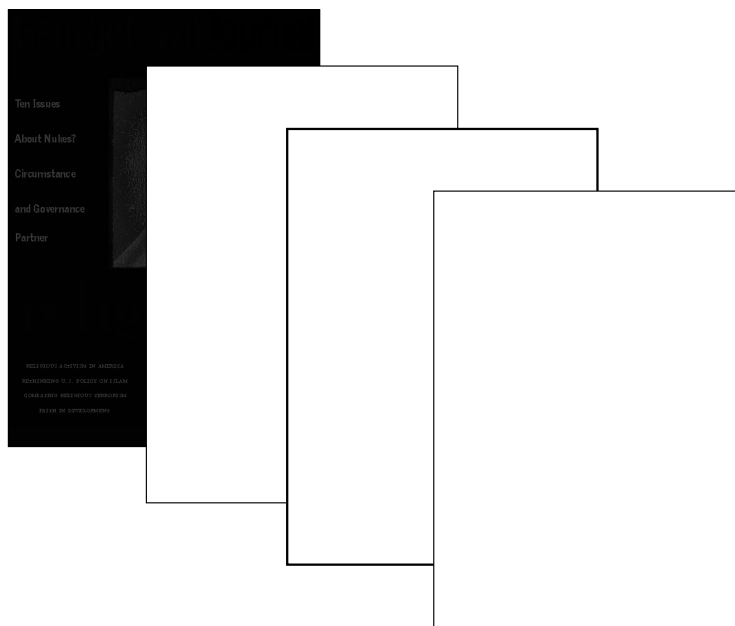
²⁴ *Globalization and Its Discontents* (New York, NY: W.W. Norton and Co., 2003).

²⁵ Stiglitz, *Globalization and Its Discontents*, 84, emphasis in the original.

²⁶ African Growth and Opportunity Act (AGOA) was signed into law on May 18, 2000 as Title I of the Trade and Development Act of 2000. See the AGOA Home Page for details, available at <http://www.agoa.gov/>.

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Using Monetary Policy to Coordinate Price Information: Implications for Economic Stability and Development

by Jim Granato and M.C. Sunny Wong

INTRODUCTION

One of the most impressive ongoing stories in the past fifty years has been the reduction in worldwide poverty. What is more important is that the process of poverty reduction has been accelerating. The 1997 United Nations Development Programme's Human Development Report noted that worldwide poverty has fallen more in the past 50 years than in the prior 500 years.¹ Many nations in the world have followed this trend, not only in terms of the reduction in poverty rates, but more recently with a decrease in the absolute number of citizens in poverty.

There is no doubt that material developments, fueled by economic development, are a major factor in poverty reduction. We also know that the influences on economic development are numerous. The purpose of this essay is to show how one type of policy practice is associated with longer periods of economic growth and sustained development. In this way, we show how some specific policy mistakes that have been made in the developed world need not be repeated by the developing world. Moreover, avoiding policy mistakes of the past means poverty reduction can continue and, possibly, accelerate even further.

Just what type of policymakers and policy are we referring to? The policymakers we focus on are individuals who influence the monetary authority. They are concerned with such things as taking the right policy action at the right time. Of prime importance are the actions (the policies) taken to stabilize business cycles. Business cycles are commonly characterized as the fluctuations (around the long-run trend) of the total output of goods and services within a country (i.e., gross domestic product [GDP]). What is typically called *stabilization policy* involves, among other things, using monetary

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policy to reduce the volatility of GDP (around its trend). Policymakers' emphasis is on reducing the length of recessions and increasing the period of economic expansion.

Policymakers are influenced by current economic challenges and evolving scientific debates. Policy goals or targets, long a policymaking concern, receive greater or less weight based not only on current economic conditions, but also on what science indicates is the best course of action. Policy linkage of contemporaneous events with scientific research is one way to guard against creating a problem tomorrow with today's "solution." Each can inform the other, and in doing so, allow for more effective policy.

[T]he simultaneous reduction in inflation and output volatility has the additional benefit of lengthening periods of economic expansion, and in doing so, could promote economic development.

The more recent interaction between economic events and scientific debate has reached the point where policymakers now use stabilization policy with an added emphasis on inflation stability.² We show that a priority on inflation stability has the by-product of also reducing GDP instability. Furthermore, we think the simultaneous reduction in inflation and output volatility has the additional benefit of lengthening periods of economic expansion, and in doing so, could promote economic development.

Why does a monetary policy that emphasizes inflation stability also have beneficial effects on output stability and possibly also on economic development? The answer lies in the fact that inflation stability is a prerequisite for getting maximum effectiveness out of a market economy. When policymakers engage in policy that stabilizes inflation, they help the public—firms, households, and labor—to create more accurate price forecasts. Accurate public price forecasts are consistent with the most efficient interaction between supply and demand, and by extension, the public's spending and investment plans.

BACKGROUND

For all practical purposes, scientifically informed stabilization policy was a response to the worldwide depression of the 1920s and 1930s. Following the work of John Maynard Keynes,³ policymakers used fiscal measures to counter the high rates of unemployment. In the aftermath of World War II, the emphasis on full employment was made a national priority in many industrialized democracies. In the United States, for example, this full employment emphasis manifested in the passage of the Full Employment Act of 1946.⁴

In the 1950s, there was a shift from emphasizing full employment to also including inflation as a consideration in policy decisions. There was a scientific basis for focusing on inflation and unemployment. In 1958, A.W. Phillips showed there was an inverse

relationship between nominal wages and unemployment: higher unemployment was associated with lower wages and higher wages were associated with lower unemployment.⁵ This relation was extended to incorporate a trade-off between inflation and unemployment. In the late 1950s and up to the late 1960s, most economists assumed that there was a stable trade-off between unemployment (output) and inflation. In fact, this stable relationship could be graphically demonstrated on what is now called the Phillips curve.

This assumption of a stable relationship had powerful appeal to policymakers. One could simply pick a mix of inflation and unemployment on the Phillips curve and conduct monetary (and fiscal) policy in accordance with those goals in mind. Furthermore, the low unemployment and inflation of the mid-1960s suggested that this approach to stabilization policy was effective.

Until the late 1960s, the emphasis on “fine tuning” and multiplier effects constituted the orthodoxy. All that was necessary, it was believed, was to construct statistical models that would accurately and confidently determine the effects of monetary and fiscal initiatives on unemployment and output. However, there soon emerged a critique on the assumptions underlying the use of the Phillips curve. Milton Friedman and Edmund Phelps argued that the Phillips curve was based on false assumptions about how people behaved, and, therefore, was bound to give incorrect predictions about inflation and unemployment.⁶

Friedman and Phelps emphasized that the Phillips curve trade-off could not permanently work when the public’s inflation expectations were considered. They argued that a stimulative policy could lower unemployment for a brief time if workers set their wage demands too low. This stimulative effect would occur if workers underestimated future inflation, but Friedman and Phelps reasoned that workers could not be fooled for long. They would eventually correct this mistake. As a result, there could be no stable or predictable Phillips curve trade-off.

The policy implications of Friedman and Phelps’ argument were equally clear. For example, if policymakers attempted to reduce the existing rate of unemployment, the result would be more volatile swings in monetary policy and, by implication, output, prices, and unemployment. Indeed, such policies would eventually be self-defeating, and instead create a combination of higher unemployment and higher inflation—a combination that came to be known as stagflation.

During the 1960s and 1970s, many industrialized countries ignored the Friedman and Phelps critique of the Phillips curve and, as a result, experienced stagflation. Yet, with this bitter lesson now learned, the scientific and policymaker consensus today is that there is no long-run Phillips curve trade-off. However, many still think there is a long-run trade-off between the *variability* of inflation and output (unemployment).⁷ We think this variability trade-off is also on weak footing. This skepticism makes sense when we consider the role of policymakers as a force to help the public coordinate their price information and inflation expectations.

HOW POLICYMAKERS SERVE TO COORDINATE PRICE INFORMATION

Since the late 1970s, stabilization policy has placed added emphasis on inflation stability. As noted above, this change is due in part to the interaction between economic events and evolving scientific doctrine. In addition, there is also a consensus that market-driven processes that make use of the price mechanism represent a superior way to allocate resources in an economy. To some, this conclusion will not come as news, since scholars have been asserting this for years:

Fundamentally, in a system where the knowledge of the relevant facts are dispersed among many people, prices act to coordinate the separate actions of different people in the same way as subjective values help the individual to coordinate parts of his plan...Assume that somewhere in the world a new opportunity for the use of some raw material...has arisen. All that users...need to know is that some of the [good] they used to consume is now more profitably employed elsewhere, and that in consequence they must economize...If only some of them know directly of the new demand, and switch resources over to it, and if the people who are aware of the new gap thus created in turn fill it from still other sources, the effect will rapidly spread throughout the whole economic system and influence the uses of [the good], but also those of its substitutes and the substitutes of these substitutes...and all this without the great majority of those instrumental in bringing about these substitutions knowing anything at all about the original cause of the changes. The whole acts as one market, not because of any of its members survey the whole field, but because their limited individual fields of vision sufficiently overlap so that through many intermediaries the relevant information is communicated to all.⁸

In principle, the information provided by prices should help the public avoid coordination difficulties. Of course, during a period of inflation, prices lose their effectiveness in conveying information. Price inflation creates noise in the price system. The usual signal prices provide is now blurred, since the public does not know what part of the price reflects changes in market forces and what part is just inflation. And this confusion can go on for some time. The public's plans (i.e., contracts) now lack the more accurate inflation expectations they had under inflation stability.

The threat inflation instability poses to the public's ability to plan, and the barriers this instability creates to efficient interaction between the forces of supply and demand, suggests that stabilization policy and the role of policymakers in that policy need to be reassessed. This reassessment can include thinking of policymakers as actors whose actions can assist in coordinating price information for the public by reducing the ambiguity inflation instability creates.

What do we mean by coordinating price information? Consider that the public's relation to policymakers centers on the public choosing a contingency plan for the current and future variables that are under their control. These plans include the public's future assessments about the policy direction. A key issue in the public's assessment about policy is demonstrating how the public learns the policy. It is here that the specific coordination effect occurs, since policy can stabilize key variables (inflation) about which the public has expectations. In stabilizing these variables, policymakers remove uncertainty and expedite learning on the part of the public.

Our view is that policymakers should act to ensure that the price system works and that the coordinating function of prices is maintained. There is only one way to do this: policymakers must take policy actions that ensure inflation stability. This role for policymakers can be accomplished by making inflation stability an implicit or explicit target (goal) for policy actions.

What are the specific mechanics of this relationship between policymakers and the public? Policymakers coordinate price information for the public in the following way: when policymakers achieve and maintain inflation stability (usually by influencing interest rates), people can substitute what they think is an implicit or explicit inflation target (set by the policymaker) for past inflation.

In this environment, plans (i.e., contracts) now exhibit (price/inflation) stability. And since these plans have an effect on the overall inflation rate, the stability of these plans and contracts translates into inflation stability and output growing at its long-run rate. Perhaps most important is that an additional by-product of coordinating price information is the simultaneous reduction in both inflation and output volatility—what we term *inflation-output co-stabilization* (IOCS)—and more controversially, the extension of the period in which the economy grows.

There is also the possibility that if policymakers continue to tolerate inflation instability, then inflation persistence will become more pronounced and could take on an explosive nature.

On the other hand, when policymakers deemphasize inflation stability this policy tack implies that interest rates will not respond to inflation shocks, and sometimes perversely, interest rates may decrease, providing a procyclical response to an inflation shock. In this case, the price rigidities in the economy (i.e., contracts, expectation/information uncertainty) mean that the inflation shock will not die out soon. There is also the possibility that if policymakers continue to tolerate inflation instability, then inflation persistence will become more pronounced and could take on an explosive nature.⁹

INFLATION-STABILIZATION POLICY AND IOCS

Here, we show the relation between policy, inflation uncertainty, and IOCS in the United States for the period 1960 to 2000. If policymakers can coordinate information by stabilizing inflation, then during periods when policymakers actively stabilize inflation, inflation uncertainty should be less and IOCS should exist.

Policy can be thought of as a plan or action that makes use of policy instruments, which are the mechanisms that policymakers alter to achieve policy goals. In our immediate case, how does policy influence business-cycle fluctuations? A primary source is the real interest rate (i.e., the nominal interest rate minus inflation expectations) and its effect on aggregate demand and inflation expectations.¹⁰

Policymakers can influence real interest rates through the manipulation of various short-term interest rates. For empirical policy studies in the United States, the short-term interest rate under policymaker influence is typically the federal funds rate. The federal funds rate is the interest rate charged by a Federal Reserve district bank to member banks for overnight loans.

Yet, the federal funds rate itself is not an adequate indicator for inflation stabilization. The federal funds rate does not tell us the degree to which the policymakers attack inflation, nor does it indicate how policymakers maintain this policy stance to support positive real rates of return on investment and savings.

For comparability across time periods, we combine the log of the ratio of the federal funds rate with the annual inflation rate, i.e., the federal funds rate ratio.¹¹ Because the scale is logarithmic, equal proportions are shown as equal distances, which allows for greater comparability across time periods.

We argue that the federal funds rate ratio signifies an inflation-stabilizing policy emphasis when it is greater than or equal to one. This number, which on a logarithmic scale is equal to zero, is consistent with policies that raise interest rates in excess of any increase in inflation. On the other hand, a negative value on this logarithmic scale is consistent with a policy stance that de-emphasizes inflation stability.

Figure 1. Federal Funds Rate Ratio, 1960-2000. Note: This variable is the log of the ratio of the federal funds rate to the annual inflation rate (CPI). Data are quarterly. The federal funds rate and CPI data are provided by the Federal Reserve Bank of St. Louis (FRED II) and are available at (<http://research.stlouisfed.org/fred2/>). The zero line indicates that the federal funds rate and the inflation rate are equal. The shaded area represents 1974:I-1980:III.

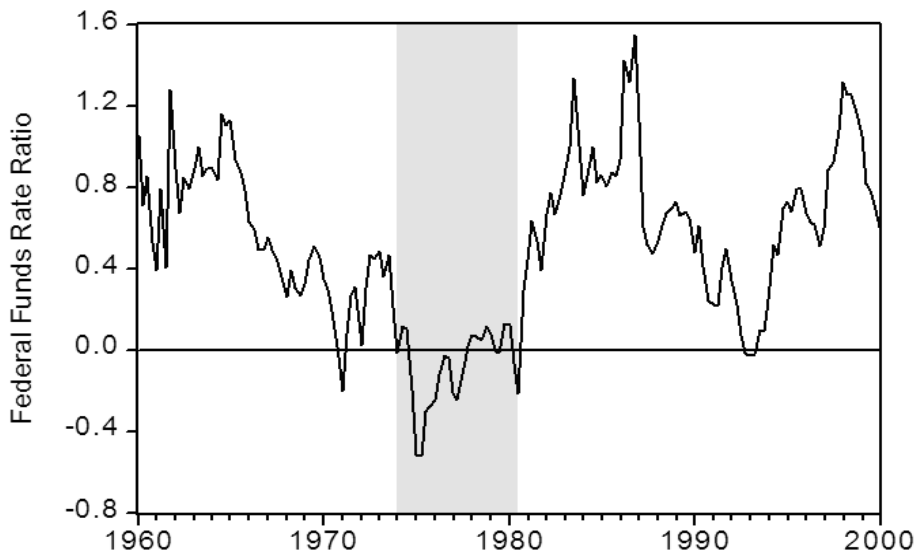
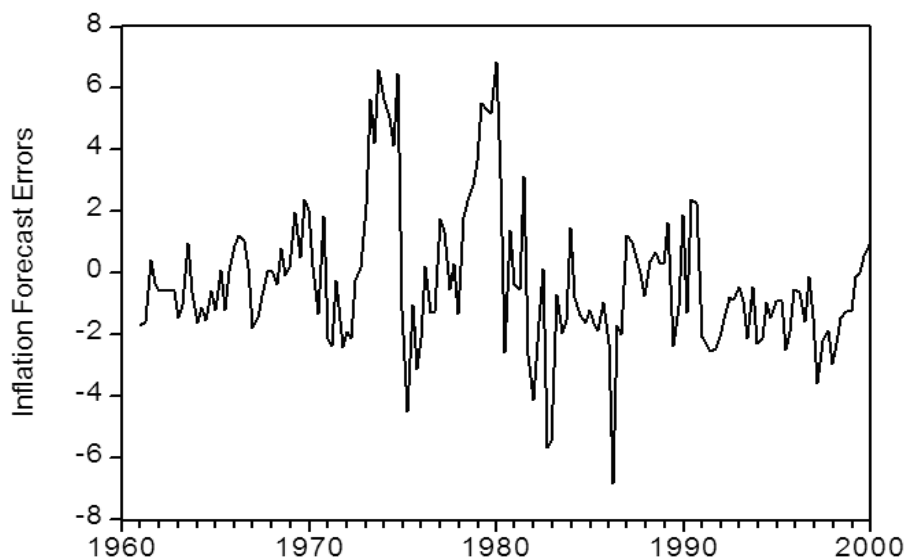


Figure 1 depicts the federal funds rate ratio for the period 1960 to 2000. The figure shows that inflation stability is de-emphasized approximately during the period 1974 to 1980 (shaded area). There was a slight shift toward an inflation-stabilizing emphasis in 1978, but it was against the overall trend.¹²

The federal funds rate ratio also showed a distinct pattern of declining resolve in maintaining an inflation-stabilizing policy. This pattern started in 1966 and was not reversed until 1981, when inflation-stabilizing policy reasserted itself and continued to the year 2000. In 1993, policy responded to an economic slowdown by becoming expansionary, but the ratio still did not fall below zero. This drop was consistent with the aggressive inflation-stabilizing policy tack of the 1980s and 1990s, since it was both temporary and not conducted in an environment of inflation instability.

Figure 2. Inflation Forecast Errors, 1961-2000. Note: This data is the difference between the actual inflation rate (CPI) and the surveyed inflation expectations for that date. The surveyed inflation forecasts in this sample are quarterly and are provided by the University of Michigan (SRC) "Surveys of Consumers" (<http://www.sca.isr.umich.edu/>), Table 19. CPI data are provided by the Federal Reserve Bank of St. Louis (FRED II) and are available at (<http://research.stlouisfed.org/fred2/>).



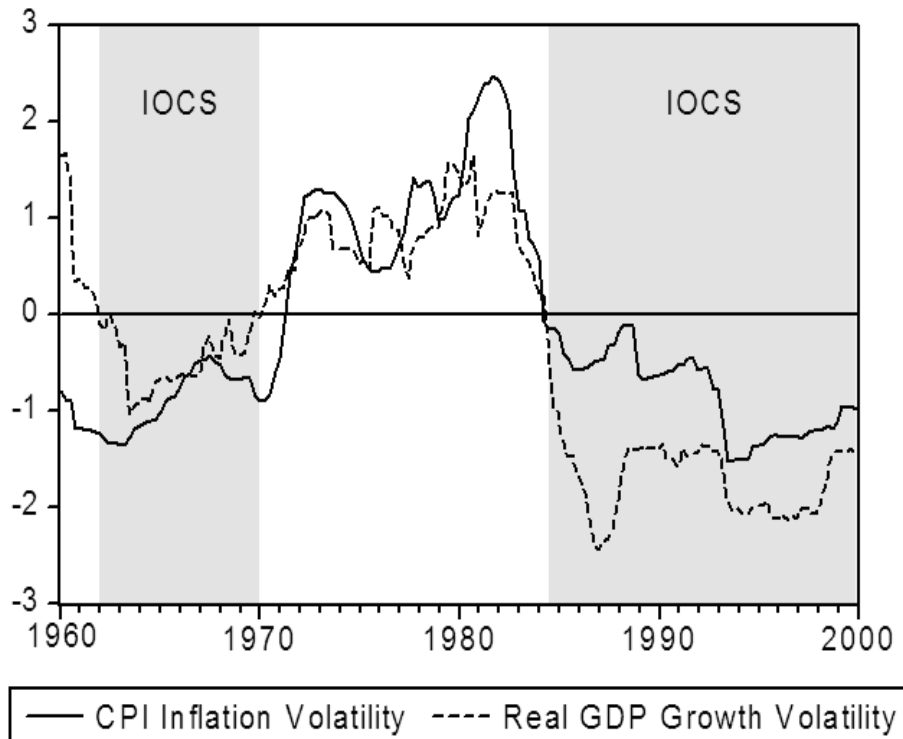
What about the link between inflation stabilizing policy and inflation uncertainty? We asserted previously that when policymakers act aggressively to stabilize inflation, they encourage information coordination for the public. Therefore, we expect a negative relation between the size of inflation forecast errors and periods when policy placed emphasis on inflation stability.¹³ We conjecture that inflation forecast

errors should be smaller and less volatile in the 1960s, the 1980s, and the 1990s. Figure 2 shows this prediction is indeed the case. We find by simple examination that the size of the forecast error is greatest in the 1970s.

We turn now to a central concept in this paper: the simultaneous decline in inflation and output volatility, or IOCS. In the aggregate, under a policy that emphasizes inflation stability, the predictive price stability current plans now possess is consistent with further inflation stability and output growing at its long-run rate. Within this economic environment, inflation stability and output stability can be sustained (up to a point), since the public's plans exhibit greater (price) stability. The linkage then flows from policy to inflation stability to IOCS.

Many researchers have documented the decline in economic volatility in the United States and elsewhere.¹⁴ Much of this work focuses on output stability. One consistent finding is that this work dates the decline in volatility to the 1980s.

Figure 3. IOCS, 1960-2000 (5-year moving standard deviation). Note: Data are from James Bullard, "Trading Trade-offs?" National Economic Trends. St. Louis: Federal Reserve Bank of St. Louis, December 1998. The data are transformed to 21-quarter (5-year) moving standard deviations for the CPI inflation rate and real GDP growth. The zero line indicates the average for each series. Shaded areas represent periods of IOCS (1962:I-1970:I and 1984:III-2000:I).



We measure inflation and output volatility using the standard deviation of the Consumer Price Index (CPI [rate of change]) and real GDP (growth rate), respectively. Our expectation is that periods of IOCS will coincide with a policy that emphasizes inflation stability as well as the public having lower inflation forecast errors. In short, IOCS should exist during the 1960s, 1980s, and 1990s.

We use Bullard's measures of inflation (percentage change in the CPI) and output (real GDP growth) volatility.¹⁵ Bullard constructs the measure so that zero signifies the average for the entire series. Using these series, we argue that IOCS occurs when both the inflation and output series exhibit below-average volatility. The correlation between the two series is 0.73.

Figure 3 shows that IOCS occurs between 1962:I-1970:I and 1984:III-2000:I. Figure 3 also shows that during the forty-one year period, only in four years, or portions thereof (1960, 1961, 1970, 1984), do the two series have opposite movements in volatility.

To summarize, if we consider United States IOCS performance in the last forty-plus years and classify this period by inflation-stabilizing policy stances, a few facts emerge. Between 1960 and 2000, policy practices that emphasize and de-emphasize inflation stability coincide with distinct IOCS and non-IOCS behavior. Among the more dramatic business-cycle episodes were the stagflation of the 1970s, the sharp disinflation of the early 1980s, and the expansions of the 1980s and 1990s.

EXPANSION DURATION

A traditional argument is that inflation instability can have adverse long-run consequences on economic development.¹⁶ The public is encouraged to divert its attention away from wealth-producing ventures. As inflation becomes more volatile, more resources are diverted to hedging and to speculation. Interaction with tax rules produces additional difficulties for firms as they manage their balance sheets.¹⁷ Consequently, due to the uncertainty of the real value of the expected future payments, capital inputs are reduced and long-run planning becomes increasingly difficult. The end result is that inflation reduces the scope and scale of activities that facilitate economic growth.

We argue that inflation instability, because it hinders economic coordination, can also affect the sustainability of an economic expansion. If we examine the business-cycle performance of the United States since 1960, we find an almost continuously sustained expansion in the 1980s and 1990s and a similarly lengthy expansion in the 1960s. These long periods of expansion occurred during periods of inflation stability and IOCS.¹⁸

IMPLICATIONS FOR POLICYMAKERS

A practical message in this paper is that all details of monetary policy implementation, regardless of the mix of institutional and procedural features, should be guided by a focus on information coordination. Information coordination can be accomplished by stabilizing inflation, which is a feasible policy goal. Procedures and institutions can be structured and restructured with information coordination in mind. However, we recognize that no policy is implemented with complete certainty. Policy implementation is a complicated process, with imperfect information pertaining to problem recognition, the effects of policy, and even shifts in policymaker preferences.¹⁹

For example, one concern about policy implementation deals with how fast and how high interest rates should be raised or lowered in response to a surge in inflation. Our recommendation is that interest rates should respond in a manner that is most consistent with maintaining information coordination (i.e., minimizing public forecast errors). But policymakers must be careful in discerning what caused the inflation shock. Demand and supply shocks may require more (less) aggressive interest rate responses.

We have downplayed the influence of fiscal policy, since inflation is a monetary phenomenon and is, therefore, influenced directly by monetary policy. Yet, that does not mean fiscal policy is irrelevant. Recall that government spending can be financed in the following ways: taxation, borrowing from the private sector, borrowing from public and private foreign entities, and borrowing from the monetary authority (monetization). Much of the debate about government spending focuses on when budget deficits are created.²⁰

This concern about the effects of fiscal policy is particularly relevant for the developing countries that run deficits and finance their debt issue using the inflationary route (monetization). We think the mechanisms for financing government spending should now include the trade-off between the means chosen and the effect such financing has on information coordination, and, by extension, inflation stability, IOCS, and economic development.

In the end, what we have attempted to do is focus attention on the best role a monetary policymaker can provide. In doing so, we contend there is a better chance to avoid economic calamities that result from self-inflicted—and preventable—monetary policy errors.²¹

Notes

¹ United Nations Development Programme, *Human Development Report 1997: Human Development to Eradicate Poverty* (New York: UNDP, 1997), 2.

² Inflation is defined as sustained increase in the price level. The price level is the weighted average of the prices of goods and services. The price level is measured by a price index, which is a sample of goods and services in a given period of time. The Consumer Price Index (CPI) is an example of a price index. The inflation rate is the percentage rate of change in the price level. Price or inflation stability can be defined as the achievement of a specific pre-specified inflation target or when citizens no longer account for actual or prospective inflation in their decision making. For further

background see Pierre L. Siklos, *The Changing Face of Central Banking: Evolutionary Trends since World War II* (New York: Cambridge University Press, 2002).

³ John Maynard Keynes, *The General Theory of Employment, Interest, and Money* (London: Macmillan, 1936).

⁴ Since unemployment/employment is correlated with output, researchers often treat these two outcomes interchangeably.

⁵ A.W. Phillips, "The Relation Between Unemployment and the Rate of Change of Money Wage Rates in the United Kingdom, 1861-1957," *Economica*, New Series, Vol. 25, No. 100, November 1958, 283-299.

⁶ Milton Friedman, "The Role of Monetary Policy," *American Economic Review*, Vol. 58, No. 1, March 1968, 1-17 and Edmund Phelps, "Money Wage Dynamics and Labor Market Equilibrium," *The Journal of Political Economy*, Vol. 76, No. 4, Part 2: Issues in Monetary Research, 1967, July-August 1968, 687-711.

⁷ See, for example, John B. Taylor, "The Inflation /Output Variability Trade-off Revisited," *Goals, Guidelines, and Constraints Facing Policymakers*, in Jeffrey C. Fuhrer, ed. (Boston: Federal Reserve Bank of Boston Conference Series 38, 1994), 21-38. Note also that since output and unemployment are highly correlated they are sometimes used synonymously in this research.

⁸ F. A. Hayek, "The Use of Knowledge in Society," *American Economic Review*, Vol. 35, No. 4, September 1945, 526.

⁹ We do not ignore the possibility of deflation. However, an IMF Report noted that "there had been few sustained deflationary episodes in the post-Second World War period in the major economies." (Underline in original.) International Monetary Fund Task Force, "Deflation: Determinants, Risks, and Policy Options—Findings of an Interdepartmental Task Force," April 30 2003, 15. While we do not discount the possibility for a deflation we suggest that much of the harmful effects of a deflation occur when the deflation is unanticipated. We contend that unanticipated deflations (or inflation) are extremely unlikely when a policymaker consistently achieves an inflation target (implicit or explicit) and, thereby, steers public expectations and plans.

¹⁰ We argue these episodes signify fundamental structural relations that are repeated over many different eras. One such relation is the effect policy shifts have on interest rates and inflation. See Steven Sheffrin, *The Making of Economic Policy: History, Theory, Politics* (Cambridge, Massachusetts: Basil Blackwell, 1989), 77-79.

¹¹ Jim Granato, "The Effect of Policymaker Reputation and Credibility on Public Expectations: An Application to Macroeconomic Policy Changes," *Journal of Theoretical Politics*, Vol. 8, 1996, 549-570.

¹² We know from historical accounts that for part of the 1960s and nearly all of the 1980s, policy was trying to maintain inflation stability. See Herbert Stein, *Presidential Economics: The Making of Economic Policy from Roosevelt to Regan and Beyond* (New York: Simon & Schuster, 1985).

¹³ Inflation expectations surveys are conducted by the Survey Research Center at the University of Michigan and the results are published in the Survey of Consumer Attitudes. Survey respondents are asked approximately fifty core questions that cover three broad areas of consumer opinion: personal finances, business conditions, and buying conditions. We use the following questions that relate to measuring inflation expectations: 1. During the next 12 months, do you think that prices in general will go up, go down, or stay where they are now?; 2. By about what percent do you expect prices to go (up/down), on the average, during the next 12 months? If respondents expect the price level will go up (or down) on question 1, they are asked in the second question to provide the exact percent the price level will increase (or decrease), otherwise the second question is coded as zero percent. For details see <http://www.sca.isr.umich.edu/>.

¹⁴ Bill Martin and Robert Rowthorn, "Will Stability Last?" (Research paper, *UBS Global Asset Management*, July 2, 2004).

¹⁵ James Bullard, "Trading Trade-offs?" Federal Reserve Bank of St. Louis *National Economic Trends* (December 1998).

¹⁶ See, for example, Robert Barro, *Getting it Right: Markets and Choices in a Free Society* (Cambridge, Massachusetts: The MIT Press, 1996), 65-68.

¹⁷ See, for example, Martin Feldstein, "The Costs and Benefits of Going from Low Inflation to Price Stability," *Reducing Inflation: Motivation and Strategy*, eds., Christina D. Romer and David H. Romer (Chicago: University of Chicago Press, 1997).

¹⁸ To expand on this point further, consider the United States business-cycle performance since 1982 in comparison to all peacetime expansions recorded since 1854. The average duration for peacetime business expansions since 1854 is 30.5 months. In contrast, the average duration of the two peacetime

expansions between 1982 and 2002 was 106 months. See <http://www.nber.org/cycles.html>.

¹⁹ The data and “evidence” can at most be thought of as correlations. More rigorous examinations require models that transparently show the linkages we discuss above, and which have testable implications for many countries and many periods. For an example of linking policy effects to outcomes in this way, see Eric M. Leeper, Christopher A. Sims, and Tao Zha, “What Does Monetary Policy Do?” *Brookings Papers on Economic Activity*, Vol. 2, 1996, 1-63. For an example that relates inflation stabilization policy to IOCS in a more rigorous way, see Jim Granato and M.C. Sunny Wong, *The Role of Policymakers in Business Cycle Fluctuations* (New York: Cambridge University Press, forthcoming).

²⁰ What is missing from most of accounts about debt and deficits is an acknowledgement that deficits are really a “second-order” problem. The more severe problem is excessive government spending, since it is government spending that has the potential to crowd out private investment and make future generations poorer. Although the financing of government spending can have different effects, the real threat is the cumulative displacement of private funds, savings, and investment, which all add to things such as dividends, profits, and interest payments. These variables are indicators of changes in our capital stock. No one can be worse off with increases in the capital stock, although there will be distributional differences. Consequently, the harmful effects of government borrowing and taxation will be greater or less, depending on the total level of government spending.

²¹ We note that a good deal of policy failure can be attributed to non-monetary policy factors, including the absence of a stable set of institutions that provide incentives compatible with economic development and which encourage the efficient use of resources and the enforcement of contracts. These institutions, or rules of the game, include, among other things, the enforcement of private property rights and the rule of law.

Between “Peace Dividends” and Peace

By Guy Ben-Porat

The promise of economic development was in the background of the Israeli-Palestinian peace process and underscored the concept of the “New Middle East” (NME).¹ It was argued that economic incentives—often described as “peace dividends”—could create an optimistic horizon and, consequently, change the motivations and perceptions of both sides to the conflict. This liberal view has drawn upon the ideology of globalization and shared within its underlying tenets of rationality, professionalism, and the virtues of a market economy. Accordingly, it stressed economic and technological development that supposedly rendered territory and territorial disputes marginal or irrelevant and, consequently, advocated territorial compromise. The promise of a NME was not entirely a myth; rather, after the Israeli-Palestinian Declaration of Principles (DOP) was signed in 1993, Israel experienced unprecedented economic growth. The optimism was short-lived, however, as relations between Israelis and Palestinians soon returned to cycles of violence.

The purpose of this study of the Israeli-Palestinian peace process is to examine the impact of economic incentives on the transformation of protracted conflicts. While economic growth can certainly provide motivations for peace by creating a virtuous cycle, as I argue below, reliance on economic growth faces two problems. First, the incentive of economic growth does not appeal equally to all people, so fundamentalist groups may prefer territorial stakes over promised prosperity and thus possibly seek to derail the process. And, second, economic growth might not distribute its benefits equally, leaving some groups alienated from the process and, consequently, making the process vulnerable to derailment without the support of these groups.

PEACE DIVIDENDS AND VIRTUOUS CYCLES

In a post-Cold War world characterized by the acceleration of globalization, “peace dividends” have become a commonly used term to describe new mechanisms available for the resolution of protracted conflicts. “Peace dividends” can be the result of either direct investments by third parties in a conflict zone or an indirect result from the access allowed to an emerging system of political cooperation and economic development.² Peace dividends are portrayed in win-win terms; namely that entire regions across communities would benefit from global integration that would follow the transition from conflict to peace.³ The pacifying potential of dividends related to globalization portrays a virtuous cycle in which peace and economic

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development mutually reinforce each other. Initial advances in resolution of the conflict enhance business confidence, enable global integration and generate economic growth. Economic betterment, or peace dividends, on their behalf, widen support for forming a peaceful solution and make territorial compromises easier to establish and maintain.

Peace dividends raise both the hopes of marginalized communities seeking political, economic, and cultural equality and the dominant communities' hopes of raising prosperity in an economy that has been restricted by conflict. But, due to the nature of the process of globalization, it is questionable whether these hopes can be met and, consequently, whether, or under what terms, the incentives associated with globalization can translate into a stable peace. Because of the unequal impacts of globalization, the virtuous cycle described above rests on two problematic assumptions. First, that successful global integration is indeed universally open and, second, that it is universally desirable. The first assumption neglects the fact that globalization creates winners and losers and therefore peace dividends may be paid out unevenly, alienating those who are on the losing side and leaving the process vulnerable to opposition. The second assumption ignores the existence of "spoilers," leaders and parties who believe that peace threatens their power, world-views, or interests.⁴

Spoilers may favor a separatist agenda regardless of the economic consequences and have the power to derail the peace process through extreme actions.

Spoilers may favor a separatist agenda regardless of the economic consequences and have the power to derail the peace process through extreme actions. Violent actions by spoilers can derail the process and offset the virtuous cycle by undermining both economic growth and political support and, consequently, create a vicious cycle in which a setback in the peace process can offset the economy and vice versa. Thus, while globalization can create the incentives that kick-start a peace process, it remains questionable whether and under what terms these incentives can be translated into a stable peace settlement. The stability of the peace process, it will be argued here, depends on the ability to make the virtuous cycles inclusive and the economic gains from peace universal, so that spoilers will be marginalized and wide support for the process maintained. Economic elites, geared to benefit from global integration, and political entrepreneurs are natural supporters of compromise and are expected to create a coalition for peace, but its success will be determined by their ability to incorporate large parts of society and to appeal to their disputants.

The support of wide constituencies is crucial when the peace process meets obstacles, when spoilers act violently to derail the process, and when the promises of growth and prosperity are slow to be realized. The resolution of protracted conflicts is a long and arduous process that has to tackle many levels of disagreement and mistrust. The prosperity, potential or real, that follows the signing of agreements might be insufficient to maintain wide support, especially when compromises seem

to undermine existing identities and when spoilers threaten security. The strength of the peace process depends, therefore, on the one hand, how dividends are distributed, and, on the other hand, how issues of security and identity are addressed.

SETTING VIRTUOUS CYCLES

Shimon Peres’s idea of the “New Middle East” framed the mutually reinforcing effects of peace and economic growth and the creation of a virtuous cycle. The changing world structure, argued Peres,⁵ favors economic growth over territorial acquisition and requires that Israel and its neighbors change their priorities, or risk becoming marginal in the world economy.

Toward the end of the twentieth century, relations between nations began to take on a new, qualitative dimension...The scale has tipped in the direction of economics rather than military might... What is right for the rest of the world is right for Israel and the Arab nations as well. Fate has brought us from a world of territorial conflict to one of economic challenge and of new opportunities created by human intellectual advances. History, as Professor Paul Kennedy once wrote, creates a winners and losers list. The Middle East is now a winner. The ball is in our court.⁶

A higher standard of living, Peres argued, is a precondition for mitigating the tensions between countries, an answer to the growing threat of fundamentalism, and an incentive for democratization. The ultimate goal, according to Peres, was that the peace process between Israel and its neighbors would lead to the creation of a regional community of nations, with a common market and centralized elected bodies, modeled on the European Community.

The idea of the NME did not fall on deaf ears as the Israeli upper and middle classes were more than prepared to globalize. The changes in patterns of consumption and culture in Israel since the 1970s were described as an “Americanization” of Israeli society. From a society of austerity in the 1950s, Israel had become an increasingly affluent society, with more “hedonistic” values, open to foreign cultural influences and deeply engaged in consumption.⁷ The business elite were a ready partner for an agenda of peace and global integration. Israeli businesspeople who became involved in the peace process described themselves, in addition to promoting their own businesses, as leading Israel towards a better future. One businessman explained,

My generation was raised on the essential values of Zionism and we became concerned that there was no similar legacy to pass on to the next generation, [but] my Zionism is peace. This is a new Zionist goal.⁸

Overall, there was a growing desire among Israelis to “normalize” the country, making it into what they considered an advanced, sophisticated, and more tolerant society. While liberal economic reforms were initiated in 1985, the continuation of the conflict and the rising costs of maintaining the occupation of the territories, particularly since the Palestinian uprising (the *intifada*) in 1987, undermined the

developments. The Israeli election of 1992 took place in the shadow of the continuing *intifada*, the Gulf War, mass immigration from the former USSR, and the necessary loan guarantees from the United States conditioned on Israel's willingness to negotiate peace. The more moderate Labor Party, led by Yitzhak Rabin, challenged the hard line Likud Party, who was reluctant to compromise. Two days before the elections, when the polls indicated that the Labor party would win, an improved business mood was reflected in the stock prices, as they climbed 3.5 percent. After the elections, results confirmed the expectations, as prices climbed by another 7 percent. One economic analyst explained,

Whereas in the ballot box investors vary in their political views, in the stock market there was largely a consensus. For most investors the return of the left (the Labor) means higher chances for conflict resolution.⁹

THE PEACE FESTIVAL

The news of the dramatic progress in the secret negotiations in Oslo during the summer of 1993 caught most Israelis by surprise. A month later the parties to the conflict signed the Declaration of Principles (DOP) on the White House lawn and economic developments were already underway. The DOP, though an important breakthrough, was only an established framework for further negotiations, but the Israeli government, in need of bolstering support, chose to create and ride the waves

The NME seemed, if for a short moment, to turn from a dream into a reality.

of optimism for as long as they lasted, being buoyed by the business community and the media. The closer it got to the agreement, the more enthusiastic the headlines became. "In the air, the land and the sea—Israel is on the map," exclaimed a major daily. It then outlined the new goals Israel had, including the building of a "Mediterranean highway" linking Israel to Europe, organizing tourist packages that would include Israel and its neighbor countries, uniting the electricity networks of Israel, Syria, and Jordan, and other joint projects.¹⁰

The stock market reflected the explosion of business optimism as investors were "betting on peace" and three days after the signing, it broke all records. The papers were full of stories on the economic fortunes awaiting Israel and businesspeople interviewed were full of optimism. Foreign companies that had previously avoided business in Israel now entered the Israeli market. The list included major American retail chains, such as Pepsi Cola, McDonalds, Burger King, Tower Records, Office Depot, and Ace Hardware; European companies like Heineken, Amstel, and Daimler Benz; and East Asian companies, such as Hyundai and Acer.

The NME seemed, if for a short moment, to turn from a dream into a reality.

Newspapers drew a new map of the region in which countries in the Middle East, the Mediterranean, and the Far East, previously closed to Israel, opened up. New economic ventures were described, involving cooperation of Israeli and Arab businesspeople. For example, Koor, one of Israel's largest conglomerates, revealed a day before the ceremony in Washington an ambitious peace project secretly launched one year earlier. The project, titled “Salaam 2000,” was a US\$100 million investment firm in which Koor had joined forces with a Spanish bank (Banesto), a Moroccan large private concern (ONA), and a group of Palestinian businesspeople.

The steps taken towards peace by the government, therefore, created new opportunities for businesspeople who, by exploiting them, created “peace dividends.”

What underscored the developments described above was cooperation between the Israeli government and business elites. Businesspeople accompanied several visits of governmental officials in the region and beyond and made explicit the connection between the political and economic developments. The steps taken towards peace by the government, therefore, created new opportunities for businesspeople who, by exploiting them, created “peace dividends.” This business-government nexus was the core of the planned virtuous cycle and the peace dividends aimed at a dual purpose: consolidating the new relations between Israel and the Arab world and bolstering the Israeli public's support for peace. But, it was soon revealed that the peace process and the NME, despite the early enthusiasm, suffered from a shortage of legitimacy, not only in the Arab world as a whole, but also within Israel in particular.

Being a strong economy relative to its neighbors, the developments in the peace process contributed to economic globalization, rather than regionalization of the Israeli economy. The end of the Arab boycott opened new markets to Israeli businesspeople, particularly in Southeast Asia and, combined with political stability, encouraged the entry of foreign companies and investments. The Israeli economy became attractive to foreign investors. In the early 1990s, foreign direct investment (FDI) reaching Israel averaged US\$240 million annually, while in the last four years of the decade it averaged US\$2.4 billion, a ten-fold increase. Israel international risk rating also improved markedly, with Standard & Poor's and Moody's rating Israel, respectively, AA- and A2, interpreted as “high quality” and “strong payment capacity.” Israel's economic growth, its fiscal policy, and the peace process were the explanations for the favorable rating. This globalization trend has had important positive effects on the Israeli economy, but rather limited effects on the peace process, as Palestinians, neighboring Arab states, and also the poorer sectors of Israeli society have shared little, if any, of the benefits.

DISTURBING REALITIES

The economic growth that followed the ceremonial signing of the agreement had a limited political impact and the peace process remained vulnerable to derailment. The NME, in Peres's vision, was to take example from the European Union. However, unlike the EU, the Middle East not only suffered from high inequalities between Israel and its Arab neighbors, but also cooperation was conditioned upon the development of the peace process between Israel and the Palestinians. From an Israeli business perspective, the major benefits of peace were in Israel's global integration rather than in regional developments. Israeli businesspeople saw the region mainly as a supply of cheap labor and a market for some exports. Arab states, on their part, were suspicious of cooperation because of Israel's economic superiority that could translate into Israel's advantage and their own exploitation. The NME made even Egypt uncomfortable, despite a standing peace treaty with Israel of over fifteen years. Egyptian President Mubarak asked,

What is a new Middle East? If it's peace and cooperation that's OK. But people say Israel wants to be the strongest state in the region and control the economy. Talk like this makes all the countries in the region afraid.¹¹

The Casablanca business summit in November 1994, was a striking example where new ideas of cooperation were raised and new plans created, but, it also set off alarm bells all over the Arab world due to Israeli businessmen's overbearing presence and determination.

The NME made even Egypt uncomfortable, despite a standing peace treaty with Israel of over fifteen years.

For the Palestinians, official partners in the peace process, the situation was even less promising. In 1993, the Palestinian economy was in shambles. After twenty-five years of occupation the West Bank and the Gaza Strip remained poor regions that supplied Israel's manual labor and had few economic resources of their own. Heavily dependent upon Israel, they paid a high price for the *intifada* in terms of productivity declines, trade with Israel, and employment in Israel. Additionally, Palestinian support of Iraq during the Gulf War resulted in the termination of aid from Kuwait and Saudi Arabia, and terminated remittance income from Palestinians working in the Gulf, who were deported after the war. Palestinian economic priorities were generating employment; improving productive capacity, especially in agriculture and industry, through heightened investments; enhancing private sector growth; improving quality of education, training and health; and ending dependency on Israel.¹² But, not only has the peace process not mitigated economic hardship for the majority of Palestinians, their economic situation has even grown worse, particularly in comparison to the booming Israeli economy.

The peace process included an economic protocol, known as the Paris Agreement, signed in April 1994. The agreement, according to critics, was structurally favorable to Israel but, regardless of its merits and shortcomings, the economic agreement was short-lived. Since March 1993, Israel began to impose a series of closures on the territories in response to terrorist attacks. Imposed shortly after the Paris Protocol was signed, the closures turned the free movement of labor and goods set forth in the agreement into a dead letter. Israeli industrialists, farmers, and developers, with government permission, replaced Palestinian laborers with foreign laborers and the latter's numbers grew from a few thousand to over 150,000 by the late 1990s.

For Israelis, the closures imposed on the Palestinians were about security concerns after terrorist attacks, but for Palestinians, these were a form of collective punishment. The closures had both economic and political consequences. Economically, the unemployment rate in the West Bank and Gaza grew to a point that after the total closure of March-April 1996, 66 percent of the Palestinian labor force was either unemployed or severely underemployed. This forced the Palestinian Authority to increase public sector employment and donor countries to redirect as much as 40 percent of their disbursements from long-term investments to emergency budget

In Israel, in spite of the evident economic growth, the support for peace did not meet the government's expectations.

support and employment generation. Trade was also adversely affected by the closure, with the closing of the Israeli market for Palestinian exports and the severing of ties between Gaza and the West Bank. The overall result has been a severe decline of per capita GNP by approximately 30 percent since 1993, and of declines in real wage rates of 38 percent between 1992 and 1994, and by an additional 15 percent between the end of 1995 and the end of 1997.¹³ While in September 1993, about 65 percent of Palestinians expressed support for the DOP, a little more than a year later, in December 1994, only 41.5 percent expressed support. In 1995, a majority of Palestinians (59.5 percent) said they did not expect a lasting peace with Israel, while only 23 percent did expect a lasting peace.¹⁴

In Israel, in spite of the evident economic growth, the support for peace did not meet the government's expectations. Overall economic growth measured in GDP, after a long period of slow growth, reached 6.8 percent in 1994, and 7.1 percent in 1995. GDP per capita grew from US\$12,610 in 1992 to over US\$16,000 by the end of the decade. In addition to the booming high-tech industry, the tourism industry, sensitive to geopolitical developments, doubled in size. With the continuation of the peace process, economic forecasts were positive, predicting continued growth of Israel's economy. Yossi Beilin, then Deputy Minister of Foreign Affairs, recalls little euphoria even at the peak of the process as opinion polls in Israel showed a slight advantage to the opposition.

*We assumed that people would automatically associate the peace process with the lifting of the Arab embargo, the boom in investment in Israel, the dramatic fall in unemployment levels, rising living standards, receding prospects of war, the influx of tourists and Israel's emergence from isolation and obloquy into the light of international respect and recognition.*¹⁵

For many, the peace movements were historically perceived as upper class and Ashkenazi (European descent) oriented, and the peace they sought in the NME framework perceived as self-serving. This image of the peace process was difficult to erase despite attempts, but there were difficulties beyond the image issue. The period of the 1990s was characterized not only by impressive growth but also by growing economic gaps. The “New Middle East” was about becoming a part of the global world, where relations between nations take a new, qualitative dimension, and foster a peaceful environment that creates wealth and goodwill. But such “peace dividends,” to large segments of Israeli society, were at best a myth and at worst a threat, as part of the new ventures were relocating labor-intensive industries from Israel to the neighboring Arab states.

A FRAGILE PEACE

Economic development and “peace dividends” were insufficient to create the necessary support to hold the peace process through difficult periods and enabled “spoilers” to derail the process into a series of vicious cycles. For the Israeli ideological right wing, the peace process and the general desire to “normalize” Israel through global integration was an anathema. Territorial compromise was described as a betrayal of Zionism and the government was often described in harsh terms, with members referred to as traitors. At the extremes, this ideology was translated into violent acts. On February 25, 1994, a Jewish settler, Baruch Goldstein entered the Cave of the Patriarchs in Hebron and killed twenty-nine Muslim worshippers, leading to a renewed cycle of violence. Anti-agreement demonstrations in Israel grew more and more violent in their language, especially after Palestinian terrorist attacks undermined the sense of security, but it was an act of a lone extremist that shocked and surprised the Israeli public when, in November 1995, Prime Minister Rabin was assassinated. The assassin, a young Israeli religious Jew, explained his act as an attempt to stop the peace process and save Israel.

The Palestinian anti-Oslo opposition gradually grew in size and political influence as the prospects of peace seemed increasingly distant. The Hamas movement established during the *intifada* argued that not an inch of Palestine be ceded to Israel or any other non-Muslim entity. Since its establishment, the Hamas built its power base through the establishment of social welfare structures—schools, mosques, youth clubs, and charity organizations—that widened its support, from the educated middle class to the dwellers of the refugee camps, that enabled it to challenge the PLO. The Hamas (together with the smaller in size, Islamic Jihad) terrorist campaign of suicide bombers against civilian targets in Israel since 1994, including suicide bus bombings in the cities of Hadera and Afula, then in Tel-Aviv and Jerusalem, hurt the Israeli

public’s sense of security and was followed by an Israeli retaliation of closures. Ironically, the Hamas was not only able to derail the peace process but also to increase its support when the peace process—in large part due to its own actions—failed to deliver the promised results.

PEACE DERAILED: THE 1996 ELECTIONS

Economic growth and peace dividends, despite the impressive economic balance sheet of the previous three years, played a small part in the 1996 elections. If anything, the elections and their results demonstrate the limited impact of peace dividends. The elections were held a few months after the assassination of Prime Minister Rabin and the Labor Party seemed comfortably in the lead as the Israeli right wing parties were under attack for their alleged role in the incitement that preceded the assassination. But, a series of terrorist attacks by the Hamas in February and March of 1996, that killed over sixty Israelis, and a poorly ran election campaign, turned the elections into a close race and the moment of truth for the peace process.¹⁶

The vision of peace that was detached from local symbols in favor of a more cosmopolitan or global stance failed to appeal to large parts of society that remained attached to local-territorial identity.

The resentment towards the peace process cannot be attributed solely to economic calculations and security concerns. For large segments of Israeli society, and particularly lower-class Mizrachim (Jews of non-European descent), the bundling of peace with secularization, de-territorialization, and liberalization of the state seemed to offset not only their more traditional values, but also their status as Jewish citizens of the state. These groups sought in the state, not only protection from the adverse effects of liberalization, but also an affirmation for their status as Jews in society.¹⁷ Peace coupled with liberalism, secularism, and globalization, designed to “normalize” the state and make it “a nation like all nations,” threatened to undermine all status advancements made by incorporation through republican duties such as military service. The vision of peace that was detached from local symbols in favor of a more cosmopolitan or global stance failed to appeal to large parts of society that remained attached to local-territorial identity.

The business-government nexus described above was unable to persuade significant sectors of Israeli society of the benefits of peace, especially when security concerns were overwhelming. This was especially salient when prior to the elections, as the gap between Peres and the incumbent Netanyahu were closing, the open and direct support of the business community for Peres failed to make a difference. Large constituencies remained alienated from a peace process they saw as compromising their national identity and personal security. Nachum Barnea described the roots of hostility and alienation towards the Labor Party displayed in the election outcomes.

It was a coalition of communities and individuals that believed he [Peres] is not loyal enough to the national, Jewish interest....It was a coalition of the hungry. Many of them feel neglected, treated unfairly and marginalized in Israeli society. They identify, not without justice, the left with the political, economic and cultural establishment, in which they have no share.¹⁸

FROM THE “NEW MIDDLE EAST” TO THE “SECURITY FENCE”

Economic growth had a limited influence not only on domestic politics and the public’s acceptance of the peace process, but also on the relations between the two sides. The vision of economic cooperation encompassed in the “New Middle East” has not materialized and the peace process has gradually turned into a partition process that overshadows ideas of cooperation. The negotiations failed to resolve the unbridgeable issues that were deferred to the final phase—the status of Jerusalem and the Temple Mount/Haram al-Sharif, the right of return of the Palestinian refugees, and the location of the final borders. The process became a series of intensive negotiations and took on a zero-sum dynamic in which each side tried to maximize its territorial gains, often disregarding the impact of its behavior on relations with the other side.¹⁹ The result was a series of complex and detailed agreements based on Israeli redeployments, the extent of which has been a constant source of tension between demands for Palestinian sovereignty and Israel’s security concerns. This dynamic began early after the initial signing and continued after the 1996 elections as Netanyahu’s government negotiated more agreements and transferred territories to Palestinian control.

Economic growth had a limited influence not only on domestic politics and the public’s acceptance of the peace process, but also on the relations between the two sides.

In the summer of 2000, seven years after the signing of the DOP, Ehud Barak, the newly elected Israeli prime minister of the Labor Party, and Yasser Arafat met in Camp David for a crucial negotiation. Barak, who initiated the summit, declared his intention to pass over the interim agreements that, he argued, reached a dead end, and move to the final agreement that would put an end to the conflict. Two weeks of negotiations failed to bridge the differences and the sides departed without reaching an agreement, blaming each other for the failure of the summit. The Palestinian frustrations of the last seven years exploded after a visit of Israeli opposition leader, now prime minister, Ariel Sharon, to the Temple Mount, a visit meant to demonstrate Israel’s sovereignty over the site. The following clashes between Israeli security forces and Palestinians escalated into unprecedented levels of violence, ending the peace process and, shortly after, Barak’s term in office.

The cycle of violence which began in October 2000 was unprecedented and ended the vast majority of cooperation, limited as it was, that had existed. Israeli political elites, with wide public support, adopted a policy of unilateral partition and began the construction of a fence that separated the West Bank from Israel. The concept of a fence between Israelis and Palestinians has always been a part of the political discourse in Israel. From the time of Oslo, especially when the process was undermined by violence, the fence was raised as a fallback position, a security measure Israel could or should use unilaterally, if the Palestinians failed to cooperate. The Labor Party in the 1996 campaign, with its back against the wall, facing a terrorist campaign, used the slogan “we are here, they are there, a fence in between.” This strategy emphasized the need to achieve security by ending the occupation, with or without Palestinian cooperation, and draw its future borders.

If the NME overstretched the value of economic growth and peace dividends, the fence policy seems to disregard these issues altogether. The building of the fence had to overcome not only budgetary questions, but also to balance the demands of Israeli settlers that the fence be extended eastward to include them and those of the American government and other international actors that the fence should not be used to annex territories. The building of the fence was designed to strike a balance between these internal and external pressures, but essentially ignored the consequences for the Palestinian economy and society. Not only does the fence imply annexation of some Palestinian villages to Israel, separating them from the West Bank, it also involves cases in which lands are confiscated from their owners for the building of the fence, and cases where landowners will be separated from their lands by the fence, depriving them of their income.²⁰ Moreover, the fence would sever all economic ties that remain between Palestinians and Israel and would add to the economic plight of the Palestinians. The Gaza Strip, which, unlike the West Bank is sealed off from Israel, has suffered immensely from Israeli closures that prevented the entry of workers and goods to Israel, often in retaliation for terrorist attacks, as unemployment rates skyrocketed. The planned Israeli withdrawal in the summer of 2005, which includes the closing of the Erez industrial zone, once a part of the NME Vision, will hardly improve the situation.

CONCLUSION

Economic growth and peace dividends carry a promise for a better future and, therefore, have the potential to change the perceptions and interests of the parties in conflict. But, while in the earlier stages of the process, the dividends of peace can contribute to its momentum and, together with the reduction of violence, to a general optimism, in the later stages, when the peace process inevitably reaches obstacles, their impact might wane. In Israel, the peace festival in the early stages seemed to confirm economic expectations and underscored the relation between peace and economic growth. But, when the dust settled and ceremonies were replaced with the mundane negotiations, the limited influence of peace dividends was exposed. First,

“spoilers” who found compromise unacceptable, regardless of economic benefits, organized to derail the process. Second, wide sectors of the Israeli population and even broader groups of Palestinians were left out of the virtuous cycles and remained suspicious towards or alienated from the peace process, especially when it was derailed by spoilers. And, third, the major issues of contention—refugees, holy sites, final borders—were largely unaffected by the promise of economic growth.

Notes

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⁶ Peres, *The New Middle East*, 35-36.

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⁹ Guy Rolnik, “Gaza & Jericho, but the National Bank First,” *Haaretz*, October 6, 1993.

¹⁰ Guy Ben-Porat, “Between Power and Hegemony: Business Communities in Peace Processes,” *Review of International Studies*, Vol. 31, No. 2, April 2005, 338-341.

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¹⁶ Ben-Porat, “Between Power and Hegemony,” 343-344.

¹⁷ Yoav Peled and Gershon Shafir, “The Roots of Peacemaking: The Dynamics of Citizenship in Israel, 1948-1993,” *International Journal of Middle Eastern Studies*, Vol. 28, No. 3, August 1996, 391-413; Gershon Shafir and Yoav Peled, “Peace and Profits: The Globalization of Israeli Business and the Peace Process,” in Gershon Shafir and Yoav Peled, eds., *The New Israel: Peacemaking and Liberalization* (Boulder, CO: Westview Press, 2000), 243-264.

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¹⁹ Guy Ben-Porat, “Grounds for Peace: Territoriality and Conflict Resolution” *Geopolitics*, Vol.10, No.1, Spring 2005, 163-164.

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International Law, Economic Development, and Democracy

by James Kraska

INTRODUCTION

The relationship between democracy and development is extremely important. This essay rejects the widely accepted orthodoxy of the international law of economic development: democracy creates instability that tends to hold back development. This school of thought holds that only after an economy has reached a critical threshold of development is it prudent to introduce the destabilizing influence of democracy. Instead, this essay suggests that even for the very poorest nations, promotion of democracy is the best way to achieve rapid economic development. This issue drives various approaches to global development, shaping everything from the structure of world trade, to strategies of development assistance, and to the construction of global norms at the United Nations Development Programme (UNDP). Even the poorest nations improve through early democratization; failure to promote democracy is the single greatest cause of underdevelopment in the Third World. As a result, decades of forfeited progress in economic growth, environmental protection, and human rights have impoverished and shortened the lives of millions of people.

The first section of this essay reviews the origins of the prevailing orthodoxy of economic development, which is derived from traditional thinking within political economy. From there, the essay critiques the application of this orthodoxy and introduces fresh narratives and empirical perspectives on economic development grounded in human freedom and democracy. The essay concludes with a call for practitioners of international law to embrace the emerging norm of democratic economic development.

Since World War II, world development has been captive to an orthodox approach shaped by modernization theory, which celebrates the virtues of authoritarian government. However, the international laws, global norms, and international programs that have sprung from this orthodoxy have failed in application. Despite the avalanche of empirical research supporting the connection between democracy and

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development, transforming this erroneous consensus will not be easy.

An alternative model of development focusing on democracy requires a radical reassessment of conventional thinking. Democracy can generate prosperity and stability that creates the foundation for economic development. Moreover, democracy in one country tends to facilitate trade and economic growth regionally. Political freedom in one state spins off positive externalities of peace and stability that have a favorable impact on neighboring states. Perhaps most importantly, democracy as a modality for international economic law departs from the prevailing approach by promoting a genuinely liberal agenda that celebrates the centrality of individual human freedom, personal dignity, and the achievement of self-actualization as the central goal of development.

That model leads to the realization that regime type is the best indicator of a country's ability to progress toward economic development.

This essay advocates unapologetically for embracing economic, political, and legal models of human freedom in pursuit of development. It is imperative that we seek universal acceptance of the norm of democratic development. It will be especially challenging to dismantle the current orthodoxy, since many of those who practice international economic development law have a common mindset. Challenges to the conventional wisdom are excluded or rationalized as mistaken. This essay joins the voices beginning to emerge from outside the paradigm. Comparing the research about world poverty and international economic growth begins to shape an inductive model for realizing global development. That model leads to the realization that regime type is the best indicator of a country's ability to progress toward economic development. Democratic regimes and their institutions constitute the most effective systems for achieving economic development. Practitioners of international law cannot be indifferent to this finding. They have a special place in the global policy process; with a heightened concern for human rights and the rule of law, international law is uniquely positioned to promote democratic economic development.

THE ECONOMIC DEVELOPMENT ORTHODOXY

A short detour into international relations is useful to set the stage. One of the chief influences of realist political theory is found in Kenneth N. Waltz's profound exegesis on the causes of interstate conflict, *Man, the State and War*. Waltz approached his study of locating the cause of war through three "images" or lenses—the individual, the state, and the international system.¹ Although the second image is the most fruitful level of analysis for international economic law, most conventional second image analysis has gone astray. Second image analysis attempts to discern whether the causes of peace and war are products of good and bad states and their governing regimes.² This level of analysis acknowledges the controlling function states and

regimes have in the development process. Government institutions and the decisions of governing elites are strongly correlated with development. From the vantage of Waltz's second image, the focus of progressive international economic policy should be on changing the nature or character of state authority and governing regimes. The error in the conventional second image approach, however, is in the belief that authoritarian regimes are preferential to—and certainly no worse than—democracies in achieving international development. The entire policy structure of the international economic order, from development assistance to the World Trade Organization regime, is rooted in this fundamental error. The results have been devastating, with billions wasted and entire populations arrested in poverty.

ECONOMIC PRECONDITIONS FOR DEMOCRACY

Second-image theories of modernization originated in the European fascist dictatorships of the 1930s, and were given modern currency by academics and officials in developed countries and post-colonial Africa, Asia, and Latin America.³ One of the earliest thinkers in this regard is the eminent political sociologist Seymour Martin Lipset. In 1959, Lipset argued that economic development increased the general level of education, which then enabled democracy by advancing changes in political attitudes and promoting evolutionary advancement in political culture.⁴ Lipset's research on the relationship between democracy and international economic development has had a colossal effect, generating the largest body of academic research of any topic in comparative politics.⁵ More importantly, his work has influenced the course of modernization and economic development policy in the decades since, affecting the lives of hundreds of millions of people in developing countries.

The error in the conventional second image approach, however, is in the belief that authoritarian regimes are preferential to—and certainly no worse than—democracies in achieving international development.

Lipset compared data on proxies for economic development, including per capita income, education, and industrialization, with regime types in Europe and Latin America.⁶ In each country, indices of wealth—including income, the number of physicians, and the use of motor vehicles, radios, telephones, and newspapers per capita—were higher in democratic states.⁷ There were sharp distinctions on all indicators of development between democratic and authoritarian governments, and these results were valid throughout the range, with the most democratic states being the wealthiest and the least democratic states being the least wealthy.

The strong correlation between democracy and high levels of educational achievement convinced Lipset that education was a necessary precondition for

democracy to flourish.⁸ In poorer democracies, he argued, populism and corrupt leaders will manipulate the masses and divert national energies into unproductive endeavors. Lipset concluded that democracy could thrive only in states that successfully create a rising middle class because economic growth immunizes the population against the appeal of anti-democratic radicalism, especially ethnically and class-based ideologies.⁹ These findings suggested that states must first develop economically before they can think about democratizing. Lipset launched the “development first” thesis, which remains the dominant doctrine of state-centered international economic development analysis to this day.¹⁰

POLITICAL ORDER AND ECONOMIC DEVELOPMENT

Lipset’s theory was extended by the distinguished political scientist Samuel P. Huntington. In his classic 1968 study, *Political Order in Changing Societies*, Huntington asserted that autocratic regimes were better than democracies at governing low-income countries because they had a proven track record of establishing order.¹¹ He believed that in less developed states, dominant political parties and the military served as unifying institutions.¹² Huntington was a regime agnostic, declaring “the most important political distinction among countries was not their form of government, but their degree of government” and the regime’s ability to establish order.¹³ He downplayed the differences between democracies and dictatorships, arguing that both embodied “consensus, community, legitimacy, organization, effectiveness, [and] stability.”¹⁴ The real divide among regimes, he contended, was between effective governments like the United States and the Soviet Union, and ineffective governments in Asia, Africa, and Latin America, where the political community is fragmented.¹⁵

Political participation became merely a by-product of development, rather than an independent goal.

In a study on political participation for the Agency for International Development, Huntington outlined a “technocratic model” of development. For Huntington, “political participation must be held down, at least temporarily, in order to promote economic development.”¹⁶ Increases in socioeconomic level were believed to encourage higher levels of political participation, and more diverse and complex forms of political participation.¹⁷ Political participation became merely a by-product of development, rather than an independent goal.¹⁸ These findings helped to develop the basic assumption of modernization theory, which is that there is a trade-off between democracy and development. Societies advance along a single linear plane, with the attainment of democracy as the final facet. Dictatorships generate development, and development eventually leads to democracy.

Modernization theory convinced many thinkers that the countries of Western Europe became democratic only after they passed some opaque threshold of economic development, generally measured in per capita income.¹⁹ The search was on—and continues to this day—to define the precise level at which democracy

would take root. By the early 1980s, two-thirds of the middle-income states had reached or surpassed the generally accepted threshold of development—a per capita income of \$300–\$500 in 1960 dollars. Despite this, most of them had not become democratic. The facts did not fit the theory, so the threshold was raised.²⁰ Looking at the South American experience of having undergone economic development only to turn toward autocracy, Guillermo A. O’Donnell argued that the strains of economic liberalization and development, particularly dislocation caused by import substitution, actually produced longer-lasting authoritarian rule.²¹

This approach has been supported by the conviction that democracy in poor countries breeds economic stagnation and civil unrest.²² In this rather unforgiving view, democracy itself is the problem. Huntington argued that

*the apparent relationship between poverty and underdevelopment on the one hand, and political instability and violence on the other, is a spurious one. It is not the absence of modernity but the efforts to achieve it which produce political disorder.*²³

In the end, modernization theory contends neither democracy, nor development generates stability, and political development can only be successful after decades of ponderous social and economic progress.²⁴

Modernization theory still has wide appeal. In his influential book, *The Future of Freedom: Illiberal Democracy at Home and Abroad*, Fareed Zakaria argues, “[t]he simplest explanation for a new democracy’s political success is its economic success—or, to be more specific, high per capita income.”²⁵ He contends that with few exceptions, when poor countries become democracies they usually collapse. Zakaria also argues that democracy was not necessarily appropriate, or even desirable, for many of the emerging democratic states, such as Russia, Belarus, or the Philippines. This thinking keeps alive the view, expressed more than a decade ago in a report released by the UNDP, that “growth-oriented strategies can sometimes afford to be blind to democracy.”²⁶

The argument that democracy only flourishes at middle income levels is difficult to test since few authoritarian states have achieved middle-income status.

*Since 1960, only 16 autocratic countries have had per capita incomes above \$2,000. Of these, only six—Taiwan, South Korea, Spain, Portugal, Greece and, debatably, Mexico—adopted democracy in the aftermath of economic expansion.*²⁷

Moreover, if we accept a \$6,000 per capita income as the point at which countries are suitable for democracy, it raises a troubling normative suggestion that “all but 4 of the 87 countries currently undergoing a democratic transition, including Brazil, Kenya, the Philippines, Poland, and South Africa, are unfit for democracy.”²⁸

POLITICAL FREEDOM AND ECONOMIC DEVELOPMENT

Contrary to modernization theory, there is strong empirical evidence that shows that democracy actually *causes* international economic development. Since the emergence of the Washington Consensus in the early 1990s, the relationship between

markets and economic growth has become widely—although by no means universally—accepted. Unfortunately, *democracy* has not achieved the same respectability, although it may be even more important in generating stability and growth. As early as 1970, Dankwart Rustow published an incisive article on transitions to democracy in which he warned against the futility of trying to discern “preconditions” for a country’s transformation to democracy. He criticized studies that made broad conclusions from correlations between democracy and often external, but also internal, economic, social, cultural, and psychological factors, while ignoring decisive political factors.²⁹ Nonetheless, an ambivalent view toward democracy persists, even among many democracies. The US Department of State, for example, implicitly adopted the Lipset-Huntington view that “economic development makes democracy possible” on its Internet website promoting democracy.³⁰

Although democracies need not be confined to a single formula, the more successful model for democracy is liberal democracy, falling squarely within the English liberal tradition. This is because the English found the essence of freedom in spontaneity, organic growth in society, and the absence of coercion; by contrast, the foundation of the French approach to liberalism lies in the pursuit and enforcement of an absolute and collective purpose defined by doctrinaire deliberateness.³¹ While the English conception formed a profound and valid theory about the indispensable foundation of liberty, the French rationalist approach has been a disaster, leading many who accepted it to the opposite of a free society.³²

The philosophical dichotomy was born out in actual practice. By 1983, no former French, Dutch or Belgian colony was rated “free” by Freedom House, yet several former British colonies were.³³ Myron Weiner, writing at the time at the American Enterprise Institute, emphasized,

*every single country in the third world that emerged from colonial rule since the second world war with a population of at least one million (and almost all the smaller countries as well) with a continuous democratic experience is a former British colony.*³⁴

Liberal democracy goes beyond mere elections and consists of a basket of structures, relationships, and ideas that celebrate and promote individual liberty designed to protect the individual from predatory groups in society or from voracious state power. As a form of government, modern democracies may be defined in terms of three elements: (1) the source of governing authority (the “will of the people”); (2) the purpose served by government (the pursuit of the common good); and (3) procedures for constituting the government (popular elections).³⁵ These broader concepts of democracy include a citizenry instilled with civic virtue, effective popular control of the organs of government, transparency in government, equal opportunity to participate in government, and promotion of the rule of law.³⁶

Open societies possess a multitude of advantages over autocratic societies. An open society promotes discourse on shaping the public’s value preferences regarding government policy by maintaining a healthy tension among contending political forces.³⁷ Because these groups appeal to a wide range of conflicting views and interests,

they encompass and represent most people in society. Dialogue and dissent create the opportunity for public debate about deeply held values, and this discourse and experimentation is more likely to produce not only rapid economic progress, but also the stability that comes with a moral consensus in society.³⁸ The success of this phenomenon relates to the complex world in which we live. To be effective, complex planning has to be able to exploit vigorous national debate that only comes from democracy.³⁹

Even after democracy entered the modern political lexicon, the UN has been more optimistic than realistic about exactly what the term means. Rather than focusing on democracy and the representation of aggregate choices through state representatives, the UN has set into the habit of promoting “participation” through “interests.” Consequently, the biggest winners have been NGOs, which have proliferated as they have become increasingly influential in shaping global legislation. By the end of the Cold War, however, glimmers of democracy began to surface in orthodox development theory.

REGIME TYPE MATTERS

The ambivalence and hostility toward democracy in development circles raises the question of whether regime type really matters. Relatively recent statistical modeling by a team led by Adam Przeworski at the University of Chicago has resolved the question—it does. In one of the most comprehensive analyses on democracy and development, Przeworski isolated statistical evidence of the impact of dictatorship and democracy.⁴⁰ Working inductively, Przeworski looked at 111 variables against political regime types for 135 countries for each year from 1950–1990. Although Przeworski tends to give credence to the theory that minimum per capita income is essential for democracy to take root, ultimately he rejects the dictator-to-development model. Przeworski’s research lies in a no-man’s land beyond modernization theory, but not entirely committed to democracy promotion.

In an update of Lipset and Huntington, Przeworski argues that it is demonstrable that democracies are more likely to be found in more highly developed countries, but this is because democratic regimes never fall once per capita incomes reach about \$6,000.⁴¹ Per capita incomes rise in both democratic and autocratic regimes, but once income reaches the \$6,000 threshold, democratic governance persists and democracy survives.⁴² In 2003, Przeworski concluded “[n]o democracy ever fell in a country with a per capita income higher than that of Argentina in 1975, \$6,055.”⁴³ Above \$6,055, “democracy lasts forever.”⁴⁴

But Przeworski goes beyond modernization theory to challenge its central feature, that democratic regimes are no better or worse than authoritarian regimes. Writing in *Democracy and Development*, Przeworski et al. argued that political regimes were not dispositive to economic growth, but then concluded that because dictatorships “depend on the will, and sometimes the whim, of a dictator, they exhibit a high variance of economic performance...In the end, per capita incomes grow slower and people live

shorter lives in dictatorships.”⁴⁵ Przeworski’s research is valuable in showing that political regimes affect economic growth as well as political liberty. Development is a process of government policy and not an outcome of simple conditions.

*The emergence of democracy is not a by-product of economic development. Democracy is or is not established by political actors pursuing their goals, and it can be initiated at any level of development. Only once it is established do economic constraints play a role: the chances for the survival of democracy are greater when the country is richer...If they succeed in generating development, democracies can survive even in the poorest nations.*⁴⁶

Przeworski also showed that political stability is not transportable across regime types. The very phenomena that constitute instability in dictatorships—changes of rulers, strikes, demonstrations—are just part of everyday life in a democracy.⁴⁷ In a dictatorship, any actual or anticipated change of leadership or political opposition carries such uncertainty that it imposes special social and economic costs on society, impeding development. By permitting continual change at slow-moving gradations and within accepted political and legal parameters, democracies make change less unsettling.

DEMOCRACY CAUSES DEVELOPMENT

Many in the contemporary period are uncertain whether Lipset and Huntington were correct or whether Rustow was on to something. For example, the UN’s *Human Development Report of 1992: Global Dimension of Human Development* dedicated an entire chapter to political freedom.⁴⁸ The report celebrated political freedom as an essential element of human development, but argued the link between democracy and development could not be isolated. “The link between freedom and development is seldom in dispute. What is often disputed is the causality—the *direction of the arrow*, whether more freedom leads to more development or more development leads to more freedom.”⁴⁹ Although Przeworski determined that regimes matter, his research is equivocal on whether democracy produces economic growth. Richard Roll and John R. Talbott, two scholars at UCLA, provide a clearer picture of what is going on as a country transitions to democracy, and they disprove conventional modernization theory.

Does political and democratic reform produce economic conditions that lead to more rapid economic development, or conversely, do exogenous improvements in income and economic development precipitate citizen action to push for democracy? Roll and Talbott reach some dramatic conclusions on these questions using an events-study method, a statistical technique that financial economists have used for decades to isolate the impact of a particular event, such as a stock split, in the life of a corporation.⁵⁰

Roll and Talbott examined the impact of events that represent a material change in a country’s level of political freedom to determine how a country’s political shift affects economic growth. There are two distinct event categories derived from the *2001 CIA World Factbook*. The first category includes “democratic” events that may

be seen as proxies for increasing political freedom, such as a country's first free elections, the removal of a dictator, or the addition to the ballot of a party other than the ruling party. The second event category includes anti-democratic events, such as the establishment of military or one-party rule or suspension of the constitution.⁵¹ Roll and Talbott's findings indicate a rather vivid difference in gross national income per capita (GNIPc) following democratic versus anti-democratic events. The average sample country experiencing a democratic event had essentially flat economic growth—0.67 percent per year—in the five years preceding the event. After a democratic event, the economies of these same average countries grew quite rapidly, accelerating to 2.2 percent per year in the first five years after the event.⁵²

The growth rate for post-democratic event states fell to an annual rate of 1.7 percent in the second five-year period after the event, before increasing to 2.7 percent in the subsequent decade.⁵³ The average sample country experiencing an anti-democratic event had a 1.6 percent average economic growth rate in the decade before the event, which fell to 0.85 percent for the decade after the event.⁵⁴ It is not too much for the authors to claim that their research “constitutes compelling evidence that democracy-related changes by a country's government *cause* changes in per capita income.”⁵⁵

*When countries undertake a democratic change such as deposing a dictator, they enjoy a rather dramatic spurt in economic growth, which persists for at least two decades. In contrast, an anti-democratic event is followed by a reduction in economic growth. This verifies that democratic conditions are causes of cross-country differences in wealth and not the endogenous effects of wealth.*⁵⁶

ECONOMIC FREEDOM CAUSES DEVELOPMENT

Many people accept the correlation between wealth and freedom, but finding the causes of this correlation has not been easy. Analogous to the question of political development is a parallel question of economic development. Do market reforms bring about economic growth, or are there exogenous improvements in the economy, such as higher incomes, that then generate development?⁵⁷ In other words, does economic liberty make people prosper, or do prosperous people seek and create a system of economic freedom? As part of their work on the relationship between democratic and authoritarian political events and GNIPc, Roll and Talbott also searched for causative economic variables by comparing GNIPc, as a broad and stable measure of economic well-being, against fourteen societal determinants. Among the fourteen variables tested, property rights (positive), informal market activity such as the existence of a black market (negative), and regulation (negative) had the highest levels of statistical significance to GNIPc.⁵⁸ Roll and Talbott's regression analysis indicated the critical ingredient of successful development was an economic and political system that invites profitable economic exchanges among individual market participants without risk of expropriation or repudiation.⁵⁹ The variables had high levels of

statistical significance and directional impact.

The next three most significant variables correlated to economic prosperity were political rights, civil liberties, and freedom of the press, providing additional support for the proposition that economic and political freedoms operate in tandem to make countries wealthy. A complementary study from the World Bank found that there is a strong and consistent link between the measure of civil liberties in a society and the extent of successful economic performance derived from World Bank-sponsored projects.⁶⁰ The weak property rights regimes in many third world countries discourage investment, divert energy resources away from markets into smuggling, and render external assistance ineffective.⁶¹ The powerful relationship between the rule of law, democracy, and economic freedom is illustrated by Peruvian economist and brilliant maverick Hernando de Soto:

The poor inhabitants of these nations—five sixths of humanity—do have things, but they lack the process to represent their property and create capital. They have houses but not titles; crops but not deeds; businesses but not statutes of incorporation. It is the unavailability of these essential representations that explains why people who have adapted every other Western invention, from the paper clip to the nuclear reactor, have not been able to produce sufficient capital to make their domestic capitalism work.⁶²

REALIZING DEMOCRATIC DEVELOPMENT

Free political and economic institutions work in a concerted and reinforcing manner to help states achieve economic development. Liberal democracies and free market economies produce greater wealth, a more sustainable environment, and greater human and national security. A development approach centered on freedom and democracy holds the promise of enriching countless lives throughout the globe. Free societies, even those that are very poor, have proved to be remarkably dynamic engines of economic growth. It is disconcerting that development aspirations in many nations remain unfulfilled, captive to the development orthodoxy.

The panache of globalism and the penchant for global solutions ignores the dominating influence of the state and second image solutions to issues of development and the environment. From the ancient world to the present, societies have debated whether to choose freedom, or to be governed by insular elites.⁶³ We are on the cusp of resolving this debate; doing so in favor of freedom and democracy could unlock economic development for many of the world's poorest nations. For many of these states, realizing development will only come if they embrace the new democratic development norm.

Developing the Democratic Development Norm

By the end of the Cold War, pursuing democracy, not just among friends and allies, but also among opponents, had become a bipartisan goal in American foreign policy.⁶⁴ The United States and other countries have been remarkably effective over the last twenty years in shaping the terms of debate within the UN, bringing the rest

of the world toward realizing the noble principles of freedom contained in the Charter. Rather than capitalizing and leveraging these efforts, the UN often has eschewed bold and productive steps toward democracy. The failure of the UN to abandon the orthodoxy threatens real progress in economic development, and unnecessarily alienates decision makers in the US and elsewhere who question the efficacy of the orthodox approach.

Several countries and international organizations have begun to emphasize democracy in their development assistance strategies. The United States, for example, has been especially active in gradually increasing the role of democracy promotion in international development. Building on President Carter's concern for human rights, President Reagan launched "Project Democracy," "The Democracy Program," and the "National Endowment for Democracy"⁶⁵ to promote democratic institutions in other countries. President Clinton expanded these efforts, making democracy "enlargement" a cornerstone of American foreign policy.

The Millennium Challenge Account (MCA) is the current leading example of US efforts to promote democracy along with development. Millennium Challenge, which was announced by President Bush in Monterey, Mexico, at a meeting of the Inter-American Development Bank in March 2002, calls for a new compact in global development, defined by new accountability for both rich and poor nations alike.⁶⁶ With Millennium Challenge, President Bush increased US development aid by \$5 billion over three years, with more money expected in the future, tied to MCA criteria. By making development assistance contingent on progress in encouraging economic and political freedom, the MCA furthers development while promoting democracy.⁶⁷

The failure of the UN to abandon the orthodoxy threatens real progress in economic development, and unnecessarily alienates decision makers in the US and elsewhere who question the efficacy of the orthodox approach.

Millennium Challenge makes development assistance available to national, regional, and local governments and NGOs in lower and lower-middle income countries that demonstrate a commitment to democratic governance and market policies.⁶⁸ The MCA identifies democratic criteria for eligibility, such as the promotion of political pluralism, equality, and the rule of law, respect for human and civil rights, including the rights of people with disabilities, protection of private property rights, the encouragement of transparent and accountable government, and efforts to combat corruption.⁶⁹ Promotion of market economic solutions including encouraging citizens to participate in global trade and capital markets, the promotion of private sector growth and sustainable management of natural resources, respect for employee rights, including collective bargaining and unions, and investment in people through

education and quality healthcare.⁷⁰

Policy-oriented studies, which the Lasswell-McDougal team pioneered at Yale University, have been instrumental in helping practitioners of international law to understand that law is not a prescription, but a process.⁷¹ In perhaps no place is this clearer today than the realm of economic development, where practitioners of international law have an opportunity to engage in transforming the orthodoxy. A global vision of economic development must be able to come to terms with the reality of the power of democracy and markets, or it risks being marginalized and disregarded, particularly in the United States. Such an occurrence would be a misfortune, seriously damaging the prospects for real global progress and diminishing the benefit of immense American resources and influence in solving global economic development problems.

Forty years ago, esteemed international lawyer Louis Henkin described the liberal internationalist who strongly supports the vital work of the UN as

Being far-seeing, he tends to be romantic and sometimes spills over into sentimentalism. Seeing the other fellow's point of view, and having to defend it to the chauvinist, he sometimes identifies with it. Concerned with assuring that others do not reduce moral questions to differences of taste or judgment, he sometimes elevates his own opinion or preference to principle. Pressing for decency, fairness, and rationality in international affairs, he is reluctant to recognize the lack of these in others. Concerned with recognizing the interests and views of others, he may give them more than their due...⁷²

Compounding naiveté, internationalists are prone to make the mistake of thinking that nation-states serve the interest of the UN, rather than the UN serving the interests of its member states.⁷³ This conundrum misleads many in the US to question the value of the UN, to doubt its efficacy and to advocate against the world body.⁷⁴ In thinking about the UN and its proper role in world affairs, Henkin encouraged the internationalists to understand both faces of the world body. Although the UN is an international legal organization governed by the UN Charter—a treaty—it is also a political organization.⁷⁵ The General Assembly and the Security Council are political as well as legal bodies.⁷⁶ For practitioners of international law, the struggle for democracy and development is as much a political struggle as it is a legal effort. Henkin warns that we cannot turn over issues to the UN and expect that something good will happen. Taking an issue to the UN is not a policy; it is part of a process. What will emerge from the UN depends not only on what goes into it, but also on how it is influenced and managed once it gets there.⁷⁷ This sober advice is especially important in engaging the UN on matters of economic development. Mindful of those critics who would decry the essential effort, those involved in this dialogue should not be afraid to conduct sobering self-examination. As Henkin said to be persuasive, “we will have to be accurate.”⁷⁸

The United States, for example, has placed democracy at the cornerstone of American security.⁷⁹ This conception of security has survived both Republican and Democratic presidents. This view is not always a popular one, however, particularly

overseas. The power of US and international bureaucrats, academics, autocrats, and NGOs to continue to detract from democracy-building as the key to development is substantial. Many democratic nations and international organizations fail to regard the promotion of democracy as a vital national interest.⁸⁰ In looking at the decade from 1992 to 2002, the Democracy Coalition Project completed the first systemic attempt to document democratic governments' willingness to defend and promote democracy abroad. The findings of that study suggest that too often, parochial security and local economic interests trump the promotion of democracy globally.⁸¹ Ironically enough, it is the newest democracies that are especially eager to enter into mutually binding commitments to defend and peacefully advance democracy. They correctly view those efforts as enhancing systemic stability and deterrence.⁸² Democratic states need the strong intervention and support of practitioners of international law if they are to be successful in promoting democracy. Democracies become bolder and more assured in promoting democracy when they act in conjunction with other democracies through multilateral institutions.⁸³

The compelling link between democracy and development opens up what one World Bank economist describes as a "sensitive and difficult area of discourse" between donors and the developing states.⁸⁴ Too many decision-makers have bought into deductive theories that lack application in the real world. It is vitally important for the advancement of international economic development to peacefully confront the recalcitrant orthodoxy with the powerful economic model of democracy and rule of law.

Notes

¹ Kenneth N. Waltz, *Man, the State and War* (New York: Columbia University Press 1954).

² Waltz, *Man, the State and War*, 114.

³ Thomas M. Franck, "The Emerging Right to Democratic Governance," *The American Journal of International Law*, Vol. 86, January 1992, 49.

⁴ Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," *American Political Science Review*, Vol. 53, No. 1, March 1959, 69-105.

⁵ Adam Przeworski and Fernando Limongi, "Modernization: Theories and Facts," *World Politics*, Vol. 49, No. 2, January 1997, 156. Over the years, Lipset's work has been "supported and contested, revised and extended, buried and resuscitated." Adam Przeworski, Michael E. Alvarez, Jose Antonio Cheibub and Fernando Limongi, *Democracy and Development: Political Institutions and Well-Being in the World, 1950-1990* (Cambridge, UK: Cambridge University, 2000), 79.

⁶ Lipset, "Some Social Requisites," 74-76.

⁷ Lipset, "Some Social Requisites," Table II, 76.

⁸ For example, the only Middle Eastern country that was a democracy, Lebanon, also had the highest levels of education, with literacy at about 80%. "Given the existence of poverty-stricken masses, low levels of education, an elongated pyramid class structure, and the 'premature' triumph of the democratic left, the prognosis for the perpetuation of political democracy in Asia and Africa are bleak." Lipset, "Some Social Requisites," 80, 101.

⁹ Lipset, "Some Social Requisites," 83-84. See also, G. John Ikenberry, "Why Export Democracy?: The 'Hidden Grand Strategy' of American Foreign Policy," *The Wilson Quarterly*, Vol. 23, No. 2, Spring 1999, 56-65.

¹⁰ Joseph T. Siegle, Michael M. Weinstein and Morton H. Halperin, "Why Democracies Excel," *Foreign Affairs*, Vol. 83, No. 5, September/October 2004, 57-58.

¹¹ "History shows conclusively that communist governments are no better than free governments in

alleviating famine, improving health, expanding national product, creating industry, and maximizing welfare. But the one thing communist governments can do is to govern; they do provide effective authority... They may not provide liberty, but they do provide authority." Samuel P. Huntington, *Political Order in Changing Societies*, (New Haven, CT: Yale University Press, 1968), 8.

¹² Huntington, *Political Order*, 198-208.

¹³ Huntington, *Political Order*, 1.

¹⁴ Huntington, *Political Order*, 1-2.

¹⁵ Huntington, *Political Order*, 1-2.

¹⁶ Samuel P. Huntington and Joan M. Nelson, *No Easy Choice: Political Participation in Developing Countries* (Cambridge, MA: Harvard University Press, 1976), 23.

¹⁷ Huntington and Nelson, *No Easy Choice*, 166-7.

¹⁸ Huntington and Nelson, *No Easy Choice*, 167.

¹⁹ Jonathan Sunshine, "Economic Causes and Consequences of Democracy: A Study in Historical Statistics" (Ph.D. Dissertation, Columbia University, 1972), as cited in Samuel P. Huntington, "Will Countries Become More Democratic?" *Political Science Quarterly*, Vol. 99, No. 193, Summer 1984, 200.

²⁰ Huntington, "Will Countries Become More Democratic?" 200.

²¹ Guillermo A. O'Donnell, *Modernization and Bureaucratic-Authoritarianism* (Berkeley, CA: Institute of International Studies, University of California, Berkeley, 1973), 3-15.

²² Morton H. Halperin, Joseph T. Siegle, and Michael M. Weinstein, *The Democracy Advantage: How Democracies Promote Prosperity and Peace* (New York, NY: Routledge, 2005), 3.

²³ Huntington, *Political Order*, 41.

²⁴ Huntington, *Political Order*, 11.

²⁵ Fareed Zakaria, *The Future of Freedom: Illiberal Democracy at Home and Abroad* (W.W. Norton & Co.: New York, 2003), 69.

²⁶ United Nations Development Programme, *Human Development Report 1992: Global Dimensions of Human Development* (Oxford University Press: New York, 1992), 27.

²⁷ Halperin, Siegle and Weinstein, "Why Democracies Excel," 63.

²⁸ Halperin, Siegle and Weinstein, "Why Democracies Excel," 63.

²⁹ Dankwart A. Rustow, "Transitions to Democracy: Toward a Dynamic Model," *Comparative Politics*, Vol. 2, No. 3, April 1970, 356-362.

³⁰ See Howard Cincotta, ed., "What is Democracy?" *US Department of State*, September 1998, available at <http://usinfo.state.gov/products/pubs/whatsdem/whatdm13.htm>, accessed July 9, 2005.

³¹ Cincotta, "What is Democracy?" 230.

³² Cincotta, "What is Democracy?" 231.

³³ Samuel P. Huntington, "Will More Countries Become Democratic?" *Political Science Quarterly*, Vol. 99, No. 2, Summer 1984, 206.

³⁴ Myron Weiner as cited in Huntington, "Will Countries Become More Democratic?" 206; emphasis in original.

³⁵ Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman: University of Oklahoma Press, 1991), 6.

³⁶ Huntington, *The Third Wave*, 9-12.

³⁷ Lipset, "Social Requisites of Democracy," 97.

³⁸ Lipset, "Social Requisites of Democracy," 346.

³⁹ James Meadowcroft, "Democratic Planning and the Challenge of Sustainable Development," *Program for Research and Documentation for a Sustainable Society*, 1997, available at <http://www.prosus.uio.no/publikasjoner/Rapporter/1997-01/97-01-txt.html>, accessed July 9, 2005.

⁴⁰ The team was comprised of Adam Przeworski, now at New York University, Michael E. Alvarez, DePaul University, José Antonio Cheibub, Yale University and Fernando Limongi, University of São Paulo.

⁴¹ Przeworski et al., *Democracy and Development*, 128-132.

⁴² Przeworski et al., *Democracy and Development*, 128-132.

⁴³ Adam Przeworski, "Why Do Political Parties Obey Election Results?" in *Democracy and the Rule of*

Law, eds. José María Maravall and Adam Przeworski (Cambridge: Cambridge University Press, 2003), 115.

⁴⁴ Przeworski et al., *Democracy and Development*, 106.

⁴⁵ Przeworski et al., *Democracy and Development*, 272.

⁴⁶ Przeworski and Limongi, “Modernization,” 177.

⁴⁷ Przeworski et al., *Democracy and Development*, 27.

⁴⁸ See chapter two of the report entitled “Political freedom and human development,” 26-33.

⁴⁹ *Global Dimensions of Human Development*, 27; emphasis added.

⁵⁰ Richard Roll and John R. Talbott, “Political Freedom, Economic Liberty, and Prosperity,” *Journal of Democracy*, Vol. 14, No. 3, July 2003, 81.

⁵¹ For democratic and anti-democratic events, see the Appendix: Political Events in Roll & Talbott, “Political Freedom,” 85-87.

⁵² Appendix: Political Events in Roll & Talbott, “Political Freedom,” 82.

⁵³ Appendix: Political Events in Roll & Talbott, “Political Freedom,” 83.

⁵⁴ Appendix: Political Events in Roll & Talbott, “Political Freedom,” 83.

⁵⁵ Appendix: Political Events in Roll & Talbott, “Political Freedom,” 83, (emphasis added).

⁵⁶ Appendix: Political Events in Roll & Talbott, “Political Freedom,” 84.

⁵⁷ Roll and Talbott, “Political Freedom,” 81.

⁵⁸ Roll and Talbott, “Political Freedom,” 76.

⁵⁹ Roll and Talbott, “Political Freedom,” 76-77.

⁶⁰ Lant Pritchett and Daniel Kaufmann, “Civil Liberties, Democracy and the Performance of Government Projects,” *Finance & Development*, March 1998, 26-29. This article draws from the study by Jonathan Isham, Daniel Kaufmann, and Lant Pritchett, “Civil Liberties, Democracy, and the Performance of Government Projects,” *World Bank Economic Review*, Vol. 11, No. 2, May 1997, 219-42.

⁶¹ Roll and Talbott, “Political Freedom,” 78.

⁶² Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000), 6-7.

⁶³ Two thousand years ago, Plato wrote in *The Republic*, “There is no end to suffering ... for our cities, and not, I suspect, for the human race, unless either philosophers become kings in our cities, or the people who are now called kings and rulers become, in the truest and most complete sense of the word, philosophers—unless there is this amalgamation of political power and philosophy, with all those people whose inclination is to pursue one or other exclusively being forcibly prevented from doing so.” Plato, *The Republic*, G.R.F. Ferrari, ed., and Tom Griffith, trans., *Cambridge Texts in the History of Political Thought* (New York: Cambridge University Press, 2000), 175.

⁶⁴ Since the end of the Cold War, the United States has pursued a consistent and bipartisan goal of promoting and nurturing democracy throughout the globe. In 1991, United States interests and objectives were to expand democracy in the former Soviet Union and to “strengthen and enlarge the commonwealth of free nations that share a commitment to democracy and individual rights.” *The National Security Strategy of the United States* (August 1991), available at <http://www.fas.org/man/docs/918015-nss.htm>, accessed June 15, 2005. During the Clinton presidency, promotion of democracy abroad was a central goal of U.S. national security. See, the White House, *National Security Strategy of Engagement and Enlargement* (February 1996), available at <http://www.fas.org/spp/military/docops/national/1996stra.htm>, accessed June 15, 2005. More than a decade after the end of the Cold War, American goals and beliefs had become even more explicit and unapologetic, calling “freedom, democracy and free enterprise” the “single sustainable model for national success.” George W. Bush, preface, *National Security Strategy of the United States of America*, (September 2002), available at <http://www.whitehouse.gov/nsc/nss.html>, accessed June 15, 2005, iv.

⁶⁵ See the National Endowment for Democracy Internet website, <http://www.ned.org>.

⁶⁶ George W. Bush, *President Proposes \$5 Billion Plan to Help Developing Nations*, Remarks by the President on Global Development, Inter-American Development Bank, available at <http://www.whitehouse.gov/news/releases/2002/03/20020314-7.html>, accessed June 15, 2005.

⁶⁷ For fiscal year 2005, sixteen countries were eligible and invited to submit proposals: Armenia, Benin, Bolivia, Cape Verde, Georgia, Ghana, Honduras, Lesotho, Madagascar, Mali, Mongolia, Mozambique, Nicaragua, Senegal, Sri Lanka and Vanuatu. Millennium Challenge Corporation, FY 2005

Congressional Budget Justification, available at http://www.mca.gov/about_us/key_documents/index.shtml, accessed June 15, 2005, 2. Of these countries, 63 percent are in Africa. Millennium Challenge Corporation, 3. The Millennium Challenge Corporation which manages the program requested full funding of \$2.5 billion, up from \$1 billion in FY 2004. Millennium Challenge Corporation, 6.

⁶⁸ Millennium Challenge Act of 2003, Title VI § 601, et seq.

⁶⁹ Millennium Challenge Act of 2003, Title VI § 607(b)(1).

⁷⁰ Millennium Challenge Act of 2003, Title VI § 607(b)(2).

⁷¹ Myres S. McDougal & Florentino P. Feliciano, *Law and Minimum Public World Order: The Legal Regulation of International Coercion* (London: New Haven Press, 1961).

⁷² Louis Henkin, "The United Nations and Its Supporters: A Self-Examination," *Political Science Quarterly*, Vol. 78, No. 4, December 1963, 507.

⁷³ Henkin, "The United Nations," 513-14.

⁷⁴ Henkin, "The United Nations," 506, 536.

⁷⁵ Henkin, "The United Nations," 516-19.

⁷⁶ Henkin, "The United Nations," 516-19.

⁷⁷ Henkin, "The United Nations," 516.

⁷⁸ Henkin, "The United Nations," 536.

⁷⁹ "The great struggles of the twentieth Century [ended with]... a single sustainable model for national success: freedom, democracy and free enterprise." Bush, *National Security Strategy*.

⁸⁰ Robert G. Herman and Theodore J. Piccone, eds., *Defending Democracy: A Global Survey of Foreign Policy Trends 1992-2002* (Democracy Coalition Project, 2002), available online at http://www.demcoalition.org/pdf/defending_democracy.pdf, accessed July 15, 2005, 11.

⁸¹ Herman and Piccone, *Defending Democracy*.

⁸² Herman and Piccone, *Defending Democracy*.

⁸³ Herman and Piccone, *Defending Democracy*.

⁸⁴ Pritchett and Kaufmann, "Civil Liberties," 29.

Democratic Governance and Participatory Development: The Role of Development NGOs

by Henry Veltmeyer

The idea of “civil society” has achieved prominence in political and developmental discourse over the past two decades, particularly in connection with successive waves of democratization beginning in Latin America and Eastern Europe and spreading across the developing world. In normative terms, civil society has been widely seen as an increasingly crucial agent for limiting authoritarian government, strengthening popular empowerment, reducing the socially atomizing and unsettling effects of market forces, enforcing political accountability, and improving the quality and inclusiveness of governance. Reconsideration of the limits of state action has also led to an increased awareness of the potential role of civic organizations in the provision of public goods and social services, either separately or in some kind of “synergistic” relationship with state institutions.

The idea of civil society was central to the political discourse of the theorists of the eighteenth-century Scottish and French Enlightenment. In this context, it was used to differentiate a sphere independent of “government” and other distinctly political institutions.¹ In the 1980s, the concept of civil society was resurrected by political theorists for similar reasons—to identify a non political sphere within society. In this context, it was increasingly associated with a theoretical discourse on political participation among the community of development practitioners and analysts.² However, the focus was on nongovernmental organizations formed not within civil society but within the “third sector”—a sector differentiated from both the public sector and the private sector of profit-making organizations.³ The concern here was not with advancing political participation as much as participation in the process of economic development, i.e., in the agency of grassroots organizations within ‘civil society.’⁴ It was not until the 1990s, in the wake of democratization movements in Russia and East Europe, and in the context of a concern for the official development community to incorporate the private sector into the development process, that a “third sector” discourse gave way to a discourse on civil society.

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CIVIL SOCIETY, DEVELOPMENT, AND DEMOCRACY

The academic discourse on civil society can be put into three ideological categories—conservative, liberal, and radical. On this ideological spectrum, “liberals see civil society as a countervailing force against an unresponsive, corrupt state and exploitative corporations that disregard environmental issues and human rights abuses.”⁵ Conservatives, on the other hand, see in civil society the “beneficial effects of globalization for the development of democracy” and economic progress.⁶ As for those scholars that share a belief in the need for radical change, civil society is seen as a repository of the forces of resistance and opposition, forces that can be mobilized into a counter-hegemonic bloc.⁷

Thus, the academic discourse of diverse ideological currents appears to converge in support of civil society, viewing it generally as an agent for change. The emergence and dynamic rise of civil society organizations in the 1980s and 1990s is offered as proof of the self-organizing capacity of civil society and the virtue of a state that is subject to powerful democratizing tendencies and forces in favor of a democratic renewal. In this process of democratic renewal—or re-democratization—nongovernmental organizations are assigned a predominant role as frontline agents of a more participatory and democratic development, to convince the rural poor of the virtues of alternative community-based or local level development and the rejection of confrontationalist politics of direct action.

NGOs in this context appear as missionaries of the good word about the marriage of convenience between the free market and democratic elections, and the virtues of social democratic action in the spaces available within the power structure as opposed to direct action against it. In this context, the NGOs are enlisted by official development agencies (ODAs) and governments as partners in the process of “sustainable human development” and “good [democratic] governance”—as watchdogs of state deviancy, as interlocutors and participants in the formulation of public policy, and guarantors of its transparency to inhibit or prevent corruption and rentierism. The institutional framework for this more participatory form of development and government would be established by the decentralization of decision-making capacity and associated responsibilities from the national to the local level, and the institution of “good governance,” that is, a democratic regime in which the responsibility for human security and political order is not restricted to the government and other institutions of the state, but is widely shared by different civil society organizations.⁸

The global phenomenon and explosive growth of NGOs reflects a new policy and political consensus that they are *de facto* and by design effective agents for democratic change and an important means for instituting an alternative form of development that is initiated from below and within civil society. This consensus view is reinforced by evidence that the NGO channel of ODA is dedicated largely to the purpose of political rather than economic development—to promote democracy

in the process of change, to inculcate relevant values and respect for democratic norms of behavior, and to encourage the adoption of “civil” politics (dialogue, consultations, negotiation) rather than the confrontationalist politics of direct action.

The leading role of civil society organizations in this regard foretells a reworking of “democracy” in ways that coalesce with global capitalist interests and the neoliberal agenda. Indeed, a well-placed development practitioner in the UK⁹ has wondered aloud (and in print) whether the NGOs in this regard have not been used by the community of international organizations (ODAs) as their stalking horse and as agents of global neoliberalism. Global policy forums and institutions, especially ODAs, such as the OECD’s Development Centre, USAID, the World Bank, and the Inter-American Development Bank, as well as operational agencies of the UN, such as the UNDP, have “actively enlisted NGOs in the ‘economic reform process’ as ‘forces of democratization’ ”¹⁰ or as agents of “democratic promotion,” which Ottaway¹¹ notes is a “new activity in which the aid agencies and NGOs [originally] embarked [upon] with some trepidation and misgivings” but that in the early 1990s “[came] of age.”

CIVIL SOCIETY AND THE STATE

In the 1990s, the perception of NGOs—as “Trojan horses for global neoliberalism”¹²—also came of age within policy think tanks in the US, such as the Carnegie Endowment for Peace and the Harvard International Centre, concerned with the worldwide promotion of democracy. Yet, the effectiveness of NGOs in this regard is not without controversy. Indeed, it has resulted in a debate between liberals, generally disposed in favor of the NGOs, and conservatives who view ODA as a misbegotten enterprise and see NGOs as “false saviours of international development.”¹³ Radical political economists, in the same context, tend to view NGOs as instruments, oftentimes unwitting and unknowing, of outside interests and regard both economic development and democracy as masks for an otherwise hidden agenda: to impose the policy and institutional framework of the new world order against resistance.¹⁴

This apparent convergence between the “left” and the “right” in a critical assessment of ODA/NGOs points towards several problems involved in the use of the state as an instrument of political power. From a liberal reformist perspective, the state should be strengthened but democratized in the service of a more inclusive and participatory approach towards policy design and implementation. From a neoliberal, politically conservative perspective, however, the state is *the* problem. On the one hand, it is an inefficient means of allocating the productive resources of the system. On the other hand, as Adam Smith argued, it is a predatory device with a tendency to serve special interests and used to capture rents from state-sponsored and regulated economic activities. The officials of the state, according to contemporary advocates of this view, such as the economists at the World Bank, are subject to pressures that more often than not result in their corruption. The solution is a

minimalist state, subject to the democratizing pressures from civil society, that is, groups and organizations able to secure the transparency of the policymaking process.¹⁵

And what of the state as viewed from the lens of radical political economy? The state from this perspective is an instrument of class rule and by this token, the fundamental repository of political power needed to turn the process of national development around in a socialist direction. In this context, the essence of what is now widely regarded as the politics of the “Old Left”—or the “Old Politics of the Left”—is a struggle for state power. Both the political parties and the social movements on the “Left” tend to be oriented in this direction, albeit in a different political context that has seen the emergence on the “Left” of a new perspective on a novel (postmodernist) way of doing politics—the politics of antipower, which avoids a confrontation directly against the structures of political and economic power by building on the social capital of the poor to engage in projects of local development in the spaces available within the power structure.

In the more democratic context of the 1990s, many NGOs began to experience serious concerns that, in effect, they were advancing the agenda of the donors rather than that of the urban and rural poor.

In the academic world, the politics of state power is theoretically constructed in these ways. Yet, what about the real world? In this context, and with specific reference to developments in Latin America, the main pattern of political development over the past two decades seems to have been a two-fold devolution/involution of state power. On the one hand, the policy and institutional framework for political decision making has been subjected to the Washington Consensus, with a corresponding shift of political power (*vis-à-vis* macroeconomic policy) towards Washington-based “international” institutions, such as the World Bank and the IMF. On the other hand, various democratic “reforms” have resulted in the institutionalization of the “rule of law” and the decentralization of government from the center to the local as well as the strengthening of civil society via its capacity to participate in the public policymaking process.

The latter development is characterized by, and based on, various forms of partnerships between international organizations and governments, on the one hand, and civil society organizations (CSOs) on the other. This development was not happenstance. It is based on a conscious strategy pursued by each and all of the major representative organizations of global capital and the new world economic order—the imperial brain trust, as Salbuch defines it.¹⁶ Among these organizations can be found the World Bank, the regional banks like the IDB, ODAs, such as USAID and the Development Centre of the OECD, and operational agencies of the UN System, such as the UNDP, UNEP, FAO, and WHO. Each of these organizations, since the early 1990s, has pursued a partnership strategy with NGOs

and other CSOs, instituting an office to work with them and officially registering those disposed to work with them in a common agenda of democratic development, poverty alleviation, and environmental protection—an alternative form of participatory, socially inclusive and “human” (economic and social) development.

In this context, much of the current academic discourse on the role of NGOs in the economic and political development process focuses on the issue of improving their organizational effectiveness as well as their accountability and “autonomy” vis-à-vis governments and donor organizations. As for the latter, several umbrella organizations within the NGO sector have sought assiduously to ensure greater independence from both donors and the governments that hire “Private Voluntary Organizations” (PVOs) to execute their projects and programs. Generally, however, these efforts have not met with any success. More often than not, as in the case of the US, the major NGOs have not only met with resistance on the part of the donor community, but outright efforts to bring NGOs into line. In the case of USAID, in 2003, the director at the time bluntly informed an assembly of NGOs brought together by Interaction, an umbrella organization of NGOs, that they would have to do a better job acknowledging their ties to government, as private contractors of public policy, or risk losing funding. Furthermore, research indicates that many of these NGOs in recent years have become increasingly dependent on this funding.

A number of studies go so far as to argue that the presumed role of the NGO is a mirage that obscures the workings (and interests) of a powerful state (imperialism), various national elites, and the predations of private capital. Hayden argues this from a conservative perspective. I, however, argue the same point from a radical perspective on NGOs as agents of an imperialist project—private contractors of governments in the North, particularly the US, and of the South, in many cases, are only reluctantly and belatedly moving away from a somewhat skeptical, if not hostile, attitude—born of earlier experiences when NGOs set themselves as watchdogs of the state, particularly in terms of any propensities towards authoritarianism and corruption, from the perspective of an agenda to promote democracy in its relation to civil society.¹⁷ In the context of widespread authoritarianism, violation of human rights, and other abuses of political power, the NGOs throughout the 1980s had no fundamental problem in assuming their intermediary role in the front line of economic and political development. However, in the more democratic context of the 1990s, many NGOs began to experience serious concerns that, in effect (by design if not intent), they were advancing the agenda of the donors rather than that of the urban and rural poor, many of whom were not oriented towards alternative development and representative democracy, but toward more substantive social change based on direct action and social movements, that is, popular democracy. In this context, the major NGOs redoubled their efforts to secure greater autonomy from donors to be able to thereby respond better to the concerns and priorities of the popular movement. As a result, they tend to find themselves caught between a widespread concern to increase their independence from their sponsors and the efforts of these sponsoring

organizations to incorporate them into the development and political process as strategic partners in a common agenda.

NGOs AND THE NEW POLICY AGENDA

In the 1980s, organizations of international cooperation for development were fundamentally concerned with (1) converting PVOs into development agencies that could mediate between official aid providing agencies and grassroots communities in the delivery of ODA; and, in the same context, (2) promoting democracy both in the relationship between the state and civil society and in the politics of grassroots organizations—“good governance” in the official parlance.¹⁸ In the late 1980s and early 1990s, however, a marked shift in practice signaled a change in discourse—from a “third sector” discourse privileging NGOs to a civil society discourse that was more inclusive, particularly in regards to profit-making enterprises and business associations that made up the “private sector.”¹⁹ This shift in discourse coincided with a widespread recognition in official circles of the need to reform the structural adjustment program—to give it a social dimension (a new social policy) and to give the whole process a “human face.”²⁰ This change in discourse not only affected community-based development in terms of promoting a partnership between official development associations (donors and governments) and civil society organizations. It also coincided with a worldwide and international-level shift towards the integration of multinational corporations, charitable institutions (i.e., the Bill Gates Foundation), and UN agencies into public-private partnerships (PPPs) that supposedly embody civic responsibilities that for-profit enterprises will not pursue. The development role of these PPPs is as current in the discourse as that of civil society.²¹

The dominant political discourse in the 1980s reflected the political dynamics of an ideological shift from a state-centered or -led development process to a market-led form of development based on the privatization of public enterprise. A “third sector” discourse, in this context, represented a concern for an alternative, more participatory, form of development and politics predicated on neither the agency of the state (“from above”) nor the workings of the market (“from the outside”), but instead initiated (“from below”) within civil society. From the perspective of both the ODAs, the international financial institutions (IFIs), and governments; however, this discourse was problematic in various regards. For one thing, it was directed against both the market and the state, and against public *and* private enterprise. In addition, it worked against efforts of the ODAs to incorporate the private sector into the development process. The problem was twofold. One, was how to overcome widespread antipathy towards profit-making “private” enterprise to see it as part of a possible solution rather than as a major problem. Another was to convince the private sector that profits can be made in the process of social development.²²

In regard to the issue of social development and profit, it remains a concern even into the twenty-first century, making it difficult for the UN’s ongoing efforts to establish its “global compact” with the private sector.²³ However, in regards to the

widespread antipathy towards profit-making and the private sector—the view that they are antithetical to development—a civil society discourse has proven to be both useful and effective.²⁴ It has indeed allowed the ODA community to incorporate the private sector into the development project as a strategic partner in the process of economic growth and “sustainable human development.” The perceived need for this was established by evaluation studies that suggested that NGOs did indeed provide a useful channel for ODA in political development (promotion of democracy) and capacity-building/strengthening (social capital), but an inefficient means of activating production and employment and providing financial services. In this regard, the conclusion was drawn that what was needed was a new strategy based on the agency of local governments working in partnership with ODAs and NGOs.

MATTERS OF GOOD GOVERNANCE AND ALTERNATIVE DEVELOPMENT

The evolution of community-based organizations (CBOs) or grassroots organizations (GROs) within civil society illustrates the changed environment in which NGOs now operate. For Kamat, it also points towards “grave implications” of the new scenario for “development, democracy and political stability.”²⁵ CBOs are locally based organizations that champion a “bottom up” or “people-centered” approach towards development. They are, as Kumar points out, particularly vulnerable to what he somewhat surprisingly views as the “unexpected patronage” of the donor agencies. What is most interesting is that Kamat sees this patronage as “unexpected.” CBOs or GROs emerged in the post–World War II period in response to the failure of developmentalist states to ensure the basic needs of the poor, which was, in the 1970s, the declared development agenda of the ODAs and associated governments in the North. With the spread of communism and the perceived impulse of some popular organizations and governments to take the road of social revolution towards development, USAID set up, sponsored, and financed a number (about 380 in the 1960s and 1970s) of US private voluntary organizations (PVOs) to act as private contractors of the government’s foreign policy agenda. A somewhat larger number of community-based organizations in Latin America were similarly financed and sponsored.

In many cases, the leaders of these CBOs were, or had been, active in women’s or radical “Left” movements, and had become disillusioned with the politics of what would later be defined as the “old Left.” These CBOs generally favored a social rather than political approach towards development, with a concern for social justice and local issues. In this relatively apolitical context, these CBOs were aggressively courted by ODAs, such as the World Bank, that to some extent, preferred to finance and support these intermediary or local grassroots organizations directly rather than work through the Northern NGOs. More often than not, these CBOs accepted the financial support, if not tutelage, of the ODAs as a necessary evil and sometimes even as a virtue (building the capacity for self-help and social capital).

The nature of their work requires CBOs (or intermediary grassroots organizations

in the World Bank's language) to interact directly with local communities on a daily basis, building relationships of cooperation and trust designed to understand local needs and tailor projects to meet these needs. The work of such social activists and organizations—identified by Rains Kothari as 'non-party political formations'—often was and sometimes still is looked upon suspiciously by developing country governments in , many of which, according to Ottoway, are democratic in form, but not in content ('semi-authoritarian') and thus, the target of democratization efforts. In the interest of "strengthening civil society," the ODAs increasingly have turned towards these CBOs rather than the NGOs as their executing agents.²⁶ The dominant strategy, however, is based on partnership with local governments, CSOs, and the private sector—an approach facilitated by widespread implementation of a decentralization policy.²⁷ The early history of the community development movement in the 1950s and the 1960s signified the emergence of a "pluralist democratic culture" in many developing countries as well as a concern for local development within the framework of liberal reforms of national policy. Yet, the dominant trend was for economic and political development based on the agency of the central government and the state. However, in the new policy environment of "structural" free market reform, this incipient democratic culture was cultivated by the return of civilian constitutional rule, and, at another level, by widespread policies of privatization and decentralization. With the retreat of the state from the economy and its social (and developmental) responsibilities, it was left to civil society to pick up the slack—in the form of emergent self-help organizations of the urban poor and a myriad of community-based and nongovernmental organizations to deal with issues of social and economic development such as health, housing, food kitchens (*comedores* or communal dining halls), capacity building and self-employment. The formation of this civil society was a predominant feature of the 1980s.

In the environment created by the "new economic model" of neoliberal free market capitalist development, CBOs became a useful, even essential, adjunct of the policies pursued by the donor agencies such as USAID—policies designed to promote the "capacity for self-help." The failure of a state-led model of economic development, combined with conditions of a fiscal crisis and weakened state infrastructure, as well as a decline in state entitlements to the poor, led the donor agencies to channel an even greater share of official development assistance (official transfers of international resources) through CBOs and a proliferating number of NGOs. In this connection, *Financial Times* reported that the UK was increasingly inclined to fund locally based NGOs directly, bypassing its own NGOs such as Oxfam.²⁸

The conjunction of a retreating minimalist state and the exponential increase in community-based NGOs led to the conclusion that the phenomenon was analogous to "the franchising of the state."²⁹ In this context, both the donor agencies and the IFIs recommended the privatization of both economic activity and social services—a trend that in any case was already underway—and the allocation of ODA to community-based NGOs for the same programs. Under these conditions, the

community-based “grassroots” NGOs proliferated as did the Northern NGOs anxious to occupy the spaces left by a retreating state.

THE EVOLUTION OF GRASSROOTS COMMUNITY-BASED ORGANIZATIONS

The influx of external funds, combined with the pressure to step into the spaces vacated by the state, forced many NGOs, particularly those that had “grassroots” ties or were community-based, to restructure their activities in line with the new partnership approach of the ODAs. In the process, according to Kamat,³⁰ the organizational ethic that distinguished CBOs as “democratic” and representative of the popular will is being slowly undermined. First of all, CBOs generally have an active membership base within the communities in which they work, be they urban slum dwellers or poor peasant farmers. However, these target or client groups at the local level are themselves increasingly involved in efforts to strengthen civil society, incorporating them into decision-making processes at the local level. This form of direct or popular democracy enthralles the donor agencies and the “social Left,” but it also inconveniences the former and embarrasses the latter. On the one hand, it identifies the unique strength of NGOs, which, according to the World Bank, consists of “their ability to reach poor communities and remote areas, promote local participation, and operate at a low cost, identify local needs [and] build on local resources.” On the other hand, direct democracy is inconvenient because of “its limited replicability, self-sustainability, managerial . . . capacity, narrow context for programs and politicization.”³¹

In this context, NGOs are being slowly but surely transformed from organizations set up to serve the poor into what the World Bank has described as “operational NGOs”—private contractors of their policies with an apolitical and managerial approach.³² First of all, the implementation of local projects calls for training in specific skills rather than a more general education that involves an analysis of social and economic policies and processes. As a result, NGO after NGO has been forced to adapt a more narrowly economic and apolitical approach to working with the poor than had often been the case. At the same time, local participation in decision-making becomes limited to small-scale projects that draw on local resources with the injection of minimal external funds for poverty alleviation and are not predicated on substantial social change in the distribution of, and access to, local and national resources. In this context, local community groups are left to celebrate their “empowerment”—decision-making capacity vis-à-vis the distribution of local resources and the allocation of any poverty alleviation funds—while the powers-that-be retain their existing (and disproportionate) share of national and local resources and the legal entitlement to their property without the pressure for radical change. In effect, the forced professionalization of the community-based NGOs, and their subsequent depoliticization, represent two sides of the same development, producing a common set of effects: they keep the existing power structure (vis-à-vis the distribution of

society's resources) intact yet they promote a degree (and a local form) of change and development.³³

DECENTRALIZATION AND PARTICIPATION: EMPOWERMENT OR DEPOLITICIZATION?

According to The Economic Commission for Latin America and the Caribbean, in its famous programmatic statement of an alternative to the neoliberal model (*Productive Transformation with Equity*), was designed, like the UNDP's model of Sustainable Human Development, to give the structural adjustment program a social dimension and the whole process a human face. Participation is the missing link between the process of productive transformation (technological conversion of the production apparatus) and equity (expansion of the social basis of this apparatus).³⁴ The World Bank had recently discovered that participation is a matter not only of equity, as ECLAC understood it, but also economic efficiency, since without it, projects tended to fail.

In this connection, this recognition, stated as early as 1989, did not lead the World Bank to adopt a more inclusive approach to macroeconomic policy, which, by all accounts, was profoundly exclusive and designed to benefit only those free enterprises that were both productive and competitive

Poor communities have been empowered to make decisions with regards to how to spend the miserable and inadequate poverty alleviation funds that come their way in exchange for a commitment to accept the existing institutionalism and the macroeconomic policies that support it.

In any case, the World Bank is in essential agreement with the operational agencies of the UN system that the decentralization of government is an indispensable condition for a more democratic and participatory form of economic, social, and political development—for establishing a regime of good democratic governance. What this means in practice is political order with as little government as possible, based rather on the collaboration of civil society. On this basis, the World Bank, like the IDB, has been a major advocate of the policies of decentralization, as well as the virtues of local democracy and local development.³⁵

The new emphasis on project implementation at the local level, provided by widespread implementation of administrative (and sometimes financial) decentralization, has had a number of effects. First, it has drawn attention away from the need for large-scale structural change in the allocation and distribution of society's productive resources. Development projects are implemented within the spaces available or left by the structures of economic and political power. Secondly,

it has resulted in a programmatic focus on individual capacities, minimizing the concern for the structural causes of poverty, rejecting efforts to deal with them in a confrontational matter and promoting, instead, pacific forms of political action, such as consultation, dialogue, and negotiations.

This rather apolitical and managerial (micro-project) approach to community development draws on the liberal notion of empowerment in which the poor are encouraged to find an entrepreneurial solution to their problems. In this context, OECD defines its approach in terms of “helping people of the world develop their skills and abilities *to solve their own problems*.”³⁶ As noted above, the World Bank adopted a strategy of empowerment and participation—at least at the level of rhetoric (without any effective or specific mechanisms for bringing about these conditions) in the interest not only of equity but economic efficiency.

This entrepreneurial or neoliberal notion of empowerment is altogether different from the critical understanding of it as a form of alternative development promoted by CBOs. In this neoliberal discourse on empowerment, the individual, as a repository of human resources (knowledge, skills, capacities to decide and act) is posited as both the problem and the solution to the problem of poverty. Of course, this is congruent with the utilitarian notion of the individual, when freed from government constraints imposed by the state, as an agent of rational choice to maximize gain and minimize or avoid losses,³⁷ diverting attention away from the issue of the state’s responsibility to redistribute market-generated incomes and the perceived need for radical change not in the direction of the market, but away from it.³⁸

The “growth with equity” (redistributive growth/basic needs) approach of the 1970s was focused on the role of the state as an agency empowered to redistribute market-generated incomes via a policy of progressive taxation, redirecting this income to social and development programs designed to benefit not just the poor but the whole population to meet their basic needs.³⁹ However, at the level of the NGOs, this basic-needs approach included in fact, if not by design, a policy of conscientization—educating the poor about structural and political issues such as the concentration of economic and political power in the hands (and institutions) of the elite and their own political rights. In the Latin American context, *Acción Católica* was particularly oriented this way.⁴⁰ However, from the perspective of the donors, this approach was problematic and even politically dangerous and destabilizing since it could, in different contexts, cause the poor to reach beyond institutional and policy reform (and ‘self-help’ micro projects) towards more radical forms of change based on collective action, even social revolution.

The issue for the poor in this context was whether they should be empowered as individuals to make decisions related to local “self-help” development (basically how and where to spend poverty alleviation funds) or as part of a collective or community to take direct action against the structure (and holders) of economic and political power. There is a significant political dimension to this issue. That is, does empowerment of the poor necessarily entail a relative disempowerment of the rich, forcing them to give up some of their property and share of society’s productive

resources and associated incomes and to share with the poor their decision-making capacity or power? The politics of this question was clear enough, establishing for NGOs the role that they would come to play, not the role they would take for themselves, but in which they were cast into as private contractors of public policy.

In the context of actual developments from the 1970s, the effect has been not to empower the poor by increasing their decision-making control over conditions that directly affected their livelihoods, but rather to depoliticize grassroots organizations of the poor by inhibiting the political mobilization of forces of opposition to the “system.” At most, poor communities have been empowered to make decisions in regards to how to spend the miserable and inadequate poverty alleviation funds that come their way in exchange for a commitment to accept the existing institutionalism and the macroeconomic policies that support it.⁴¹

Studies in different countries as well as subsequent practice confirm this custom and the role of the NGOs in regard to it. For example, Mirafab traces the conversion of Mexican NGOs from organizations geared towards “deep structural change through consciousness, making demands and opposing the government” into organizations aimed at an “incremental improvement of the poor’s living conditions through community self-reliance.”⁴² This process was not unique to Mexico. Indeed, in cases too numerous to mention, community-based NGOs moved away from empowerment programs that involved the political organization of the poor based on conscientization (education about unfair government policies or inequitable social structures). Instead, at the behest of the donors, NGOs turned towards a skills training approach to the mitigation of poverty by providing social and economic inputs (social capital) based on a technical assessment of the needs, capacities, and assets of the poor.

The dynamics of this conversion process vis-à-vis the role of the NGOs can be summarized as follows. “Operational NGOs”—to use the World Bank’s language—that established an instrumental relationship with their constituencies in the marginal communities of rural and urban poor, allow development experts to proceed as if the demands of the people are already known and predefined—demands such as roads, electricity, midday meals, birth control for women, micro-credit and poultry farming. In this context, Kamat notes “empowerment and participation are simulated by NGOs and their donor agencies even as their practices are increasingly removed from the meaning of these terms, which is to say, they are decapitated or disempowered in regard to bringing about the changes needed to improve their access to society’s productive resources.”⁴³

The popularity of micro-credit or micro-finance projects in the practice of development can be understood in a context where the state is no longer primarily responsible for creating employment, let alone for improving the access of the poor to society’s productive resources such as land. In the context of the early 1980s, there was a strong push to both privatize the means of production and to deregulate markets, liberating the private sector from government constraint as well as emphasizing its role in regards to economic development. In this climate, even the state’s

responsibilities and funding in the area of social development (education, health and welfare, and social security) were cut back, shifting the former to the level of local governments and cutting back the latter in the interest of balancing the government's national accounts and budget. Empowerment of the poor in this context means self-help—helping GROs help themselves.⁴⁴

Rather than assisting the poor in improving their access to society's productive resources, the poor are not assisted in gaining greater access to society's productive resources, such as land (natural resources), financial capital (credit) or physical capital (technology). The poor are expected, with assistance, to build on their own social capital to enhance their own capacities vis-à-vis their livelihood security, achieving the sustainability of their livelihoods.⁴⁵

Microcredit programming and projects⁴⁶ are well-suited to this neoliberal context in which risks are shifted to individual entrepreneurs, often poor women who are forced to compete for limited resources and opportunities in a very restricted market environment. The promise of livelihood security—and local development—thus translates into optimal utilization of one's own capacities and resources rather than working against the system. In this connection, Kamat⁴⁷ concludes that the democratization that NGOs represent is more symbolic than substantive. For the most part, they are engaged in producing a particular kind of democracy that coincides with, and can function, within a neoliberal economic context.

In this context, GROs that do not function within the operational NGO formula for implanting and managing development projects in a technical and professional manner and that are instead engaged in the politicization of development issues such as livelihood security, health, and education are delegitimized as anti-national and anti-development, as agents of the agenda set by the donors rather than the local communities. These organizations, funded and mandated by multilateral or bilateral donors, are usually concerned with making globalization work for the poor—an agenda adopted by all of the organizations of international cooperation. One of many, and all too typical, such programmatic efforts to present this agenda is outlined by Torres⁴⁸ on behalf of the ILO.

DEMOCRACY AND DEVELOPMENT: A TROUBLED MARRIAGE (NOT MADE IN HEAVEN)

In the 1980s, an idea emerged that economic development, in the context of the globalization agenda of economic liberalization, either required or would bring about a process of political liberalization or democratization. Indeed, subsequent “developments” did appear to provide support to this notion of a marriage of convenience, if not strategy, between capitalism (in the form of the free market) and democracy in the form of free elections.⁴⁹ However, this idea of an organic link between *capitalism* and *democracy*, between economic and political liberalization, was not, in fact, new. It was a revision of an understanding that dominated the science of political development in the 1950s and 1960s. In this literature, it was frequently

argued that authoritarian forms of government, particularly military dictatorships, such as the Pinochet regime in Chile, were better able to take the actions that would lead to an economic growth process. In any case, this understanding was reversed in the 1980s in the context of a widespread transition from one form or another of an authoritarian state—a widespread process of democratic renewal.

To cite just a few examples of the thinking about the connection between capitalism and democracy before the advent of a neoliberal approach, Walter Galenson, in 1959, claimed that the “more democratic a government,” the “greater the diversion of resources from investment in consumption.”⁵⁰ Karl Schweinitz similarly argued that if less developed countries “are to grow economically, they must limit democratic participation in political affairs.”⁵¹ Joseph La Palombrana, another well-known exponent of the dominant modernization school of political thought, argued that “if economic development is the all-embracing goal, the logic of experience dictates that not too much attention can be paid to the trappings of democracy.”⁵² The conclusion drawn by these and other theorists of political development and policymakers at the time was clear. In the words of Samuel Huntington, “political participation must be held down, at least temporarily.”⁵³

At the same time, many of these same scholars assumed, or would argue, that whereas authoritarian forms of government were needed to generate economic growth, they would also self-destruct as a result of their own success. That is, economic development could generate conditions that might allow democracy to take hold. This, in fact, is a basic tenet of political modernization theory—that democratization is the likely end result of societies undergoing a universal process of development. This idea, incipient in many studies on political development in the 1950s was widely disseminated, even popularized, by Seymour Lipset in his 1960 book *Political Man*. While doubts and concern lingered in the wake of this argument advanced by Huntington, Lipset, and others, later developments in Chile set their minds at rest. General Augusto Pinochet’s military dictatorship was viewed as a case of the most sweeping economic reforms in history and a paradigm of successful economic reforms. In fact, the new economic model, constructed by the World Bank as a guide to polices of structural adjustment, was based on this experiment in neoliberal economics in Chile. Subsequent developments of a democratic regime (albeit after nineteen years of dictatorial rule—the last case of democratic transition in Latin America) and the most successful case of economic liberalization and liberalism in the region proved the point and validated the idea that economic liberalization would result in political democratization.⁵⁴

Yet, the 1960s notion that dictatorships, often if not generally, promote economic development (see also the case of Brazil, Taiwan, and South Korea in this regard) was abandoned in the 1980s in the context of a neoliberal model that equated political and economic liberalization. First, the proposition that political democratization and economic development tend to go together has turned out not to be true. History has simply thrown up too many counter-examples. Secondly, while the first round of authoritarian government experiments with neoliberal economics—in the context of

military dictatorships in the southern cone of South America—all crashed and burned, the second round of these experiments was instituted by a series of democratically elected regimes formed under conditions of region-wide debt crisis that provided the World Bank and the IMF the leverage needed to push governments in the region to use the new economic model as a guide to economic policy reform.

In the space of a few years, from 1983 to 1989, virtually all regimes, mostly democratic in form, either out of conviction or (more often) under duress, turned towards a program of free-market structural, neoliberal reforms. In the beginning of the 1990s, with the last of the generals having returned to their barracks, those few governments that had not turned neoliberal did so, implementing, in the case of holdout countries such as Argentina, Peru, and Brazil, some of the most radical programs of structural adjustment seen to that date.

In each case it might appear that a process of democratic renewal led to economic liberalization at the level of macroeconomic policy. However, the sequence of developments and the dynamics involved do not support neoliberal thought. What can be concluded from a brief review of historical developments in the region is that the IFIs in the early 1980s were in a position to impose the Washington consensus on macroeconomic policy and, at the same time, to push for a renewal of democracy in the region. Democracy was defined at two levels: (1) a respect for the rule of law and the virtue of free elections in the constitution of regimes and (2) the strengthening of civil society as a means of providing greater accountability of elected officials and public participation in the formulation of public policy. In regard to the former, the historic record shows a relatively dismal record in generating the expected economic growth and greater success, albeit not intentionally, in generating movements of political protest against neoliberal policies. As for the latter, the historic record points towards a mixed record manifest in the emergence of semi-authoritarian regimes that adopt the shell of democracy, but disrespect its content.

Argentina with Carlos Menem as President, Brazil with Fernando Cardoso as President, and Chile, under various post-Pinochet democratic *concertación* regimes, at different points in the 1990s, were viewed as paradigm cases of successful economic development brought about by a democratic regime on the basis of the Washington consensus on macroeconomic policy. That is, they are viewed as good examples of a trend towards the marriage of liberal democracy and free market capitalist development in the broader context of globalization. The experience of these countries, as well as Mexico towards the end of the 1990s, laid to rest the notion of a necessary tradeoff between democracy and development. Although, the flame of lingering doubts has been rekindled by developments in Argentina after 1998 with five years of the country's deepest and most severe economic and political crisis and the experience of countries that are in a process of transition from socialism to capitalism.

In regards to this process of transition, the problem—for neoliberal thought vis-à-vis the organic link between capitalism and democracy—is that after a decade of democratic reforms and untrammelled free market capitalist development, Russia

and Eastern Europe have failed to recover a level of economic development achieved in earlier decades within the institutional confines of a socialist model. At the same time, several countries in Asia, notably China, have made explosive advances in the level of economic growth, with growth rates of 10 percent annually, sustained for over a decade, on the basis of a model of capitalist development, but within the framework of a non-democratic form of political development. Indeed, the experience of China has resurrected the specter of modernization theory, that economic development is best advanced on the basis of a non-democratic form of government. That is, China has revived the idea that it is possible to embark on a program of economic liberalization without, at the same time, provoking or turning towards a similar process at the political level. Despite the continuing, at times heated, rhetoric on this issue both in academic and official policymaking circles, the jury, as it were, is still out. Although it could be pointed out that China, having made the judgment that the country could be inserted into the global economy under favorable conditions and a positive outcome has turned towards a capitalist model of economic development without liberalizing either the political system or, more to the point, the economy.

Both globalization and development as geo-strategic “meta-projects” can be unmasked as disguised forms of imperialism, which raises serious questions about the role of nongovernmental organizations in the process.

As for countries in other parts of the developing world that have undergone a process of democratic renewal and that have instituted all the trappings of liberal or representative democracy at the national level, the promoters and guardians of democracy have discovered that in many cases, ranging from Venezuela in South America to Senegal in Africa, democracy is encountering a new challenge: the emergence of semi-authoritarian regimes that pay lip service to these forms of democracy while disregarding their substance in practice.⁵⁵

For a number of scholars, such as those connected to the Carnegie Endowment for International Peace and the *Harvard International Review*, the emergence of so many fragile democracies, failed states, and semi-authoritarian regimes in the Third World represents a development dilemma: democracy or bust.⁵⁶ The dilemma is this. On the one hand, as noted by Amartya Sen, winner of the 1998 Nobel prize for economics, “the most important thing that . . . happened in the 20th century [was] democracy.”⁵⁷ On the other hand, the value of democracy to many developing countries is by no means clear. Democracy and development are not necessarily correlated and the proposed marriage between elections (democracy) and the free market (capitalism) might very well not work.

The possible dysfunctionality of combining democracy and capitalist development

arises precisely in the context of widespread implementation of the new economic model. In this context, the experience of many countries with democracy and capitalism has been nothing less than disastrous. In Argentina, the result was a country pushed to the brink of financial crisis and a situation of economic regression rather than development.⁵⁸ Nevertheless, the experience of so many developing countries in the 1990s does not argue for an abandonment of democracy as a preferred form of political development. In fact, the problem is that this form of development—the institution of democratic regimes—combined with pressures arising out of efforts to join the globalization project, allowed for an assault on the capacity of these states to make policy and the efforts of developing countries' regimes to institute democracy.

In this regard, there is clear and substantial evidence that macroeconomic policy for many of these countries was set and designed in Washington and imposed on these regimes as a condition for accessing the financial resources of the global economy. In addition, the policy of privatization implemented under these conditions has, in a number of cases, not only diminished the capacity to advance a process of economic and social development, but also resulted in a process of denationalization in regards to control over the country's stock of natural resources.⁵⁹ In effect, decision making in critical areas was transferred to international organizations and financial institutions that are profoundly undemocratic in that they are not in the least representative of the populations affected by their policies and actions; their actions are far from transparent, and they are not accountable to any electorate.

In this context, Chan argues that "developing nations themselves must determine the best form of governance and the best economic policy that will drive their economies forward."⁶⁰ The problem is that this would require a substantial change in the behavior of institutions that at one level insist on good democratic governance, but at a different level undermine the institution of substantive (as opposed to formal) democracy. That is, the issue is the failure of regime leaders to respect the substance as opposed to the form of democracy; it is the contradictory workings of international institutions set up and controlled by the self-appointed guardians of the "new world order."⁶¹ As Przeworski notes, under conditions that prevail in the global economy, the marriage of democracy and free market capitalist development provides a flawed blueprint for action by developing country regimes. It might very well be that these regimes would choose a different development path or an alternative institutional and policy framework for their national development.

TOWARDS A CONCLUSION: NGOS AND THE IMPERIAL AGENDA

The institution of a democratically elected regime and the rule of law are parts of the democratization/good governance strategy currently pursued by many developing countries under the aegis of the World Bank and other international development organizations. Other critical dimensions of this strategy include: (1) affecting a change in the power relationship between civil society and the state; (2) strengthening civil society in regard to its capacity to participate in the formulation

of public policy; and (3) empowering the poor via the accumulation of their social capital.

The major institutional or structural means for bringing about democratization in this form has been decentralization, a policy instituted by many countries across the world in the 1980s. Decentralization has taken diverse forms, but most often involves a delegation of government responsibilities and policy making capacity from the center to lower levels of authority. Ironically, in the early 1970s, it was Augusto Pinochet who pioneered this policy, as well as the package of sweeping economic reforms used by the World Bank to construct its neoliberal program of structural adjustment reforms. It was in regards to this policy of decentralization that Pinochet spoke of “teaching the world a lesson in democracy” and what the World Bank came to define as “good governance,” which was rule by social consensus based on the participation of people and local communities in decisions that relate to conditions that directly affect them.⁶² At issue in this policy is popular participation, conceived of by ECLAC as the missing link between the neoliberal concern with productive transformation and the principle of equity promoted by structuralists and social reformists.⁶³ In the 1980s, this idea of popular participation would be enshrined in the notion of good governance as well as treated as a fundamental principle of project design and the delivery of both development assistance and government services. Popular participation in this view and World Bank programming is seen as a matter not only of equity, but also of efficiency, as well as, good governance.

Behind this notion of good governance is a concern to establish the political conditions needed to implement the new economic model of free market capitalist development—to ensure the capacity and the political will of national governments to “stay the course” (structural adjustment, globalization) and thereby enhance the stability of the “new world economic order”. Of course, even more important, are the operational and political conditions needed to subjugate the local (national) economies and emerging markets to the dictates of global capital in its corporate and financial forms. This is the agenda of US or Euro-American imperialism. As we have shown, it is this agenda that defines the ideology of globalization and the agency of organizations involved in the international development project. Both globalization and development as geo-strategic “meta-projects” can be unmasked as disguised forms of imperialism, which raises serious questions about the role of nongovernmental organizations in the process.

Notes

¹ On this point and the evolution of ‘civil society’ as a concept see, inter alia, Thomas Carothers, *Aiding Democracy Abroad: The Learning Curve* (Washington: Carnegie Endowment, 1999).

² Inter-American Development Bank, *Modernization of the State and Strengthening of Civil Society* (Washington DC, 1996); David Booth, “Popular Participation, Democracy, the State in Rural Bolivia” (Dept. of Anthropology, Stockholm University, 1996); John Friedmann, *Empowerment: The Politics of Alternative Development* (Cambridge: Blackwell, 1992).

³ Thomas Carroll, *Intermediary NGOs. The Supporting Link in Grassroots Development* (Kumarian Press, 1992); Michael Edwards and David Hulme, *Making a Difference: NGOs and Development in a Changing World* (London: Earthscan, 1992).

⁴ Charles Reilly, *The Democratization of Development: Partnership at the Grassroots* (Arlington: Inter-American Foundation, 1989).

⁵ Sangeeta Kamat, "NGOs and the New Democracy: The False Saviours of International Development," *Harvard International Review*, Spring 2003, 65.

⁶ Sangeeta Kamat, "NGOs and the New Democracy: The False Saviours of International Development," *Harvard International Review*, Spring 2003, 65.

⁷ Adam Morton, "The Antiglobalization Movement: Juggernaut or Jalopy?" in Henry Veltmeyer, ed. *Globalization/Antiglobalization* (Aldershot: Ashgate, 2004).

⁸ Banco Interamericano de Desarrollo (1996). *Modernización del estado y fortalecimiento de la sociedad civil*. Washington DC; BID—Banco Interamericano de Desarrollo (2000). *Desarrollo: más allá de la economía. Progreso económico y social de la América Latina*. Washington DC: BID; OECD, *Final Report of the Ad Hoc Working Group on Participatory Development and Good Governance* (Paris, 1997). "Good Governance and Sustainable Human Development," *Governance Policy Paper*. <http://magnet.undp.org/policy>; World Bank (1994). *Governance. The World Bank Experience*. Washington DC: World Bank.

⁹ Wallace, Tina (2003), "NGO Dilemmas: Trojan Horses for Global Neoliberalism?" *Socialist Register 2004*. London: Merlin Press.

¹⁰ Sangeeta Kamat, "NGOs and the New Democracy: The False Saviours of International Development," *Harvard International Review*, Spring 2003, 65.

¹¹ Marina Ottaway, *Democracy Challenged: The Rise of Semi-Authoritarianism* (Washington DC: Carnegie Endowment for International Peace, 2003), p. vi.

¹² Wallace, op. cit., vi. .

¹³ Sangeeta Kamat, "NGOs and the New Democracy: The False Saviours of International Development," *Harvard International Review*, Spring 2003, 65.

¹⁴ Bretón de Zaldivar, Victor, "The Contradictions of Rural Development NGOs: The Trajectory of the FEPP in Chimborazo," in *Rural Progress, Rural Decay: Neoliberal Adjustment Policies and Local Initiatives*, eds. Liisa North and John Cameron (Bloomfield CT: Kumarian Press, 2003); V. Chhotray, "The Negation of Politics in Participatory Development Projects, Kurnool, Andhra Pradesh," *Development and Change*, 36 (2), 2004; Wallace, op.cit.

¹⁵ On this see Anne Krueger, former chief economist at the World Bank and currently Acting Manager-Director of the IMF, and other exponents of 'the new political economy' as well as the World Bank, which has swallowed whole and widely disseminated this 'theory' of the state. Krueger is a leading exponent of the 'new political economy', a approach that represents, at a theoretical level, the neoconservative ideological offensive of capital against labor under conditions of systemic crisis. The 'new political economy' emphasizes the superiority of the world market, freed from government constraint and interference, as an engine of economic growth and development, and the private sector as the driver of this engine. Within this Political Economy Framework—for example, D.A. Rondinelli, J. McCullough and W. Johnson, "Analyzing Decentralization Policies in Developing Countries: A Political Economy Framework," *Development and Change*, 20 (1), 1989: 57-87—the central focus of analysis has been on the propensity of governments towards rentierism, the economics of corruption, the role of governance in economic development, and the economics of decentralization in 'Less Developed Countries', as well as the need to manage the eruption of ethnic tensions and violence, i.e., the problem of 'governability'.

¹⁶ Adrian Salbuchi. *El cerebro del mundo: la cara oculta de la globalización* (Córdoba: Ediciones del Copista, 2000).

¹⁷ Robert Hayden, "Dictatorships of Virtue? States, NGO and the Imposition of Democratic Values," *Harvard International Review*, Summer 2002, 56-61.

¹⁸ OECD, *Final Report of the Ad Hoc Working Group on Participatory Development and Good Governance* (Paris, 1997).

¹⁹ Diana Mitlin, "The NGO Sector and its Role in Strengthening Civil Society and Securing Good Governance," in Armanda Bernard, Henry Helmich and Percy Lehning, eds., *Civil Society and International Development* (Paris, OECD Development Centre, 1998).

²⁰ Joanne Salop, "Reducing Poverty: Spreading the Word," *Finance & Development*, 29 (4), December 1992.

²¹ Thanks to a UAZ colleague Guillermo Foladori for pointing this out.

²² "The idea here, points out Guillermo Foladori, in a comment on this issue, 'is to separate the market

driven orientation from its ethical consequences. Humanizing Corporations with a new ethic would overcome “market insanities”. In relation to the second part, there are signs that it was some of the corporations that developed the idea and implemented it before it became a world public policy.’

²³ United Nations Development Programme, “*Good Governance and Sustainable Human Development*,” <http://magnet.undp.org/policy>, 1996.

²⁴ The agenda of incorporating the private sector into the development process has been considerably enhanced.

²⁵ Sangeeta Kamat, “NGOs and the New Democracy: The False Saviours of International Development,” *Harvard International Review*, Spring 2003, 65.

²⁶ Marina Ottaway. *Democracy Challenged: The Rise of Semi-Authoritarianism* (Washington DC: Carnegie Endowment for International Peace, 2003).

²⁷ Dennis Rondinelli, “Implementing Decentralization Programs in Asia: A Comparative Analysis,” *Public Administration and Development*, (Syracuse) no. 3 (1983): 181-207.

²⁸ In 1999 up to 50 percent of USAID would be so channeled. Similarly, *Financial Times* (July 2000)

²⁹ Sangeeta Kamat, “NGOs and the New Democracy: The False Saviours of International Development,” *Harvard International Review*, Spring 2003, 65.

³⁰ Sangeeta Kamat, “NGOs and the New Democracy: The False Saviours of International Development,” *Harvard International Review*, Spring 2003, 66.

³¹ Sangeeta Kamat, “NGOs and the New Democracy: The False Saviours of International Development,” *Harvard International Review*, Spring 2003, 66.

³² Heloise Weber, “Global Governance and Poverty Reduction: The Case of Microcredit,” in Rorden Wilkinson and Steve Hughes, eds.. *Global Governance: Critical Perspectives* (London and New York: Routledge, 2002).

³³ It has been pointed out (by my colleague Guillermo Foladori, for one) that this perspective on NGOs is overly generalized to include reference to NGOs in several ex-USSR countries for example, that should not be identified with this trend. This is true enough. The NGOs are not all the same and subsequent analysis should be more specific. Nevertheless, I hold to the above statement as a working idea that is certainly applicable to many NGOs that operate in the Latin American context.

³⁴ ECLAC—Economic Commission for Latin America and the Caribbean). *Productive Transformation with Equity*, (Santiago: ECLAC, 1990).

³⁵ BID—Banco Interamericano de Desarrollo (1996). *Modernización del estado y fortalecimiento de la sociedad civil*. Washington DC; Blair, H (1995). “Assessing Democratic Decentralization,” A CDIE Concept Paper. Washington DC: USAID; OECD (1997). *Final Report of the DAC Ad Hoc Working Group on Participatory Development and Good Governance*. Paris. Rondinelli, D. A. (1989), “Implementing Decentralization Programs in Asia: A Comparative Analysis,” *Public Administration and Development*, 3 (3): 181-207; Rondinelli, D. A., J. McCullough and W. Johnson (1989), “Analyzing Decentralization Policies in Developing Countries: A Political Economy Framework,” *Development and Change*, 20 (1): 57-87; Rondinelli, D. A., J. R. Nellis and G. S. Cheema (1983), “Decentralization in Developing countries: A Review of Recent Experience,” *World Bank Staff Paper*, No. 581. Washington DC: World Bank; UNDP (1996). “*Good Governance and Sustainable Human Development*,” *Governance Policy Paper*. <http://magnet.undp.org/policy>; World Bank (1994). *Governance. The World Bank Experience*. Washington DC: World Bank.

³⁶ OECD, Final Report of the DAC Ad Hoc Working Group on Participatory Development and Good Governance (Paris: OECD), 30.

³⁷ This notion, the *homo oeconomicus* in the theoretical discourse of microeconomics, is the basis not only of neoclassical economics and neoliberal thought but of a model of political behaviour and the functioning of the state elaborated by Anne Krueger and associates—the ‘new political economy’.

³⁸ Foladori (May 24, 2004) observes in this connection that ‘Even under neoliberal empowerment at least two “living standard” outcomes could arise: a) raising individual capabilities that lead to improving living standards, b) developing organizational capabilities, which in turn are politically unpredictable’.

³⁹ Paul Streeben, “Basic Needs: Some Unsettled Questions,” *World Development*, Vol. 12, No. 9, 1984; Irma Adelman, “A Poverty Focused Approach to Development Policy,” in J. P. Lewis and Kallab, *Development Strategies Reconsidered* (1986).

⁴⁰ *Ibid.*

⁴¹ Neil Middleton and Phil O’Keefe, *Redefining Sustainable Development* (London: Pluto Press, 2001).

⁴² Mirafab in Sangeeta Kamat, “NGOs and the New Democracy: The False Saviours of International

Development,” *Harvard International Review*, Spring 2003, 69.

⁴³ Sangeeta Kamat, “NGOs and the New Democracy: The False Saviours of International Development,” *Harvard International Review*, Spring 2003, 65.

⁴⁴ Deepa Narayan. *Empowerment and Poverty Reduction: A Sourcebook* (World Bank, Washington DC, 2002).

⁴⁵ UNRISD (2000), “Civil Society Strategies and Movements for Rural Asset Redistribution and Improved Livelihoods,” UNRISD—Civil Society and Social Movements Programme, Geneva, UNRISD.

⁴⁶ Roberto Martinez Nogueira, “los pequeños proyectos: ¿microsoluciones para macroproblemas?” in Roberto Martinez Nogueira, (ed.), *La trama solidaria, pobreza y microproyectos de desarrollo social*. Buenos Aires: GADIS, Imago-Mundi, 1991.

⁴⁷ Sangeeta Kamat, “NGOs and the New Democracy: The False Saviours of International Development,” *Harvard International Review*, Spring 2003, 65.

⁴⁸ Victor Torres. *Sistema de desarrollo local, Sisdel* (Quito: Ediciones Abya-Yala, 2002).

⁴⁹ Jorge Domínguez and Abraham Lowenthal, eds., *Constructing Democratic Governance: Latin America and the Caribbean in the 1990s—Themes and Issues*, (Baltimore: John Hopkins University Press, 1996).

⁵⁰ Quoted in Adam Przeworski, “A Flawed Blueprint: The Covert Politicization of Development Economics,” *Harvard International Review*, Spring 2003, 42.

⁵¹ Adam Przeworski, op. Cit., 42.

⁵² Ibid.

⁵³ Michel Crozier, Samuel Huntington and Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilateral Commission* (New York: New York University Press, 1975) 1-220.

⁵⁴ Torres, op. cit.

⁵⁵ Ottaway, op. cit.

⁵⁶ Yu Ping Chan, “Democracy or Bust? The Development Dilemma,” *Harvard International Review*, Fall 2001, 36-39.

⁵⁷ Amartya Sen, *Development as Freedom* (New York: Alfred & Knopf, 1999).

⁵⁸ James Petras and Henry Veltmeyer, Argentina: *Entra desintegración y la revolución*. Buenos Aires (Editorial la Maza 2002)

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Globalization and Poverty: Possible Links, Different Explanations

by Arie M. Kacowicz

“The new rich may worry about envy, but everyone should worry about poverty.”
- The Economist, June 14, 2001.

INTRODUCTION

Widespread social and political movements against globalization have become fashionable in the past few years, as witnessed during the violent demonstrations against global institutions at Seattle in 1999, Prague in 2000, and Quebec in 2001. Although vociferous opponents of globalization are not wholly unified in their ultimate demands, their claim that third-world poverty has become one of the most pressing moral, political, and economic issues in the political agenda of the new millennium is a legitimate one.

In addition to grassroots organizations, NGOs, and fringe groups, mainstream international institutions and organizations have recognized the reality of global inequality and third-world poverty as a pressing issue, at least at the rhetorical level. For instance, the official institutions of the Bretton Woods post–World War II liberal regime, the International Monetary Fund (IMF) and the World Bank, have focused their discussions and operative plans in the recent past on the eradication of poverty, or at least its reduction, as “the single greatest challenge of the century.”¹

Speaking at the plenary sessions of the 2000 Annual Meetings of the IMF and the World Bank, held on September 26-28 in Prague, Czech Republic, the governors representing the IMF’s 182 members acknowledged that, although globalization has brought opportunities for growth and development to both rich and poor countries, not everyone has been able to take advantage of the opportunities. The task facing the international community, the governors agreed, is to build a successful, truly global economy that works well for all people and addresses the widespread poverty that remains “the unacceptable face of the global economic situation.”²

Similarly, the former World Bank president, James D. Wolfensohn, characterized “globalization as an opportunity, and poverty as our challenge,” though recognizing that globalization can relate to risks as well as to opportunities.³ If anything, the aftermath of the September 11th terrorist attacks against the United States has

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demonstrated the relevance and the urgency of coping with such global issues.

Presently, a global agenda seemingly focuses upon the possible links between globalization and poverty, epitomized by the United Nations Millennium Summit in September 2000. Among the values and principles mentioned in the United Nations Millennium Declaration, the links between globalization and poverty were emphasized:

The central challenge we face today is to ensure that globalization becomes a positive force for all the world's people. Its benefits are unevenly shared, while its costs are unevenly distributed.⁴

Furthermore, in a show of unguarded optimism about translating rhetorical intentions into an operative plan for development and poverty eradication, the leaders of the world committed themselves to the following deadline:

We further resolve to halve by 2015 the proportion of the world's people who earn less than one dollar a day, who suffer from hunger, and who lack access to safe drinking water.⁵

After all, divergent ideological, philosophical, normative, and theoretical approaches to international relations and international political economy generate different interpretations of similar facts.

This declaration of good intention demonstrates, at least at the rhetorical level, that there is an emerging consensus within the international community about the importance of the links between globalization and poverty and inequality, and that globalization should fulfill a positive role in reducing and eradicating poverty. At the same time, there is a serious disagreement about whether the link between globalization and poverty and inequality is a positive or a negative one; that is, whether globalization creates more poverty or reduces it. Moreover, it is not completely evident that globalization can reduce poverty. After all, divergent ideological, philosophical, normative, and theoretical approaches to international relations and international political economy generate different interpretations of similar facts. The assumption that the invisible and potent forces of globalization (including markets, science, and technology) will resolve the problems of inequality and poverty is not completely reassuring, considering the lingering reality of at least a billion people living in absolute poverty.

This article is a preliminary exercise in assessing potential theoretical and deductive links between globalization and poverty as a global problem in international relations. Of the numerous questions that can be posed on the core concepts, this analysis confines itself to two. First, what are the possible links between globalization and poverty? Second, what is the importance of the implications and consequences of these possible links? To address these questions, this article is divided into five sections, including the introduction. The core concepts—globalization and poverty—are defined in the second section. The third section answers the first inquiry by exploring the

potential links between the core concepts. While pointing out ten potential links and permutations, three are discussed in the section as a more lengthy discussion is outside the purview of this paper. Consequentially, the three links that are discussed are representative of three world views in international relations theory: realism, liberalism, and a radical view. The fourth section provides an answer to the second inquiry in both normative and pragmatic terms. The normative answer to our concern about globalization, poverty, and inequality recreates the debates about distributive justice and economic and social human rights of the 1970s and 1980s following the third-world demands for a New International Economic Order (NIEO) that eventually failed. The pragmatic answer focuses upon the disruptive effects of poverty and inequality in the international system and society, including issues of economic well-being, war and peace, political stability and democratization, environment, and new security issues and threats, such as terrorism, drugs, spread of diseases, and illegal migration flows. Thus, “as interdependence transforms the global security agenda, poverty emerges as one of the most pressing issues in world politics.”⁶ Finally, drawing from the potential links of the core concepts, the concluding section explores some policy implications.

DEFINING THE CORE CONCEPTS: GLOBALIZATION AND POVERTY

Globalization and poverty are terms that garner as much misunderstanding as they do attention. Following the Cold War, the understanding of the established “new world order” generated a tremendous amount of confusion in the rhetorical usage of the term globalization. As such, globalization is multifariously conceived as a myth, a rhetorical device, a phenomenon, an ideology, a reality, a process, and the context of current international relations.

In fact, globalization is a short form for a cluster of interrelated changes: economic, ideological, technological, political, and cultural.

In this article, globalization is a concept that envelopes a number of interrelated changes manifested through intensified global connectedness. In general, globalization is further defined here as the cognitive recognition of such changes, in which a qualitative shift exists denoting a consolidated marketplace. This is contrasted with interdependence, which may only suggest a quantitative shift. In both academic and popular discourses, globalization has become one of the catchwords for the new millennium. In fact, globalization is a short form for a cluster of interrelated changes: economic, ideological, technological, political, and cultural.

While globalization is a combination of changes, each change warrants a brief elaboration. Economic changes encompass the most salient dimensions of globalization, and they include the increasing integration of economies around the world, particularly through trade and financial flows.⁷ This takes place through the

internationalization and spatial reorganization of production, the greatly increased mobility of capital and of multinational corporations (MNCs), and the deepening and intensification of economic interdependence. Furthermore, migration flows, knowledge moving across borders, and the interpenetration of industries affects economic activities that were formerly exclusive to village markets, urban industries, and financial centers.⁸

If globalization is indeed determinant in diminishing borders, there is a serious “democratic deficit” here. The lack of accountability of global economic forces poses a serious political problem, for both states and individuals alike.

Political and ideological changes include investment and trade liberalization, deregulation, privatization, and the adoption of political democracy in the domestic institutional realm of any given polity. If globalization is indeed determinant in diminishing borders, there is a serious “democratic deficit” here. The lack of accountability of global economic forces poses a serious political problem, for both states and individuals alike. By condensing the time and space of social relations, economic globalization transcends territorial states while not being accountable to elected political officials.⁹ Technological changes refer to information and communication technologies that have shrunk the globe, shifting from goods to services. Finally, cultural changes involve trends toward a harmonization of tastes and standards, epitomized by a universal world culture that transcends the nation-state.¹⁰

Similarly, poverty involves a series of concepts that are distinct in nature but interrelated nonetheless. It is important to note there is a broad body of literature with detailed and elaborate definitions of poverty.¹¹ While borrowing from these definitions, this article can only briefly define the term. Poverty is the deprivation of goods, needs, and entitlements without which an individual or group cannot survive. Further, poverty can also denote a deficiency in proper living in social and economic terms. In this case, poverty is culturally relative and simply means the extent to which certain conditions are acceptable or deplorable. As such, it is necessary to distinguish between poverty and inequality.

In relative terms, people may be held to be poor because they are disadvantaged vis-à-vis others in society. In a basic structure of inequality, it is clear that transfers from the rich to the poor can make a substantial dent on poverty in most societies. In this sense, poverty reflects inequality, though the two concepts are not equivalent.¹² It is very important to draw a clear distinction between inequality and poverty. While both might be increasing, they are quite different from one another. It is possible, for instance, that more affluent countries are growing faster and therefore becoming

more unequal with the rest, while at the same time less developed countries are still gaining in absolute wealth. Hence, we might have less poverty but more inequality simultaneously.¹³ In a word, inequality is relative where poverty can be measured in absolute terms.

POSSIBLE LINKS BETWEEN GLOBALIZATION AND POVERTY

With operational definitions of the core concepts, an initial assessment of the possible links between globalization and poverty can be performed. In particular, is globalization a force for equality? If so, does it converge upward or downward?¹⁴ Lastly, what are the intended and unintended consequences of globalization upon poverty?

It is a very difficult task to assess the contradictory consequences of economic globalization. To link globalization and poverty it is necessary to set forth the potential causal mechanisms of globalization and its effects on poverty in the world, such as the Singer-Prebisch argument examining the deteriorating terms of trade in the economic relationship between developed and developing countries. Unfortunately, those mechanisms are not very clear by themselves.¹⁵

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It is becoming increasingly evident, both in rhetorical terms and in the actual practice of states and international institutions, that there are tangible and substantial links between globalization and poverty. For instance, the United Nations Development Programme (UNDP) suggests that countries should link their poverty-relief programs not only to their national policies but also to their international economic and financial policies. Thus, in a world of increasing economic integration and globalization, those links can be crucial. For instance, since the global recession in the 1980s it has become evident that there is a direct relationship between external debt and poverty.¹⁶

At the same time, what remains ambiguous is the character and direction of these possible links, ultimately interpreted according to divergent paradigms of international political economy and disparate normative views, such as realist, liberal and radical views. For instance, the liberal view of global economic relations, based on mutual and complex interdependence, regards international economic relations between developed and developing countries as mutually beneficial and benign. In this view, the forces of globalization will eventually stimulate the economic growth in

the developing nations, thus reducing and even eradicating poverty. In contrast, a more radical view maintains that the global economic relations between North and South are asymmetrical and approximates a type of zero-sum relationship, according to which the forces of globalization exacerbate inequality and poverty.¹⁷

In logical terms, speculation on the potential links between globalization and poverty produces the following ten possibilities:

- (a) Globalization causes and deepens poverty;
- (b) Globalization reduces and even resolves the problem of poverty;
- (c) There is no necessary link between globalization and poverty;
- (d) There is a negative impact in the short term, turning into a positive impact on the overall economy in the long run;
- (e) There is a positive impact in the short term, turning into a negative impact on the overall economy in the long term;
- (f) There is a negative impact to a certain point, then the relationship becomes neutral or insignificant;
- (g) There is a positive impact to a certain point, then the relationship becomes neutral or insignificant;
- (h) There is a neutral or insignificant relationship at the beginning, then becomes a positive relationship; and
- (i) There is a neutral or insignificant relationship at the beginning, then becomes a negative relationship.¹⁸

What is evident from all those possible permutations is that the links between globalization and poverty are complex and ambiguous. The question still remains of whether globalization promises to lift the economies of developing nations, or exacerbates income gaps within and between nations, or perhaps leads to both contradictory processes simultaneously. In this sense, globalization and poverty are interdependent: globalization not only affects poverty but, in turn, poverty might determine the fate of globalization. To address these issues, the subsections consider the first three of the ten potential links, noting that the remaining seven flow from the implications of the first three. To discuss these links, radical, liberal, and realist perspectives are employed.

Globalization Causes and Deepens Poverty

According to its critics, globalization causes and deepens poverty. This is due to several interrelated reasons. First, without capital, one cannot gain from economic integration. The poor having little or no capital are not able to invest in a consolidated global market. Second, due to uneven development, globalization exacerbates social and economic gaps within and between states by reinforcing a process of “creative destruction.”¹⁹ Economies and societies are required to rapidly adapt to the changes posed by globalization. Since economies almost never succeed equally, some nations will grow faster than others, so that globalization will increase inequality. Third, from a structural point of view, dependency theorists argue that the poverty of developing countries is caused by the affluence and exploitation of the developed countries.

According to this logic, the very structure and processes of globalization perpetuate and reproduce the disparate relations and exchanges between the core of the international economic system, comprised of the industrialized countries, and the periphery, or the less developed countries (LDCs).²⁰ Finally, globalization has increased inequality by having significant and uneven effects upon various types of social stratification among and especially within nations, including class, country, gender, race, urban-rural divide, and age.²¹ In this view, although contemporary globalization has helped in some cases to narrow social hierarchies in certain respects (such as opportunities for women to engage in waged employment), it has tended on the whole to widen the gap in terms of opportunities. This is due to the uneven distribution of costs and benefits, which tends to favor the already privileged and further marginalize the already disadvantaged.²² Overall, globalization is exacerbating inequalities of resources, capabilities, and of the power to autonomously act in the international arena.²³

Economies and societies are required to rapidly adapt to the changes posed by globalization. Since economies almost never succeed equally, some nations will grow faster than others, so that globalization will increase inequality.

Further, from dependency theories and other radical perspectives, the adoption of the liberal ideology of globalization, and the restructuring of the world economy under the guidance of the Bretton Woods institutions, increasingly denies developing countries the possibility of building their national economies. Thus, the internationalization and globalization of macroeconomic policies transforms poor countries into open economic territories, and their national economies into “reserves” of cheap labor and natural resources.²⁴ For instance, “[s]ince the early 1980s, the ‘macro-economic stabilisation’ and ‘structural adjustment’ programmes imposed by the IMF and the World Bank on developing countries (as a condition for the renegotiation of their external debt) have led to the impoverishment of hundreds of millions of people.”²⁵

In addition, the MNCs, by transferring technology, capital, and skilled labor between states, have reinforced the negative effects of foreign capital penetration, further enlarging the gap between the rich and the poor within states. Thus, MNCs have contributed to the development of the so-called “enclave economies” within the host countries, which are characterized by small pockets of economically developed regions, while the rest of the larger peripheral areas exhibit extreme indices of poverty and very little progress.²⁶ In this sense, globalization is producing a new kind of hegemony that fuses power and wealth in a kind of “corpocracy” of financial markets and corporations that create rules and norms that structure the international system.²⁷ In sum, the processes of globalization have led to a ruthless capitalist system

characterized by exploitation, domination, and growing inequalities both within and among national societies, composed of the rich core of developed economies and the exploited, impoverished periphery of the third world countries.²⁸ In the words of a prominent economist, “[g]lobalization today is not working for many of the world’s poor...It is not working for the stability of the global economy.”²⁹ Furthermore, “[i]f globalization continues to be conducted in the way that it has been in the past...globalization will not only not succeed in promoting development but will continue to create poverty and instability.”³⁰

Globalization Can Reduce and Resolve Poverty

Proponents of globalization contend that enormous bounds have taken place as the flow of large quantities of trade, investment, people, and technologies across borders has expanded from a trickle to a flood. These processes are increasing global prosperity and international cooperation, eventually leading to a greater equality and convergence in the performance of national economies across the world. As it has become evident in the last three decades, participation and integration in the world economy has been highly beneficial for developing nations, including China, India, and the newly industrializing countries of East and Southeast Asia.³¹

As it has become evident in the last three decades, participation and integration in the world economy has been highly beneficial for developing nations, including China, India, and the newly industrializing countries of East and Southeast Asia.

Liberal and neoliberal perspectives maintain that a direct and positive relationship exists between globalization and poverty; that is, globalization is reducing the overall amount of impoverished individuals. At the same time, there is a growing recognition that globalization does not progress evenly, despite its overall positive effects for worldwide development.³² According to this view, those countries that rapidly integrate into the global economy grow faster and manage to reduce poverty. For example, outward-oriented (i.e., export-led) economic policies transformed East Asia into some of the world’s most dynamic and more prosperous economies over the past forty years. In contrast, where countries pursued inward-oriented economic policies, such as import substitution industrialization, their economies stagnated or declined, evidenced by Latin America and Africa between the 1950s and the 1980s. In sum, the process of globalization, as economic integration and interdependence, can reduce and resolve the problems of poverty and inequality, within and among nations. Through the promotion of free trade that sustains high-quality growth, “globalization also holds the promise of improved living standards for all the peoples of the world.”³³ In this sense, economic opportunities in the third world would be enhanced through the elimination of trade barriers, which, in turn, vastly reduces poverty. Such restrictions

on economic freedom are perpetuated by rich- and poor-country governments alike.³⁴

In addition to free trade, technology, as the main driver of globalization, can be considered as essential in potentially alleviating and reducing poverty, if properly and effectively disseminated and adopted. Thus, the advances achieved in computing and telecommunications in the North offer enormous opportunities for raising living standards in the third world. The adoption of liberal economic policies and the appropriate technologies have already brought substantial benefits, increasing the profits of Western corporations and raising the productive employment and higher incomes for the world's poor.³⁵

Thus, through their decision-making procedures and implementation of policies, national governments are directly responsible for increasing or reducing poverty and the conservation of degradation of the environment.

There Is No Necessary Link between Globalization and Poverty

A third view, neither radical nor liberal, but rather realist, does not identify a necessary or clear link between globalization and poverty. For instance, Robert Gilpin argues that many of the problems associated with globalization are linked to other factors, though related, which are not part and parcel of the more limited phenomenon of globalization.³⁶ In other words, by adopting a "minimalist" definition of globalization, one excludes many of the economic and technological changes. This version of globalization has neither positive nor pernicious effects upon poverty and inequality, since it is a much more limited phenomenon.

Moreover, this approach suggests that serious problems that have affected peoples and states, such as poverty and environmental degradation, are first and foremost directly related to national governments and policies, rather than to the supra-national or supra-territorial forces of the global market. Thus, through their decision-making procedures and implementation of policies, national governments are directly responsible for increasing or reducing poverty and the conservation of degradation of the environment.

In this perspective, in normative terms globalization is catalogued neither as necessarily "bad" nor necessarily "good," but rather has the potential to do either enormous good or tremendous harm. In other words, the management of globalization by nation-states determines the way states cope with its processes, and should become the focus of inquiry.³⁷

THE GLOBAL IMPORTANCE OF POVERTY

Thus far, the analysis has sketched the possible links between globalization and poverty. Generally, one can conclude that those links are complex and ambiguous

due to the potential mutual effects of the relationship.³⁸ In other words, factors other than globalization affect poverty in positive or negative directions. The reality of poverty and inequality in itself might be a serious cause for the growth of social violence, political and social instability, ethnic conflicts, and civil and international wars that shape the global system. For instance, poverty and immiseration, directly linked to overpopulation, resource scarcity, and environmental degradation as witnessed in many areas of contemporary sub-Saharan Africa, are a direct source of social conflicts, civil wars, and refugee flows.³⁹ As Robert Kaplan argued, “Precisely because a large part of Africa is staring into the abyss, it gives a foretaste of how wars, frontiers and ethnic politics will look a few decades from now.”⁴⁰ These are indeed gloomy and pessimistic statements that, when taken seriously, indicate the relevance and urgency of the issues at stake. Therefore, the analysis of the possible links between globalization and poverty is not just a futile academic exercise for the sake of theorizing in international relations. The implications and consequences of the links between globalization and poverty are significant in both moral and practical terms.

From a moral standpoint, the persistence of poverty, increasing inequality, and human deprivation diminishes humanity. Poverty stands against human decency, human rights, and basic claims of distributive justice. Moreover, from a practical standpoint, poverty and extreme inequality are an “international externality” that can disrupt and derail the forces of globalization. As one of the senior officials of the IMF acknowledged recently, “[g]rowing inequality poses the greatest risk to the future of the global economy. If the majority of the world’s population is increasingly marginalized and economically disenfranchised, then globalization will fail.”⁴¹ In addition to these economic arguments, it should be emphasized that the persistence of poverty makes global peace and security fragile as well.⁴² The following two subsections elaborate on these issues in normative and pragmatic terms.

The Normative Dimension: Issues of Distributive Justice and Human Rights

Why should developed states help the LDCs? Why should the international institutions and organizations—the United Nations, the World Bank, and the IMF—assist poor people in developing countries? If the answers to those questions are not framed only in terms of rational cost-benefit calculations, then the analysis can move from the rational to the normative dimension and from the inter-national to the global realm. In this sense, normative considerations such as (re)distributive global justice explain the links between globalization and poverty as a global problem. First, poverty is a symptom of a domestic problem of underdevelopment. Second, poverty becomes an international problem as a serious issue in the agenda of relations among a number of states. Third and foremost, poverty is a global problem and has implications and ramifications for the human community as a whole, better understood when considering the evolution of political and human rights in the direction of universal jurisdiction for international law when there is a gross violation of those rights. In the third sense, there exists a universal promotion of human rights of various kinds, and thus there is an international responsibility for the fate of the

world's poor.⁴³ In short, the normative dimension maintains that the relationships between globalization and poverty are important since there is a moral obligation, in terms of human rights and distributive justice, to help the developing countries to eradicate poverty. Poverty is linked to the more general issues of human rights, equity, equality, and distributive justice both within and across borders.⁴⁴

The normative concern of the potential effects of globalization upon poverty echoes the literature on (re)distributive justice that emerged in the 1970s, following third-world demands for a NIEO.⁴⁵ The two major normative themes that emphasize the relevance of a moral analysis are human rights and distributive justice in terms of fairness.

The reality of poverty and inequality in itself might be a serious cause for the growth of social violence, political and social instability, ethnic conflicts, and civil and international wars that shape the global system.

Human rights represent the basic normative common ground to fight poverty and to understand the humane concern with the links between globalization and poverty. Considerations of humanity, basic needs, and socioeconomic human rights lead rich countries to help poor ones in extreme cases of relief of distress or famine relief. Moreover, if poverty is considered a basic violation of human rights, then there is a moral obligation to correct that violation. Yet, it should be pointed out that this normative consensus limits itself only to extreme cases of absolute deprivation.⁴⁶ From this perspective, there is not much obligation to redistribute resources beyond a minimal guarantee of a basic human standard. Thus, the distance from a human rights analysis of moral obligation and a utilitarian justification to "eradicate poverty" is very short. In fact, the two might even overlap.

The second normative theme, justice as fairness, is more complicated and more difficult to apply in international relations. To begin with, there is no normative international consensus for a moral case to alleviate poverty and inequalities within or among states. Nor is there is a consensus in the reformation of the global system, in the name of social and distributive justice beyond borders, rather than in the name of human rights. Following the formulation of the late philosopher John Rawls, justice as fairness should be interpreted in terms of equal rights, reciprocity, global equity, and some form of redistribution of the global resources from the haves to the have-nots.⁴⁷ As part of a social contract, fairness implies that the poor should share in the gains of society as it grows, while the rich should share in the pains of society in times of crises. Yet, our contemporary global economic system tends to ignore those issues of distribution as fairness,⁴⁸ rather relying on the forces of the market. Thus, the difficulties in trying to implement a scheme of global (re)distributive justice in international relations remain enormous. For such issues to be resolved, a global polity that will guarantee maximum equal liberty to every member of the human community on a cosmopolitan, transnational basis will need to be established.

The Pragmatic Dimension: Issues of Security and Economics

The issue of the global importance of poverty can also be discussed through a pragmatic dimension that utilizes cost-benefit analysis and realpolitik considerations in international relations. The importance of the mutual relationships between globalization and poverty become more salient when considering such crucial issues of security, in terms of war and peace and economics, and in terms of well-being and welfare.

In terms of security, the way in which the developed countries cope with poverty and inequality are likely to determine whether the coming decades will be peaceful and stable or violent and dangerous, and to what extent the current international order will not be disrupted. Poverty produces frustration and anger, directed both at the governments of developing countries and at citizens of wealthy countries.⁴⁹ Moreover, the terrorist attacks on the United States in September 2001 resolved the discussion over whether poverty, marginalization, and the lack of development were only a humanitarian concern or a security problem as well. Although the exact nature of the links between poverty and terrorism remains a matter of debate, it is clear that the renewed US interest in enlarging its aid and development to third world countries stems from terrorism's connection to poverty.⁵⁰

Furthermore, the problem of poverty is also associated with international and civil wars, legal and illegal migrations, refugees, environmental degradation, the spread of diseases, and threats to the existing international order emanating from demands of international and global justice, occasionally demonstrated through terrorist and guerrilla activities. In sum, the links between globalization and poverty are important due to the fact that poverty is likely to be the catalyst for such demonstrations, especially if the impact of globalization upon a country developing is ambivalent, mixed, and uneven.

As part of a social contract, fairness implies that the poor should share in the gains of society as it grows, while the rich should share in the pains of society in times of crises. Yet, our contemporary global economic system tends to ignore those issues of distribution as fairness, rather relying on the forces of the market.

In economic terms, serious considerations of practicality and pragmatism should justify our concern about those links. In a globalized world, there are different ways for the developed countries to help the LDCs: export capital to them, import products from them, or allow the movement of the poor from the third world to developed regions by easing the political borders and encouraging migration flows.⁵¹ Presently, a considerable portion of the trade of the United States and Europe is geared towards the developing countries, where most of the world population lives. Moreover, those countries represent not only potential and emerging markets but also sources of

indispensable raw materials. Hence, the costs of neglecting the rapidly growing international class divide and social and economic gaps will be immense not just for the developing world but for humanity, reaped in terms of environmental degradation, humanitarian disasters, and lack of economic growth.⁵²

In this utilitarian and cost-benefit analysis regarding the developing countries in terms of economics, one can identify an interesting convergence between normative and pragmatic arguments. Focusing resources and policy on poverty can be worthwhile simply on humanitarian grounds (i.e., human rights arguments). Yet, the disadvantages of growing up in extreme poverty pose a challenge to a belief in the equality of opportunity that, in turn, will affect the security and the economy within and among nations. Hence, helping the underclass to rejoin society is in the interests of all, at both the domestic and international levels. Rather than being contradictory, normative and pragmatic arguments tend to reinforce one another.

Poverty produces frustration and anger, directed both at the governments of developing countries and at citizens of wealthy countries. Moreover, the terrorist attacks on the United States in September 2001 resolved the discussion over whether poverty, marginalization, and the lack of development were only a humanitarian concern or a security problem as well.

It should be emphasized that the Bretton Woods institutions traditionally regarded poverty as a national problem, or at most an international problem, rather than as a global one. Thus, poverty-relief measures favored by the World Bank and the UNDP make provisions especially for international coordination and cooperation, which include economic assistance to the LDCs on a state basis.⁵³ Yet, it remains an open question whether the national and international focus of the World Bank and the UNDP allow for the creation and sustaining of a supra-national or global burden-sharing facility that would facilitate the convergence of local, national, regional, international, and global policies and practices.⁵⁴ So far, the answer seems to be a negative one.

CONCLUSION

This paper is a preliminary assessment of the relationship between the phenomena of globalization and poverty as a global problem in international relations. After defining the core concepts, ten logical links between globalization and poverty were suggested. Three of the links were discussed in more detail utilizing a radical perspective to argue that globalization causes and deepens poverty and inequality, a liberal perspective that considers the forces of globalization to be the potential solution

and cure to the problem of poverty, and a realist perspective that maintains that there is no necessary or clear linkage between globalization and poverty. The links between globalization and poverty are complex and ambiguous; globalization might have both detrimental and positive effects. Moreover, the relationship is symbiotic in that poverty substantially affects globalization, and the agents and structures of globalization are needed to combat poverty as a global problem. This might sound tautological or circular in logical terms, but the international institutions, from the UN to the World Bank, have started thinking in those terms, at least at the rhetorical level. However, the solutions that they offer, so far, still remain within the domestic and inter-national domains, and have not yet reached the global level.

To be effective, the recommended policies should emerge out of national debates involving the voices of the poor and marginalized sectors.

Furthermore, this paper addresses the rationale for concern about the complex links. This task is performed by utilizing two arguments. First, the normative argument recreated the debates about distributive justice and economic and social human rights of the 1970s and 1980s. The pragmatic argument is framed in terms of the disruptive effects of poverty from security and economic standpoints.

Having identified the normative and pragmatic arguments to justify concern about the relationship between globalization and poverty, the next step in research is to turn to a policy-oriented debate about the causes of poverty and, concomitantly, to the possible mechanisms for its reduction and eradication. According to Joseph Stiglitz, "Poverty has become an increasingly important development priority. The existence of a correlation between growth and poverty reduction should come as no surprise. But the correlation does not prove that trickle-down strategies are the best way to attack poverty."⁵⁵ Hence, the policy implications of the concern about globalization and poverty remain, at this stage, quite open and moot.

The debates on theory and policy have tended to be polarized around two explanatory models: structural, which is mainly political, and behavioral, which is mainly economic. The structural model emphasizes institutionalized systems of inequality, macroeconomic impacts, and political strategies of exploitation and exclusion. Conversely, the behavioral model focuses on the personal attributes and behavior of poor people in economic terms.⁵⁶

The application of these two distinctive models depends upon different approaches to poverty as a social and political problem, both at the domestic and the international levels. In this regard, considering poverty as a global problem implies three complementary but different concepts: poverty as a domestic problem of underdevelopment, to be resolved within the borders of a given society and state; poverty as an international problem, as part of the agenda in the relations between states; and poverty as a global problem, in terms of world order and (re)distributive justice.

Strategies for effective poverty reduction were addressed by the IMF and the World Bank at Prague in September 26-28, 2000. These initiatives focused on a country's "ownership" of the strategies to reduce poverty, and on the issue of effective governance.⁵⁷ In other words, borrowing countries should prepare poverty reduction strategy policy papers in a process involving the active participation of their civil societies, nongovernmental organizations, donors, and international institutions. To be effective, the recommended policies should emerge out of national debates involving the voices of the poor and marginalized sectors.⁵⁸ In addition to designing national strategies to eradicate poverty, the issue of effective domestic governance should be stressed. Effective governance is often considered the "missing link" between national poverty-relief efforts and poverty reduction.⁵⁹

Notes

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¹ "Poverty seen as greatest challenge of new century despite improved global environment," *IMF Survey*, Vol. 29 No. 20, October 23, 2000, 341.

² *Ibid.*, citing Minister of National Economy and Finance of Greece Yannis Papantoniou.

³ "Wolfenshoen calls on Governors to cooperate to build a more equitable world," *IMF Survey*, Vol. 29 No. 19, October 9, 2000, 308.

⁴ The quoted portion is an edited excerpt from the United Nations Millennium Declaration in "World leaders meet in New York to confront twenty-first century issues on a global scale," *IMF Survey*, Vol. 29 No. 20, October 23, 2000, 351.

⁵ *Ibid.*; the quoted portion is an edited excerpt from the UN Millennium Declaration.

⁶ Richard W. Mansbach and Edward Rhodes, eds., *Global Politics in a Changing World: A Reader* (Boston: Houghton Mifflin Publishing, 2003), 319.

⁷ "Kohler says surveillance and crisis prevention should be at center of IMF activities," *IMF Survey*, Vol. 29, No. 19, October 9, 2000, 304.

⁸ See James H. Mittelman, "The Dynamics of Globalization," in *Globalization: Critical Reflections*, ed. James H. Mittelman (Boulder: Lynne Rienner Publishers, 1996), 1-19; and "Crisis prevention at center of IMF activities," 304.

⁹ James H. Mittelman, "Rethinking the 'New Regionalism' in the Context of Globalization," *Global Governance*, Vol. 2, No. 2 (May-Aug 1996), 197.

¹⁰ Jan Aart Scholte, *Globalization: A Critical Introduction* (New York: St. Martin's Press, 2000), 23.

¹¹ Paul Spicker, for example, gives eleven interrelated definitions of poverty in his chapter, "Definitions of Poverty: Eleven Clusters of Meaning," in *The International Glossary on Poverty*, eds. David Gordon and Paul Spicker (London: Zed Books Ltd, 1999), 150-157; see also Amartya Sen, *Poverty and Famines: An Essay on Entitlement and Deprivation* (Oxford: Oxford University Press, 1981), 11, 14-15, and 17; see also United Nations Development Programme, *Overcoming Human Poverty: UNDP Poverty Report 2000*. New York, 2000, 20; see also Klaus Nürnberger, *Prosperity, Poverty and Pollution: Managing the Approaching Crisis* (London: Zed Books Ltd, 1999), 61; and see also Ashis Nandy, "The Beautiful, Expanding Future of Poverty: Popular Economics as a Psychological Defense," *International Studies Review*, Vol. 4, No. 2 (Summer 2002): 107, 115, and 121.

¹² Spicker, "Definitions of Poverty," 155; and Sen, *Poverty and Famines*, 14-15.

¹³ I would like to thank Robert Gilpin for his comments on this point.

¹⁴ Göran Therborn, "Dimensions of Globalization and the Dynamics of (In)equalities," in *The Ends of Globalization: Bringing Society Back In*, ed. Don Kalb, Marco van der Land, Richard Staring, Bart van Steenberghe, and Nico Wilterdink (Lanham, Maryland: Rowman & Littlefield Publishers, Inc., 2000), 33.

¹⁵ I would like to thank Robert Gilpin for his comments on this point.

¹⁶ UNDP *Poverty Report 2000*, 10.

¹⁷ Hae S. Kim, "The Effect of Global Dependency on the Quality of Life in Developing Countries" (paper presented at the International Political Science Association 18th World Congress, Quebec City, Canada, August, 1, 2000).

¹⁸ I would like to thank Alex Mintz for his suggestions on this point.

¹⁹ Erich Weede, "Globalization: Creative Destruction and the Prospect of a Capitalist Peace," in *Globalization and Armed Conflict*, eds., Gerald Schneider, Katherine Barbieri, and Nils Petter Gleditsch (Lanham, MD: Rowman and Littlefield, 2003), 316-317.

²⁰ See Gordon and Spicker, eds., *Glossary on Poverty*, 35; and Scholte, *Globalization*, 242.

²¹ Frances Stewart and Albert Berry, "Globalization, Liberalization, and Inequality: Expectations and Experience," in *Inequality, Globalization, and World Politics*, ed. Andrew Hurrell and Ngaire Woods (Oxford: Oxford University Press, 1999), 150; and Scholte, *Globalization*, 234.

²² Scholte, *Globalization*, especially chapter ten, "Globalization and (In)Justice," 234-260.

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²⁴ Michel Chossudovsky, *The Globalisation of Poverty: Impacts of IMF and World Bank Reforms* (London: Zed Books Ltd, 1997), 37.

²⁵ *Ibid.*, 33.

²⁶ Kim, "Effect of Global Dependency."

²⁷ Derber cited in Fred E. Dallmayr, "Globalization and Inequality: A Plea for Global Justice," *International Studies Review*, Vol. 4, No. 2 (Summer 2002), 145.

²⁸ Robert Gilpin, *The Challenge of Global Capitalism: The World Economy in the 21st Century* (Princeton: Princeton University Press, 2000), 29 and 300.

²⁹ Joseph E. Stiglitz, *Globalization and its Discontents* (New York: W. W. Norton, 2002), 214.

³⁰ *Ibid.*, 248.

³¹ See Gilpin, *Global Capitalism*, 19, 293, and 293-299; see also David Dollar and Aart Kraay, "Spreading the Wealth," *Foreign Affairs*, Vol. 81, No. 1 (January/February 2002), 120-133.

³² "Crisis prevention at center of IMF activities," 304.

³³ "Camdessus discusses prospects for globalization, need to fight "patent injustice" of world poverty," *IMF Survey*, Vol. 28, No. 23, December 13, 1999, 386; see also UNDP *Poverty Report 2000*, 48.

³⁴ "The case for globalisation," *The Economist*, September 21, 2000, 17.

³⁵ *Ibid.*, 17-18.

³⁶ *Global Capitalism*, 293-294.

³⁷ Richard N. Haass and Robert E. Litan, "Globalization and Its Discontents: Navigating the Dangers of a Tangled World," *Foreign Affairs*, Vol. 77, No. 3 (May/June 1998), 2-6; and Stiglitz, *Globalization and Its Discontents*, 20 and 215.

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⁴¹ "Manuel calls for help in closing poverty gap so all can share in benefits of globalization," *IMF Survey*, Vol. 29, No. 19, October 9, 2000, 306.

⁴² Philip Nel, "Global Inequality: Thinking through Obligations," *Ritsumeikan International Affairs*, Vol. 1 (March 2003), 4.

⁴³ Martha Finnemore, *National Interests in International Society* (Ithaca: Cornell University Press, 1996), 126.

⁴⁴ See Nel, "Global Inequality."

⁴⁵ See Michael W. Doyle, "Global Economic Inequalities: A Growing Moral Gap," in *Principled World Politics: The Challenge of Normative International Relations*, eds. Paul Wapner and Lester Edwin J. Ruiz (Lanham, Maryland: Rowman & Littlefield Publishers, Inc., 2000), 79-97.

⁴⁶ Ngaire Woods, "Order, Globalization, and Inequality in World Politics," in *Inequality, Globalization*,

and *World Politics*, eds., Andrew Hurrell and Ngaire Woods (Oxford: Oxford University Press, 1999), 16.

⁴⁷ See John Rawls, *A Theory of Justice* (Cambridge: Harvard University Press, 1971), 7, 12, 73, and 82-84; see also Nel, "Global Inequality," 11-15; see also Dallmayr, "Globalization and Inequality," 137-156.

⁴⁸ Stiglitz, *Globalization and its Discontents*, 78.

⁴⁹ Mansbach and Rhodes, *Global Politics*, 320.

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⁵⁴ Nel, "Global Inequality," 7.

⁵⁵ Stiglitz, *Globalization and Its Discontents*, 82.

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⁵⁷ Ian S. McDonald, "Prague Annual Meetings Focus on issues of globalization and poverty reduction; Köhler presents his vision for the IMF," *IMF Survey*, Vol. 29 No. 19, October 9, 2000, 302.

⁵⁸ "Closing poverty gap so all can share in benefits of globalization," 307; and "Ministers reiterate central role for IMF, call for sharper focus on core areas of responsibility," *IMF Survey*, Vol. 29, No. 19, October 9, 2000, 315-316.

⁵⁹ *UNDP Poverty Report 2000*, 5 and 8.

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A New Social Contract of Accountability? Lessons from Citizens' Response to the Asian Financial Crisis in Taiwan, South Korea, Singapore, and Malaysia

by O. Fiona Yap

INTRODUCTION

The Asian newly industrialized countries (hereafter abbreviated as NICs) of South Korea, Taiwan, and Singapore garnered much attention from the 1960s through 1990s because of their strong economic performance. While the specifics of the Asian NICs model were debated, in general, the governments were credited for creating the conditions and policies—notably social stability and political quiescence—that led to the economic accomplishments. In particular, analysts acknowledged the significant expedience offered by the social contract between governments in these Asian countries and their citizens, in which the former delivered economic growth in exchange for the latter's quiescence and acquiescence to authoritarianism.¹

Recent and dramatic economic downturns in Asia, including the Asian financial crisis, the world recession, and the economic fallout from the Severe Acute Respiratory Syndrome (SARS) epidemic, have refocused attention on the Asian NICs and the social contract. This time around, observers are pointing out a more dire consequence—the possibility of a backlash from the governments' failure to deliver on the contract. Specifically, the governments' inability to produce economic growth in these previously strong Asian economies may lead to political disquiet and precipitate the reversal of political liberalization and the return of strong-arm politics.² However, this prognosis suggests that the old social contract based on previous regime practices and policies is still embraced by citizens in the Asian NICs. Yet, there is little doubt that political participation has changed, particularly under liberalization in South Korea and Taiwan.³ At a minimum, such changes may fortify new citizens' attitudes and expectations of governments' performance or policy making processes.

Indeed, studies on democratizing countries in Latin America, Eastern Europe, and the former Soviet Union show that political transformation also witnessed changes in citizens' expectations of their governments and their policymaking

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processes—the people supported governments that maintained clear, transparent, and consultatory policy making processes and were willing to accept economic downturns, some severe, as the tradeoff.⁴ Do such changes in expectations apply to Asia? Is there a new social contract in which citizens support clear, transparent, and consultatory governments even at the expense of economic growth?

This essay examines citizens' political and economic support for governments' and their policies during the Asian financial crisis in Taiwan, Singapore, South Korea, and Malaysia to show that there is such a new social contract in Asia.⁵ Specifically, the evidence shows that, despite the economic crisis, citizens responded with political and economic support where governments were transparent and attentive to citizens' concerns or issues, and willing to consult broadly with private sector representatives on further policy development. However, where the government failed to provide clarity, transparency, and consultation, citizens withdrew their political and economic support of the government, which, in turn, compounded political, social or economic problems.⁶

This essay's documentation of the citizens' support for government and policy making processes makes four contributions to the literature. First, it provides empirical evidence that the people support governments that demonstrate the fundamental qualities of democracy—transparency, accountability, and consultation—in Asia.⁷ This documentation is particularly important because public opinion surveys have registered respondents' complaints that democratic regimes are less able to produce order or economic growth in the Asian-NICs; while the citizens clearly reject authoritarianism, they also appear to be weak advocates of democracy.⁸ Second, related to the first point, the evidence underscores the relevance of citizens' political and economic support for their governments. This is particularly useful for Asia where some of the governments have argued for a unique "Asian-style democracy" that downplays the peoples' participation or retains aspects of an authoritarian government.⁹ Third, it makes concrete the incentive for the governments to liberalize in Asia; the evidence shows that it enhances political, economic, and social stability.¹⁰ Viewed from this perspective, governments in Asia that are interested in political and social stability and economic rehabilitation cannot afford to ignore the signals that their citizens endorse the governments' move towards a new social contract. Fourth, the evidence shows that the case that people may support the reversal of political liberalization or the re-installation of authoritarianism is overstated. For one, the documentation of the people's attitudes and reactions shows that they are committed to clear, transparent, and consultatory practices. For another, the evidence makes clear the characteristics that motivate the people's quiescence and acquiescence; authoritarian policy making is clearly *not* the path towards motivating the people's cooperation. Viewed from either perspective, the specter that authoritarian policy making will be reestablished with the support of the people is unlikely to be realized.

To document the citizens' support of governments' and their policies, there is an examination, when appropriate, of the demands of protestors and demonstrators, reports in the popular and international presses, editorials, business studies and reports,

survey responses, the government's policy statements and reports, the government's budget reports, reports from international agencies such as the World Bank and the Asian Development Bank, and expert evaluations. In general, these sources provide useful authentication of events, governments' behaviors, and citizens' reactions.

Where the government failed to provide clarity, transparency, and consultation, citizens withdrew their political and economic support of the government, which, in turn, compounded political, social or economic problems.

The following criteria are used to interpret the information collected.¹¹ In general, the government is clear when it specifies agencies or policy makers to fulfill explicitly spelled-out tasks related to the people's concerns or rehabilitating economic conditions. It is transparent when it investigates, publicizes, and holds high-ranking officials or agencies accountable for concerns and issues raised by citizens through surveys, protests, or feedback via the bureaucracy/representatives, editorials or similar venues. It is open and responsive to consultation when it includes experts, semi-experts, and civic or community representatives in policy making or policy review. These criteria are not mutually exclusive, but comprise sufficiently distinct elements to be treated independently. Change in electoral support for the government is used as a proxy of political support while economic support is based on change in domestic investment portfolios or production investments and change in strike activity, when reported and applicable.

There is a brief recapitulation of the Asian financial crisis to situate the periods examined in Taiwan, South Korea, Singapore, and Malaysia before describing the government's actions and citizens' responses. The paper concludes with a discussion of the findings.

THE ASIAN FINANCIAL CRISIS

The immediate events that precipitated the Asian financial crisis are probably familiar to many. To recap, property prices fell dramatically in Thailand in late 1996, which revealed the pecuniary shortcomings of financial lending companies that had made large investments in the property market.¹² At the beginning of 1997, the shape of things to come became clear on February 5th, when Somprasong Land, a major property developer in Thailand, failed to meet a foreign debt repayment. The Thai government made repeated assurances to support the financial community and the Thai baht; however, it fell short of actually buying bad debts from finance companies. Speculation rose to a fever-pitch and severely strained the country's foreign reserves and the ability of the Thai government to support the Thai baht at the fixed exchange rate. On July 2, 1997, the Thai government floated the baht.

Similar events occurred in Korea. By the beginning of 1997, Hanbo Steel and Sammi Steel in South Korea had declared bankruptcy while rumors surged regarding the financial weaknesses of other large *chaebols* (South Korean business conglomerates), including Kia Motors, Halla, Koryo, and Yongjin.¹³ Kia Motors narrowly avoided bankruptcy by applying for government intervention in June 1997, through the Prevention of Bankruptcy Accord. Nevertheless, the frailties of these large conglomerates were exposed, and the possible ramifications on the survival of small- and medium-sized enterprises, which supported these large enterprises, became all too clear.

There is no question that the vulnerabilities of the Asian economies were exposed prior to the dramatic acceleration in 1997. With each intensifying sign, the international financial community's response was to withdraw capital from countries in the region. This intensely strained the foreign reserves in the region, especially in Indonesia, Malaysia, South Korea, and the Philippines. The extensive capital withdrawals, in turn, triggered a contraction in most of the Asian countries; this contraction undermined investment confidence in the region, which precipitated further capital withdrawals. By 1998, the fallout that many governments in Asia tried to avert was, nevertheless, manifested and felt across Asia.

GOVERNMENTS' RESPONSES AND CITIZENS' SUPPORT IN THE ASIAN NICs FROM 1996 TO 1998

Interestingly, although the ramifications from the Asian financial crisis are largely similar—economic contraction and instability, bankruptcies, and rising unemployment—the responses of the governments were diverse. Some of the measures adopted by the governments are well known, such as South Korea's acceptance of the International Monetary Fund's (IMF) directives and Malaysia's rejection of the same IMF guidelines. Similarly, some of the citizens' reactions are also well documented, such as the labor strikes in South Korea and demonstrations in Malaysia.¹⁴ The protests to the differing governments' stance on the IMF guidelines suggest that policy alone does not explain the citizens' reactions. Indeed, the evidence below shows that citizens' reactions were aimed at government's behaviors in policy making rather than the policies themselves.

Taiwan

Consider Taiwan. Signs that the Taiwan economy was not as robust as before were evident in 1995; in fact, the government classified the nation's economy performance, in October and November 1995, as recessionary.¹⁵ The economy appeared to recover at the beginning of 1996; however, the economic downturn that had already hit parts of Asia stymied further rehabilitation. Unemployment, which had averaged 1.5 percent for a decade, climbed to 1.79 percent by June 1996; among college graduates, it was reported at 2.5 percent.¹⁶ For a nation used to a tight labor market, these increases in the unemployment rate were extraordinary and

disturbing. By October, unemployment had hit 3.2 percent, double the average rate and the highest in more than a decade.¹⁷ The economy of Taiwan, then, was not in the best of shape.

The Taiwan government's response was manifold.¹⁸ Among the first things it did were to acknowledge and publicize the rising unemployment. Then, to deal with unemployment, the Taiwan government called upon the Directorate-General of Budget, Accounting and Statistics (DGBAS), the Council for Economic Planning and Development, and the Council of Labor Relations to pinpoint the causes, review existing programs, and provide relief to unemployment. By June 1996, the Council for Economic Planning and Development had set up a program to uncover the causes of the higher unemployment rates while the DGBAS completed and publicized results from a survey to put a human face on the unemployment statistics. Among its findings, the survey recorded longer lags between jobs and complaints from local aborigines that foreign laborers were depriving locals of jobs. In response, the Council of Labor Affairs prepared an Unemployment Insurance Act to expand unemployment benefits to cover more unemployed over a longer period of time. Also, in a concession to the rising dissatisfaction with the government's foreign labor policy, the Council recommended changes to reduce the influx of new foreign labor and set up job assistance programs to help the unemployed obtain jobs to relieve the unemployment situation. The Council also implemented a program to grant companies a US\$184 monthly subsidy per hire if they employed laid-off workers for a period of three months or more.

To minimize the economic contraction and instability, the Taiwan government significantly increased public works spending, including setting aside US\$5.6 billion for fiscal year 1999 and 2000, and US\$12.6 billion to complete a railway between Taipei and Kaoshiung, in classic Keynesian fashion to stimulate the economy.¹⁹ The Taiwan government also created an NT\$283 billion fund to protect Taiwan from precipitous stock market plunges (NT34=US\$1). Furthermore, it stepped up efforts to join the World Trade Organization to improve market access for Taiwan producers. Although there was a trade-off from this effort—the government had to reorganize tariff and trade structures in the process—these trade-offs were not prominent between 1996 and 1998, did not generate opposition, and even helped to spur industry development in some areas.²⁰ The government also reaffirmed its commitment to small- and medium-sized industries by increasing low-interest loans and direct aid. It continued its exercise to transfer state-owned enterprises into private hands. This last move represented a significant awareness of the people's preferences for privatization; survey results showed 45 percent of respondents preferred privatization versus state-owned enterprise.²¹

Throughout these efforts, the government publicly acknowledged the problems, specified clearly the agencies responsible for tackling them, released ongoing information about investigations and analyses, and consulted widely with academics, labor, business, and industry representatives. Indeed, at the end of 1997, Premier Vincent Siew continued to admonish government agencies to “coordinate and make

concerted efforts” to deal with the crisis because it was “not over.”²² Just as importantly, the government continued deliberate efforts to solicit and incorporate feedback in the development of future policies.

Among the most prominent of these was the all-party National Development Conference in May 1997.²³ It included opposition parties, policy analysts, business and labor representatives, and academics entrusted to consider constitutional amendments to clarify the relationship between the president, cabinet, and the legislature, help set budgetary priorities and review procedures, recommend labor, industrial, and environmental standards, and propose economic strategies for future development. The participation of the large number of non-government representatives is noteworthy in its effort to realize feedback, concerns, and interests of representative delegates. It was also a substantial step towards realizing government responsiveness and accountability.

Equally important was that many recommendations from the conference were implemented through legislation or even constitutional amendments, including one that retrenched the duties of the Taiwan provincial government to streamline administration and eliminate duplication. The government also reviewed the existing administration to cut expenses.²⁴ These efforts were significant because it addressed public criticisms of the heavy duplication in government services. The Directorate-General also eliminated special funds to government agencies and reduced the number of non-profit funds from thirty-seven to twenty-nine. And in July 1997, the Directorate-General set up an accounting operation task force to monitor budget execution of each government agency to ensure “maximum proficiency in national resource utilization.”²⁵

For its clarity, transparency, and consultation, the government was rewarded with political and economic support. Politically, the legislative elections of December 1998 saw the Kuomintang (KMT) retain its majority in the legislature with 46.4 percent of the vote (compared to 46.1 percent in the December 1995 legislative elections).²⁶ The significance of these electoral results: it was the first free legislative election since 1992, that the ruling KMT government did not lose popular support from the previous election. Economically, Taiwan’s portfolio investments remained positive at 3.5 percent for the year, and gross domestic investments increased by 21 percent in 1997 and 14 percent in 1998.²⁷ These injections helped fuel the Taiwan economy so that the nation suffered the least among the Asian countries during the financial crisis.

Some may expect that a democratic or democratizing nation such as Taiwan would see the government embrace clear, transparent, and consultatory policy making processes. Yet, the evidence from South Korea shows that governments in democracies may, nevertheless, fail to demonstrate these qualities. When they do, notwithstanding the democratization process, citizens withdraw their political and economic support.

South Korea

Quarterly economic reports show that the South Korean economy decelerated in the first quarter of 1996.²⁸ By mid-year, the news was reporting cutbacks in executive privileges at the large conglomerates, the *chaebols*, including cutbacks in golfing and plans to trim personnel.²⁹ In the third and fourth quarters, national and international organizations revised growth statistics for the South Korean economy as inventories grew, businesses struggled and the widening trade deficit became larger. Notwithstanding, South Korea eked out a 7 percent growth that belied its economic vulnerabilities.³⁰

Even as signs of the downturn began to show, the South Korean government insisted that economic performance would fall within targets and seemed prepared to allow a few non-performing *chaebols* to collapse. Such was the government's confidence that, in December 1996, it pushed through a labor law, opposed by labor and opposition parties, that eased restrictions on employers laying off workers, hiring temporary workers, and replacing striking workers with non-unionized labor. However, signs that the impact of the financial crisis was larger than expected could not be ignored as the number of *chaebols* that announced cash flow and debt-repayment problems rose in 1997.³¹ By June 1997, the government was forced to reconsider its former stance of allowing non-performing businesses to collapse. In its place, it enacted a bailout program that granted a temporary two-month stay from creditors through the Financial Insolvency Prevention Agreement and also delivered special financial assistance to banks with non-performing loans as a result of the rising number of bankruptcies. The government also tried to introduce financial reforms to curtail corruption and cross-debt guarantees that formed the basis of these non-performing loans and liberalized restrictions on foreign direct investment. To ease labor unrest, it also annulled the controversial labor bill passed in December 1996.

However, the government's efforts were unfocused and inconsistent.³² For example, although the government pledged to ease unemployment and its subsequent unrest, it arrested union leaders for illegal strikes and resisted nullification of the December labor laws. And while the government tried to introduce financial reforms, it also reversed parts of a plan to reorganize and revise the roles of monetary and fiscal authorities that would have eliminated duplication, reformed financial supervision, and boosted confidence. Thus, even as the government announced plans for a new financial supervisory board to take control of the nation's monetary policy, it reneged and left the Bank of Korea in control in July 1997. Then, as if to show that it did not completely backtrack on its plans, the government reassigned the Bank's supervisory role over banks to the new financial supervisory board. The frequent policy tweaking and reversals meant little progress towards actual reform and served to drain confidence further.

At various times, the government policies were negated almost as soon as they were made—conflicts in policies were common as newly formed government committees failed to coordinate to avoid redundancy or inconsistencies. In one such

example, the Commission for Financial Reform and the Labor Reform Commission openly bickered over sectoral reforms to compound the difficulties of policy making or stall it completely. Policies that were eventually implemented after such bickering were often inadequate. For instance, both businesses and critics criticized the government's bailout program; the former complained of the short respite within which they had to reorganize and emerge from bankruptcy while the latter pointed to the bailout as evidence of the ongoing collusion between government and business. It seems that few government measures were not undermined by its own hesitancy, internal conflicts, news of corruption, resistance to openness or investigation, more bankruptcies, or more labor unrest.

The result of the government's resistance to clarity, transparency, and consultation was to alienate the people's support. In the December presidential elections, the people ousted the incumbent presidential party for the first time in South Korean election history to vote for long-time opposition candidate, Kim Dae-jung.

Yet, the greatest problem was the government's inadequacy to consult with the private sector. In particular, the government was slow to move on charges of bureaucratic misuse of power or corruption. This deficiency could not have come at a worse time; a national survey in November 1996, reported that respondents identified corruption as fundamental and unresolved blight on politics and the economy, with 72.2 percent of the respondents identifying the National Assembly as being most corrupt, followed closely by senior bureaucrats. It did not help that the highest levels of government, including President Kim Young-sam's cabinet, closest aides, his own son, and himself were implicated in these charges. To illustrate the government's lack of clarity, transparency, and consultation, consider that the president issued a public apology for the extent to which his cabinet and aides were implicated in corruption scandals (specifically, the Hanbo Steel conglomerate scandal) in February 1997. However, in May, he rebuffed public calls to disclose details of his campaign funds in the 1992 election. The disjoint between the government's statements and its actions was stark.³³

Consider, too, the investigation of the corruption case against the president's second son, Kim Hyun-chul. Hearings at the National Assembly, which conducted the investigation, were plagued with mismanagement, indecisions, and irresolution. In fact, the National Assembly had originally voted down a motion to file charges against Kim Hyun-chul. The lack of resolve in the National Assembly did nothing to address the people's concerns of the government's tolerance of corruption in its ranks, its unwillingness to improve clarity and transparency of policy making, or its

perceived indifference to the people's issues. Although Kim Hyun-chul was subsequently sentenced to three years in prison for his role in the Hanbo Steel conglomerate, the process highlighted the mismanagement in the government.

Cabinet reshuffling to boost the government's credibility further compounded the situation. In general, cabinet reshuffling represented a last ditch effort to rehabilitate the government's image. Unfortunately, during the financial crisis, cabinet reshuffling became almost commonplace as the South Korean government frequently replaced cabinet members tainted by scandals and rumors of involvement with the *chaebols*. More importantly, the personnel changes served to make the policy making process opaque and inaccessible as tasks and people were reassigned. It seems that the turmoil in the South Korean economy was mirrored in politics and the government.

The government did try to pattern an interparty accord in April 1997, similar to the National Development Conference in Taiwan. It provided for the three major parties, representatives from the business community, labor, and academia to work together on a pan-national economic consultation council to deal with the ailing economy. However, with the prospective presidential elections in December, the parties seemed more intent on distinguishing themselves from each other than working together; candidates vacillated between accepting and repudiating the IMF-bailout as the most expedient response for the Korean economy and spent much of the campaign trading accusations of wrong doings and illicit political funding from conglomerates. It is small wonder that the interparty accord never got off ground.

The result of the government's resistance to clarity, transparency, and consultation was to alienate the people's support. In the December presidential elections, the people ousted the incumbent presidential party for the first time in South Korean election history and voted for long-time opposition candidate, Kim Dae-jung. The people also withdrew economic support; strike activities included a month-long general strike in 1997, unprecedented in scale and longevity, and showed an increase of fifty-one incidents between 1997 and 1998 and by another sixty-nine incidents between 1998 and 1999. Production investments fell by more than 50 percent in 1997 and 1998. Stock prices also fell an average of 21.5 percent in 1997, and 38 percent in 1998.

Are these reactions attributable to the citizens' dissatisfaction with the IMF loan agreement rather than the government's behaviors? The evidence suggests not. Specifically, in the initial months of 1998, the South Korean people appeared ready and willing to cooperate with the new president's party; a national poll, taken in January 15, reported that 53.8 percent of the respondents accepted layoffs while 60.8 percent viewed the IMF rescue package positively at that time. Equally noteworthy was that 68.6 percent blamed the previous Kim Young-sam administration for the state of the economy.³⁴ Also, the people followed through with actual support for the government; they answered the new president's call, in January 1998, to help the economy by donating personal collections of foreign currency and gold so that, by mid-January, 700 tons were collected. With each ton valued at US\$100 million, these contributions represented significant effort to work with the government.

However, when policy making became stalemated under the divided government, the people reacted by withdrawing such political and economic cooperation. In particular, the new president faced a legislature dominated by the former president's Grand National Party. Gridlock and political backbiting replaced clear, transparent, and consultatory policy making. The government's ineffectual policymaking became glaring when the Organisation for Economic Co-operation and Development (OECD) openly criticized the IMF's bailout policies in July 1998 and the IMF itself subsequently admitted that it had mishandled the crisis.³⁵ To many South Koreans, it suggested that the higher unemployment rates, higher taxes, higher interest rates, and reduced real income endured by many South Koreans could have been averted or minimized. Perhaps as a result, immediately following the OECD's report, a Civic Group for Economic Justice formed to file a class action law suit against the National Assembly. The suit sought damages for the "political in-fighting" in the legislature that had paralyzed the economy and also asked the courts to freeze the salaries of the legislators for "not working" and "inaction." The group's stand was so popular that within an hour of a rally in Myongdong, 700 people had signed up on the lawsuit.³⁶ These events make clear that the people's withdrawal of political and economic support were aimed at the government representatives for their lack of clarity, transparency, and consultation.

The evidence from Singapore further corroborates the possibility set out in this paper that the people appear willing to trade off economic downturns for clear, transparent, and consultatory governments.

Singapore

Unlike Taiwan and South Korea, Singapore was well-placed to confront the Asian financial crisis. In 1996, the government had moved to curb property speculation so that it did not suffer from a comparable bubble in real estate.³⁷ The government also kept pace with developments in the region and presented a conservative budget for 1997 that emphasized caution in light of an economic slowdown in the region in 1996. Thus, even though the economy grew by 7 percent in 1996, the government projected a modest growth for 1997, between 5 and 7 percent. As a result of these measures, despite the financial crisis, Singapore registered a healthy growth of 7.8 percent in 1997.³⁸

Unlike the South Korean government, the Singapore government pointed out that this robust figure belied the extent to which the financial crisis had reverberated onto the country and called for the people to brace themselves for worse in 1998. In fact, when it presented its 1998 budget statement in February 1998, the government emphasized that the financial crisis was not over, that there was still a great deal of economic uncertainty, pledged its diligence to collect and analyze information regarding the breadth and depth of the crisis, and also committed to "keep in close touch with the private sector" regarding economic developments.³⁹ In preparation for the downturn, the government increased spending, with particular focus on development spending, to stimulate the economy. Its willingness to reveal the true state of the

economy, identify vulnerabilities, and explain how the government planned to tackle the uncertainties and vulnerabilities kept the people abreast of the country's economic performance.

The government also commissioned a Committee on Singapore's Competitiveness (CSC) in May 1997, to review and formulate the economic direction for the country, including a fundamental examination and revision of economic policies and reforms in the specific areas of manufacturing, banking and finance, hub services, domestic business, and manpower. Private sector representatives in labor, business, and academia dominated the CSC and its five sub-committees. In fact, there was an average of only one government representative in each of the twelve-member committees.

Even as the CSC was making its review, the government kept to its word and regularly updated the people regarding the state of the economy and evaluated its impact on livelihoods. For instance, the Singapore Parliament gave priority to questions on the financial crisis and its impact on the domestic economy in its sittings. Although the governing People's Action Party dominates the legislature, the members of parliament fielded questions to the government for clarification on help for retrenched and unemployed workers, housing loan repayments, and reemployment. The government also increased the number of outlets for collecting private sector feedback, including launching websites, which provided accessible forums for the people to air grievances, dissatisfaction, or queries to the government and also provided for the government's replies.

Just as importantly, the government followed through on the queries, feedback, and discussions. Thus, when preliminary figures indicated a dramatic slowdown in the economy, the government proposed an off-budget package in June that incorporated the CSC's interim recommendation of US\$2 billion business cost cutting and economic stimulus package.⁴⁰ The move was significant in two ways. First, it authenticated the government's pledge that it would keep abreast of economic developments and share them with the people. As then Finance Minister Richard Hu noted, "we will not wait for GDP to go to negative before we do something."⁴¹ It was clear that the government intended to maintain clarity and transparency. Second, it demonstrated its willingness to consult with and use private-sector feedback on policy developments.

Indeed, the government implemented the CSC's final recommendations in their entirety in November 1998. The effect of the CSC's recommendations, submitted in a 108-page publicized report to the government, was a total stimulus package of S\$12.5 billion, which reduced corporate- and commercial-property tax rebates, levies and land rentals, and charges for telecommunications, electricity, and transportation. Of that, US\$1.9 billion was expended for infrastructure construction and development to stimulate employment and another US\$1 billion spent on reequipping skills of retrenched workers through the Skills Development and Training and Attachment programs.⁴² Deputy Prime Minister Lee Hsien Loong pledged in a televised interview that the government's next measure would be to spend down its reserves, should the economy worsen.

Such clarity and transparency in the government and willingness to consult on policy making were duly noted in domestic and foreign press and policy circles. Although the political systems in Taiwan and Singapore were different, the ruling parties behaved similarly by actively campaigning for voters' support in dealing with the financial crisis.⁴³ Economic evidence confirmed that the government's efforts paid off; Singapore's investment recovery in the aftermath of the 1997–1998 Asian financial crisis was most rapid among the Asian NICs. Its real investment recovered from the -7.8 percent fall in 1998, to 2.7 percent in 1999 and to 14.6 percent in 2000. In contrast, its larger, more resource-abundant Malaysian neighbor suffered real investment losses of -55.2 percent, -21.8 percent, and -16.7 percent in 1998, 1999, and 2000, respectively.⁴⁴ The next section examines the Malaysian government's efforts to tackle the financial crisis.

Malaysia

Malaysia's current account deficit was the focus of much attention in 1996. The IMF had warned that the country, with a current account deficit of 8 percent of the country's GDP in 1995 and about 6 percent in 1996, meant that the resource-rich nation appeared to have more in common with the Latin American-NICs than the frugal and resource-poor Asian counterparts.⁴⁵ In particular, this current account deficit, which reflected a capital inflow due to a generous perception of macroeconomic conditions in Asia, fed property and share prices and encouraged an external debt of about 40 percent of the GDP. Given that Malaysia's previous bout with high external debts—between 1980 and 1982, when its external debt reached a high of 41 percent of the nation's GDP—precipitated the country's 1985 recession, the IMF's concern was not groundless.⁴⁶ In December 1996, the government launched a national savings drive to close the gap between investments and savings and ensure that the country did not increase its dependency on foreign borrowing. The Central Bank also announced new lending restrictions for shares and properties to decrease foreign borrowing.

However, these preliminary efforts came up short when reverberations from the Asian financial crisis hit Malaysia.⁴⁷ The loss in investment confidence led to large sell-offs of the Malaysian ringitt and outflows of capital, resulting in depreciation of the currency and a decrease in stock prices. In three short months, the Malaysian ringitt had lost 20 percent of its value against the US dollar, and the Kuala Lumpur Stock Exchange's composite index had lost 40 percent of its market capitalization. By the end of 1997, the economic slowdown was apparent and presaged negative growth in 1998; inflation and unemployment were up, the stock market had lost almost 45 percent of its market capitalization, and the Malaysian ringitt had lost 35 percent of its value against the US dollar.⁴⁸ Malaysia steadfastly refused to turn to the IMF for a bailout, conceivably because the IMF package would come at a price that included, among other things, a renunciation of the government's pro-Malay economic policies.⁴⁹ Nevertheless, to stem further problems, the government

suspended a total of US\$30 billion in mega projects, the huge multibillion projects that included the US\$5 billion Bakun hydroelectric dam, a new international airport at Kedah state, and the world's longest two-kilometer building, the Linear City. The Malaysian government also adopted stringent fiscal and monetarist policies consistent with the IMF's prescription; it targeted to reduce the current account deficit, decreased corporate taxes by 2 percent, and set up a contingency fund to deal with nonperforming loans. After some resistance and hesitation, the government implemented an austerity package recommended by then Deputy Prime Minister Anwar Ibrahim, which included a cut in government spending by an additional 18 percent, a rise in interest rates to 11 percent, a limit on the growth of loans down to 15 percent by the end of 1998, and more stringent guidelines regarding loans for vehicles, commercial, and residential properties.⁵⁰ Measures were also introduced to rationalize financial companies and reclassify nonperforming loans.

Economic crises do not fundamentally precipitate a rejection of political or economic liberalization.

Nevertheless, it was apparent that the government was resistant and hesitant to address the economy. Indeed, critics charged that the Malaysian government failed to consider private sector concerns and experts' evaluations of the economy and realistically appraise its role of spending.⁵¹ Consequently, the country did not prepare and brace the economy better against the impact of the crisis. Also, public criticisms of nepotism and favoritism started to surface: several of the government's mega projects were Prime Minister Mahathir's pet programs and the delay in raising interest rates benefited the government's political allies and conglomerates linked to the dominant party, the United Malay National Organization (UMNO).

Equally important, in a complete turnaround, the government changed course when the fallout from the long-awaited austerity package began to hit the Malaysian economy. In January, Prime Minister Mahathir convened a National Economic Action Council (NEAC) charged with the task of "arrest[ing] the worsening economic condition and revitaliz[ing] the economy."⁵² The NEAC, headed by Daim Zainuddin, Mahathir's ally of more than twenty years, signaled its willingness to intervene economically, bail out enterprises, and implement fiscal stimulus, all of which reversed the government's previous stance. By September 1998, the government's turnaround was complete; it replaced the austerity package with one that provided economic stimulation of RM\$66 billion, introduced capital controls, and bailed-out three prominent and politically-connected companies, including one Konsortium Perkapalan, a logistics and haulage company in which Mahathir's eldest son, Mirzan, has a 51 percent stake. In these policy reversals, the government successfully distributed patronage to protect the Malay corporate elites that had risen the ranks through the affirmative action policies of the dominant UMNO party from the perils of economic adjustment. However, these policy reversals also meant that, unless a quick turnaround

in the world economy occurred, the government would lose the opportunity of economic recovery through these patronage disbursements. As things turned out, the quick turnaround did not materialize and the Malaysian economy fell in real per capita terms by -9.5 percent in 1998.

Not surprisingly, discontent within UMNO and in the larger electorate rose as businesses continued to fail in a market that showed few signs of recovery. Despite this, the Malaysian government continued on its track of resistance to clarity, transparency, and consultation; in fact, Mahathir called for a freeze in the party's chief posts in the upcoming party elections and accused any call for change as a foreign-orchestrated attack on the NEP.⁵³ He also moved his confidant, Daim Zainuddin, from head of the NEAC to Finance Minister and fired Anwar Ibrahim from that cabinet post on September 2, 1998. Anwar had repeatedly sought reforms in the political and economic structures and had apparently consolidated enough support to challenge Mahathir for the UMNO leadership. Anwar was subsequently expelled from UMNO following allegations of homosexual activities, charged with corruption and immoral behavior, and convicted and sentenced.

The Malaysian governments efforts from 1996 to 1998, then, were not the substance of clarity, transparency, and consultation; instead, observers called the governments measures confused at best and augmented suspicions of corruption and abuse of power at worst. Investments fell by 55.2 percent in 1998, and by a further 16.9 percent in 1999.⁵⁴ Strike activity also increased, by seven incidents in 1998. This increase is noteworthy in light of the labor quiescence in the country in recent years. Demonstrations also became commonplace following the arrest of former Deputy Prime Minister Anwar Ibrahim.

LESSONS FROM CITIZENS' SUPPORT

Observers of the Asian NICs suggest that the economic crisis may reverse political liberalization or even reintroduce authoritarian governments because citizens are not willing to trade off economic growth. Yet, this expectation runs against existing information on democratizing countries, which consistently point out that economic crises do not fundamentally precipitate a rejection of political or economic liberalization. This paper examines evidence of citizens' support for governments and policy making during the Asian financial crisis in Taiwan, South Korea, Singapore, and Malaysia to show that citizens prefer clear, transparent, and accountable governments in these countries and supported such governments even during economic downturns. However, when governments resisted clarity, transparency, and accountability, citizens withheld and withdrew their political and economic support for the government.

The evidence across the four countries during the financial crisis from 1996 to 1998 is consistent: in Taiwan and Singapore, where the governments were clear, transparent, and consultatory, citizens responded by providing further political and economic support. In particular, in both countries, the governments were open and

clear about the vulnerabilities of their respective economies, acknowledged problems that had to be resolved, clearly identified the personnel and agencies primarily responsible for dealing with the problems, eliminated duplication, included the private sector in the review, discussion, and analyses of the economies and formulation of stabilization measures, and kept the private sector apprized of developments. In response, citizens accepted the economic downturns and were ready to kick in their political and economic support to help their nations through the downturns. However, in South Korea and Malaysia where the governments resisted clarity, transparency, and consultation, the citizens withdrew their political and economic support for their governments. Thus, in the two countries where the governments appeared confident of their country's economic strengths, failed to examine, investigate or prepare for the possible impact of the financial crisis, resisted measures to address the economic downturn when the crisis became apparent, confounded problems further by creating secondary bureaucracies to deal with the problem, and refused to consult broadly on measures to be adopted, citizens responded with protests, demonstrations, and even lawsuits, against the government for its complacency.

Further, the evidence points out the impediments to clear, transparent, and consultatory governments: divided governments, administrative duplication and bureaucratic redundancy, policy conflicts or inconsistencies from a lack of consultation and coordination within and without the administration, and frequent policy changes or even reversals. These processes, which occur to both authoritarian and democratic regimes, fundamentally erode confidence in the government and its policy-making processes.

This paper's documentation of the citizens' reactions underscores the willingness to support governments that are clear, transparent, and accountable. It suggests that political liberalization may be a process advocated by citizens who are aware of and willing to make trade offs to support democracy. Indeed, the evidence provides a concrete incentive for the governments to endorse a new social contract in Asia; it motivates citizens' quiescence and acquiescence.

Most importantly, the evidence shows that the case that the people may support the reversal of political liberalization or the re-installation of authoritarianism is overstated. This cross-national comparison provides empirical evidence that clear, transparent, and consultatory governments beget political and economic support in Taiwan, South Korea, Singapore, and Malaysia, notwithstanding economic downturns. Whether the new social contract takes root is worthy of continued documentation and examination.

Notes

¹ See William F. Case, "Can the 'Halfway House' Stand?: Semidemocracy and Elite Theory in Three Southeast Asian Countries," *Comparative Politics*, Vol. 28, No. 4, July 1996, 437-63; Larry Diamond and Doh-Chull Shin, "The Rough Road to Democracy," *Hoover Digest*, 1999, No. 4, 1-9; Huang Wen-hsiung, "Presidential Advisor Notes 'awkward juncture' on Road to Democracy," *Taipei Times*, April 17, 2003; Hsu Yung-ming, "Taiwan's Democracy is Now at a Crossroads," *Taipei Times*, July 1, 2003.

² For instance, former President of the Philippines, Fidel Ramos, warned of the increasing “temptation to return to dictatorial politics and governance” in these countries (quoted in an interview with *Australian* in *International Herald Tribune*, December 28, 1998). See also Eddy Lee, “A New Social Contract for Asia,” *New Perspectives Quarterly*, Winter 1999, 38-9; Nancy Birdsall and Stephan Haggard, *After the Crisis: The Social Contract and the Middle Class in East Asia* (Washington D.C.: Carnegie Endowment for International Peace, 2000). The point is also noted in the popular presses, e.g., *The New York Times*, “Buffeted Asian Economies Raise Fears of Unrest,” November 30, 1997; *International Herald Tribune*, “Recession in Asia Brings Resistance to Openness,” December 28, 1998.

³ See Amitav Acharya, “Southeast Asia’s Democratic Moment,” *Asian Survey*, Vol. 39, No. 3, May-June 1999, 418-32; Larry Diamond “Elections Without Democracy: Thinking about Hybrid Regimes,” *Journal of Democracy*, Vol. 13, No. 2, April 2002, 21-35. Incidentally, they point out that even Singapore and Malaysia, arguably the most “illiberal” of the democratizing Asian countries, operate under the auspices of formal democratic procedures. Mass political indices such as Polity IV and Freedom in the World report Taiwan and South Korea as “free” and Singapore and Malaysia as “partly free” during the Asian financial crisis. Monty G. Marshall and Keith Jagers, *Polity IV Project: Political Regime Characteristics and Transitions, 1800-2002* (College Park, MD: Center for International Development and Conflict Management, University of Maryland, 2002); Freedom House, *Freedom in the World*, available at <http://www.freedomhouse.org/research/index.htm>.

⁴ See Karen Remmer, “The Political Impact of Economic Crisis in Latin America in the 1980s,” *American Political Science Review*, Vol. 85, No. 3, September 1991, 777-800; Alexander Pacek and Benjamin Radcliff, “The Political Economy of Competitive Elections in the Developing World,” *American Journal of Political Science*, Vol. 39, No. 3, August 1995, 745-59.

⁵ The countries are selected to ensure a mix of democratizing countries, specifically South Korea and Taiwan, and countries that have been resistant to liberalization, specifically Singapore and Malaysia. This ensures generalizability of the argument to show that the new social contract is not confined to democratizing Asian-NICs.

⁶ See Robert H. Bates, *Markets and States in Tropical Africa* (Berkeley, CA: University of California Press 1981); Barry Ames, *Political Survival: Politicians and Public Policy in Latin America*, (Berkeley, CA: University of California Press 1987); Pacek and Radcliff, “Competitive Elections in the Developing World,” 44-6; O. Fiona Yap, “Non-Electoral Responsiveness Mechanisms: Evidence from the Asian Less-Democratic Newly Industrialized Countries,” *British Journal of Political Science*, Vol. 33, No. 3, July 2003, 491-514. These studies show that citizens’ withdrawal of economic support, severely compromised the government’s economic, political, and social efficacy.

⁷ In particular, the literature points out the fundamental values and attitudes for democratic development: citizens’ valuation of transparency, attentiveness, and consultation in the government. See G. Bingham Powell, *Elections as an Instrument of Democracy: Majoritarian and Proportional Visions* (New Haven, CT: Yale University Press, 2000); Russell Dalton and Nhu-Ngoc Ong, “Democracy and Markets: Citizen Values in the Pacific Rim Region,” 2003, available at <http://www.worldvaluessurvey.org/>, accessed May 6, 2004.

⁸ See *World Values Survey 1995-8, 1999-2001*, available at <http://www.worldvaluessurvey.org>, accessed May 6, 2004; Doh-Chull Shin, *Mass Politics and Culture in Democratizing Korea* (Cambridge: Cambridge University Press, 1999); Aie-Rie Lee, “Down and Down We Go: Trust and Compliance in South Korea,” *Social Science Quarterly*, Vol. 84, No. 2, June 2003, 329-43.

⁹ Kim Yung-Myung and Steven Hood cite several academic and political pundits that describe this “Asian-style democracy.” Kim Yung-Myung, “‘Asian-Style Democracy’: A Critique from East Asia,” *Asian Survey*, Vol. 37, No. 12, December 1997, 1119-34; Steven Hood, “The Myth of Asian-Style Democracy,” *Asian Survey*, Vol. 38, No. 9, September 1998, 853-66.

¹⁰ See Lee, “A New Social Contract,” 38-9; Birdsall and Haggard, *After the Crisis*.

¹¹ See Powell, *Elections as an Instrument of Democracy*, 10-6; Dalton and Ong, “Democracy and Markets;” Ann Schneider and Helen Ingram, *Policy design for democracy* (Lawrence, KS: University Press of Kansas, 1997); Udaya Wagle, “The Policy Science of Democracy: The issues of Methodology and Citizen Participation,” *Policy Sciences*, Vol. 33, No. 2, June 2000, 207-223; Peter DeLeon, “Democratic Values and the Policy Sciences,” *American Journal of Political Science*, Vol. 39, No. 4, November 1995, 886-905.

¹² See Steven Radelet and Jeffrey Sachs, “The East Asian Financial Crisis: Diagnosis, Remedies, Prospects,” *Brookings Paper on Economic Activity*, February 1998, 1-90; Andrew Berg, “The Asia Crisis: Causes, Policy Responses, and Outcomes,” International Monetary Fund Working Paper, IMF 1999; Pradumna Rana and Joseph Anthony Y. Lim, *The East Asian Crisis: Macroeconomic Policy Design and Sequencing Issues* (Tokyo, Japan: Asian Development Bank, 2000).

¹³ See *Chosun Ilbo*, “Economic Chief Announces Financial ‘big bang,’” March 21, 1997; “Kia Avoids Bankruptcy Under FIPA,” July 15, 1997; “New Companies Outnumber Bankruptcies,” August 23, 1998; “Half-hearted Assistance,” August 25, 1997; “Renegotiating the IMF Deal?” December 11, 1997; “Easier Mergers and Acquisitions,” December 17, 1997; “Bankruptcies Increase as Banks Tighten Loan Policy,” December 28, 1997; “Record Number of Businesses go Bankrupt,” February 27, 1998.

¹⁴ Malaysia, in particular, saw clashes between police and demonstrators at rallies of support for the former Deputy Prime Minister Anwar Ibrahim following a fall-out between the deputy PM and the Prime Minister Mahathir over policies to deal with Asian financial crisis and his subsequent incarceration in 1998.

¹⁵ See *Free China Journal*, “Jobless Rate Hits 10-year High,” August 3, 1996; “Jobless Rate Reaches 11-year High,” October 6, 1996. Scholars have questioned what unemployment figures for Taiwan mean, given the extraordinarily low figures. See David Schak, “Socioeconomic Mobility and the Urban Poor in Taiwan,” *Modern China*, Vol. 15, No. 3, July 1989, 346-373). In general, the low figures means that even small changes become important. Thus, for example, the press refers to unemployment as an “urgent problem” when it rises from 1.54 percent to 1.75 percent and 1.75 percent was noted as an eight year high. *Free China Journal*, “Jobless Rise puts Focus on Foreign Labor,” June 22 1996.

¹⁶ See *Free China Journal*, “Economy Officially Slips into Recession territory,” December 29, 1995; “Economy Steers Back on Growth Track Heading into 1997,” January 4, 1996; “Rise in Unemployment Rate Prompts Subsidies Proposal,” April 19, 1996; “Jobless Rise puts Focus on Foreign Labor,” June 22, 1996, “Jobless Rate Hits 10-year High,” August 3, 1996; “Jobless Rate Reaches 11-year High,” October 6, 1996.

¹⁷ See *Free China Journal*, “Economy Officially Slips into Recession Territory,” December 29, 1995; “Economy Steers Back on Growth Track Heading into 1997,” January 4, 1996; “Rise in Unemployment Rate Prompts Subsidies Proposal,” April 19, 1996; “Jobless Rise Puts Focus on Foreign Labor,” June 22 1996, “Jobless Rate Hits 10-year High August 3, 1996; “Jobless Rate Reaches 11-year High,” October 6, 1996.

¹⁸ See *Free China Journal*, “Rise in Unemployment Rate Prompts Subsidies Proposal,” April 19, 1996; “Jobless Rise Puts Focus on Foreign Labor,” June 22, 1996.

¹⁹ Jean-Pierre Cabestan, “Taiwan in 1998: An Auspicious Year for the Kuomintang,” *Asian Survey*, Vol. 39, No. 1, January-February 1999, 172-180; *Republic of China Yearbook* (Taipei, Taiwan, 1999).

²⁰ *Board of Foreign Trade Annual Report 1998* (Taipei, Taiwan, 1999). The liberalization efforts included substantial cuts in customs duties, removal of regional trade restrictions, improvement of indirect trade with China, and encouragement for increased import levels, and relaxing restrictions on indirect investments in China.

²¹ *East Asia Barometer 2001-2*, available at www.globalbarometer.org, accessed May 6, 2004; *China News*, “Siew says Taiwan Safe from Asia’s Fallout,” December 15, 1997.

²² *China News*, “Siew says Taiwan Safe from Asia’s Fallout,” December 15, 1997.

²³ For additional discussions of the significance of the National Development Conference, see Linda Chao, Ramon H. Myers and James A. Robinson, “Promoting Effective Democracy, Chinese Style: Taiwan’s National Development Conference,” *Asian Survey*, Vol. 37 No. 7, July 1997, 669-82; *Free China Journal*, “National Development Conference,” March 1 1997.

²⁴ See *Directorate-General of Budget, Accounting and Statistics*, “Achievements and Prospects,” available at <http://www.dgbasey.gov.tw>, accessed June 3, 2003.

²⁵ See *Directorate-General of Budget, Accounting and Statistics*, “Achievements and Prospects.”

²⁶ See *Taiwan Communique*, “Taiwan’s Election Surprise,” December 1998, “Taiwan Elects New Legislative Yuan,” January 1996; *The Washington Times*, “Taiwan’s Nationalists Remain Longest-ruling Party,” December 16, 1998.

²⁷ *Yearbook of Republic of China Statistics 2000* (Taipei, Taiwan, 2000).

²⁸ *The New York Times*, “Export Growth Slows for Asia’s Tiger Economies,” August 3, 1996; *Courier Mail*, “Asia’s Tiger Economies Fall on Hard Times,” November 2, 1996; *Associated Press*, “Asian Economies take their Slowdown as Wake-up Call,” November 19, 1996.

²⁹ See *Financial Times*, “South Korean Executives Blown Off Course,” July 4, 1996; *The New York Times*, “Export Growth Slows for Asia’s Tiger Economies,” August 3, 1996; *Courier Mail*, “Asia’s Tiger Economies Fall on Hard Times,” November 2, 1996; *Associated Press*, “Asian Economies take their Slowdown as Wake-up Call,” November 19, 1996.

³⁰ *Inter Press Service*, "Is Seoul Ready to Join OECD's Elite Club?" November 6, 1996.

³¹ See Radelet and Sachs, *The East Asian Financial Crisis*, 1-90; *Chosun Ilbo*, "Economic Chief Announces Financial 'big bang,'" March 21, 1997; "Kia Avoids Bankruptcy Under FIPA," July 15, 1997; "New Companies Outnumber Bankruptcies," August 23, 1998; "Easier Mergers and Acquisitions," December 17, 1997; "Bankruptcies increase as banks tighten loan policy," December 28, 1997; "Record Number of Businesses go Bankrupt," February 27, 1998; *Korea Focus*, "Chronology of Major Events," January-February 5, 1998.

³² See *Korea Focus*, "Chronology of Major Events," January-December 1997; *Barclay's Bank International Financial Outlook*, April 1997; *The Independent*, "Seoul Plunges to Ten-year Low as Confidence Ebbs," December 13, 1997.

³³ See *Korea Focus*, "Chronology of Major Events," January-December 1997; *Financial Times*, "Korean mess," November 28, 1997; *Chosun Ilbo*, "Prosecution Requests Arrest Warrant for ex-DPM," May 7, 1998; *Barclays Bank International Financial Outlook*, July 1997.

³⁴ *Xinhua News Agency*, "HKE-poll: South Korea to Overcome financial Crisis within Three Years," January 15, 1998.

³⁵ *Chosun Ilbo*, "OECD Criticizes IMF's Korea's Bailout Plans," July 26, 1998; "IMF Korea: Memorandum on Economic Program, 1998," July 28, 1998; "Civic Group to File Class Action Against Assembly," July 30, 1998; *The Straits Times* (Singapore), "We 'badly misgauged' Asian Crisis, says IMF," January 20, 1999.

³⁶ *Chosun Ilbo*, "Civic Group to File Class Action Against Assembly," July 20, 1998.

³⁷ Garry Rodan "Singapore in 1997: Living with the Neighbors," *Asian Survey*, Vol. 38, No. 2, A Survey of Asia in 1997: Part II, February 1998, 177-182; DPM Bg (Ns) Lee Hsien Loong's TV Interview with 'Akhir Kata,' December 18, 1998; *Xinhua News Agency* "Singapore Parliament to Sit on Regional Crisis Impact," January 13, 1998; *The Straits Times* (Singapore) "Singapore Economy to Again Dominate Debate," July 30, 1998.

³⁸ *Deutsche Presse-Agentur*, "Singapore Government says Recession Unlikely," June 1, 1998.

³⁹ *Annual Budget Statement, 1998*, "Policy Stance/Adjustments," Singapore: Ministry of Finance.

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Expecting More from Democracy in Central and Eastern Europe

by Charles Krupnick

INTRODUCTION

Central and Eastern Europe is without question the Third Wave's most successfully democratized region.¹ Most of the countries in this region have had numerous free and arguably fair elections, and almost as many peaceful transitions of power, well beyond Samuel Huntington's two-turnover criteria.² Democratic processes have become routine, countering fears that communist-era legacies, such as bureaucratic rigor, economic leveling, and destruction of free civil society, would prevent democracy from taking hold.³ Vigorous economic growth has become a recent fixture in the region as well, to reward years of painful reform and contribute to democracy's advance.

Yet democracy remains a work in progress in Central and Eastern Europe. Governments are often reviled, in part because of the economic austerity programs they have implemented to prepare for EU membership, but also reflecting the arrogance of politicians and the relative ubiquity of corruption. The national political leadership in eight of the ten countries discussed in this article has changed since May 2004, when most of them joined the European Union, with a ninth pending; ruling political parties also did poorly in the June 2004 European Parliament elections, providing a further indictment of their persona and performance.

This article briefly looks at democracy in Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia—the countries of the region that have joined NATO⁴ and, except for Bulgaria and Romania, the European Union. It begins with discussion of elite behavior, political party system stability, and civil society development—three attributes important to democratic consolidation—and then offers country-by-country assessment of these and other characteristics of democratization. The analysis comes to a generally optimistic conclusion about democracy's progress, although a number of troublesome problems and hazards remain.

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ELITES, POLITICAL PARTIES, AND CIVIL SOCIETY

The dominant “transition” approach to democratization, associated with Guillermo O’Donnell, Juan Linz, and Alfred Stepan, views it as a three-step process: liberalization of authoritarian regimes; transition through multiparty elections; and consolidation through the strengthening of democratic institutions and culture. To use Linz and Stepan’s celebrated phrase, democracy is consolidated when it becomes “the only game in town.”⁵ Larry Diamond adds that normalization of democracy “requires the expansion of citizen access, development of democratic citizenship and culture, broadening of leadership recruitment and training, and other functions that civil society performs.”⁶

Elites

Elite transformation, either by changes in the attitudes and actions of existing elite or by replacement with new people, is particularly important to democratic consolidation. Democracies require competitive elites that are nonetheless committed to perpetuating the fair and open processes of liberal governance. Highly antagonistic elites can undercut democracy, while too much consensus can lead to authoritarianism.⁷

Transparency in Central and Eastern Europe remains a problem, and the boundaries between politics, business, and even organized crime are sometimes murky.

Post-Cold War elites in Central and Eastern Europe have changed in various ways and at varying speeds. Former communists have held key positions in every country and hence perpetuated the antagonism between themselves and anti-communists. Elite continuity promoted stability but also allowed clientelism—the creation of informal networks that provided rewards to associates regardless of competence or electoral preferences—to flourish. According to John Higley et al., many communist-era elites made political and commercial preparations for regime change by negotiating places for themselves in postcommunist governments or privatized enterprises, with some moving into mafia-like activities.⁸ Transparency in Central and Eastern Europe remains a problem, and the boundaries between politics, business, and even organized crime are sometimes murky. Every government in the region has been affected by corruption scandals, often over privatization or public procurement issues, and resulting in public cynicism and disaffection or alienation. As old generation reformers and communists depart and other institutions, such as foreign-owned businesses, transformed militaries, and nongovernmental organizations (NGOs) intrude on the levers of power, elite behavior will doubtlessly change. Integration into Western structures requires higher standards of public service, yet regressive models of elite behavior are available to the East where authoritarianism in Russia and Belarus seems to be holding its own or re-consolidating, at least for now.

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Political Parties

The willingness of political elites to cooperate with each other and to represent the public interest instead of their own also influences the character of political parties and party systems. Western Europe's relatively disciplined and ideological "programmatic parties" are adept at using but not abusing the tools of governance when in power and at supporting democratic institutions with policy alternatives when in opposition. Strong but loyal parties link government to the public at large, adding to state capacity and stabilizing democracy. The alternatives to programmatic parties, as Jeffrey Kopstein points out, are weakly structured clientelist parties and parties dominated by charismatic leaders.⁹ These are common in Central and Eastern Europe and contribute to political instability. Most countries have multiparty systems with a traditional left-right divide, sometimes between former communist and anti-communist groups. Political parties in a number of countries in the region form, split, merge, and go out of existence with regularity; governing coalitions usually bring together three or more parties, often with competing agendas. Voters consequently can have a difficult time evaluating a party's record and whether or not the party represents their best interests.

Tomas Kostelecky notes a gradual shift toward more Western-style political parties, with increased emphasis on representing vested interests and developing relationships with civil society.¹⁰ Individual parties have thrived in a number of countries and party systems are generally more developed than a decade ago, but instability remains common because of rivalries among party leadership and continuing party fragmentation. EU membership has coincided with a rather surprising decrease in party system stability in a number of countries in Central and Eastern Europe, including Poland and the Czech Republic. Local issues dominate political configurations, but party leadership must also adjust to the demands and opportunities of greater integration with the rest of Europe. On the other hand, they might consider taking more populist positions when finally a part of the European Union.

Civil Society

Another part of democratic consolidation is the development of civil society. Gordon White defines civil society as

an intermediate associational realm between state and family populated by organizations which are separate from the state, enjoy autonomy in relation to the state and are formed voluntarily by members of the society to protect or extend their interests or values.¹¹

Labor unions, fraternal organizations, church groups, and issue-specific NGOs are some examples. These support democratic principles and provide opportunities to learn and practice democratic processes, but also act as counterweights to the potentially pervasive power of government. In a Madisonian sense, civil society can help unify a country by encouraging cross-cutting linkages, so that divisive loyalties of ideology, religion, ethnicity, and geography are not reinforced.¹²

A robust civil society can strengthen democracy but, according to indices like the World Values Survey, it remains weak in Central and Eastern Europe. Marc

Morje Howard identifies three factors to explain this. The first is the legacy of mistrust remaining from totalitarian rule. Communist regimes eliminated autonomous organizations and replaced them with state-controlled ones, often with mandatory memberships. A frequent reaction today is to avoid such obligation. The second reason is the existence of friendship networks. Central and Eastern Europeans are convivial people, but direct their attention toward family and friends rather than formal organizations. These networks were developed during the Communist era as alternatives to state-sponsored organizations and continue to survive, in part because of unattractive alternatives. This leads to the third reason—postcommunist disappointment. Many Central and Eastern Europeans have experienced only hardship and anxiety since the end of the Cold War, which has caused them to withdraw from public activities. Howard concludes that the weakness of civil society in the region is indicative of citizenship alienation and is likely to persist for decades.¹³

EVALUATING DEMOCRATIZATION

Bulgaria

Bulgaria's post-Cold War democratic progress was stimulated primarily by outside forces, such as the prospect of NATO and EU membership, but also by internal economic decline. The country's elites are a mix of former communists and anti-communists, operating in a competitive system of power and privilege. Political and economic change have been particularly difficult because, according to Sten Berglund et al., national leaders must cope with "the clientelistic heritage in that particular region [the Balkans]" where authoritarian features are resilient and political process can be overshadowed by other actors with privileged connections to government.¹⁴

Bulgaria's Communist Party changed its name to the Bulgarian Socialist Party (BSP) but retained some of its pre-transition character and apparatus. The liberal opposition developed slowly as the Union of Democratic Forces (UDF) and alternated in power with BSP, but lacked the coherence and popular support necessary to implement meaningful change in domestic policies.¹⁵ Failure to reform finally caught up with the country and led to the financial crisis of 1996-1997. Ivan Kostov and a UDF-led coalition replaced a BSP government and implemented an economic program that had an immediate stabilizing effect. These and other reforms have led to Bulgarian membership in NATO in 2004 and a 2007 date to join the European Union.¹⁶

Yet high unemployment and corruption caused the Kostov government to lose favor and allowed a political movement created by former monarch Simeon Saxcoburggotski to turn public frustration into electoral victory in 2001. The National Movement Simeon II (NMS) led a center-right coalition that continued much of Kostov's reform agenda. The coalition included the ethnic Turkish Movement for Rights and Freedom Party (MRF), an indicator of the improvement in minority relations within Bulgaria since the end of the Cold War.

After four years of rule, the NMS government had lost substantial public support and was bested in the June 2005 election by BSP, but not by the expected margin, leaving the composition and character of a new government uncertain. A return of the BSP carries some risk for EU accession in 2007, although a continuation of current economic policies seems most likely. These have resulted recently in high growth rates and expected increases in foreign direct investment, although unemployment remains very high.¹⁷ The meteoric rise of NMS in 2001 displays the weakness and volatility of the political party system despite expectations of greater stability; while the country's under-developed civil society and economic weakness make the consolidation of democracy more difficult.¹⁸ Yet Bulgarians have done a remarkable job of getting ready for EU membership and the country's democracy should benefit greatly from it.

When the Czech Republic split from Slovakia on January 1, 1993, politics were simplified and radical economic reform made easier; with its rich democratic and capitalistic traditions, the country was able to make a clean break from totalitarianism.

Czech Republic

The unreformed Communist Party of Czechoslovakia held on to the very end of the Cold War. It collapsed in 1990 and was replaced by a reform-minded opposition led by the Civic Forum. When the Czech Republic split from Slovakia on January 1, 1993, politics were simplified and radical economic reform made easier; with its rich democratic and capitalistic traditions, the country was able to make a clean break from totalitarianism.

Many Czech politicians have roots in the Civic Forum, while others are technocrats from the former communist regime like Vaclav Klaus. Unlike high ranking communist party officials, these were not excluded from governance and helped ease the transition to democracy and capitalism.¹⁹ As the Civic Forum itself dissolved into more traditional parties, Klaus and his Civic Democratic Party (ODS) came to power with a center-right coalition and implemented a market-centered reform policy and rapid privatization. The left alternative was fragmented until the mid-1990s when Social Democratic Party (CSSD) leader Milos Zeman gathered enough support to challenge ODS. Following a monetary crisis in 1997, CSSD entered a grand coalition with ODS and then gained a mandate to lead after the 1998 election. This continued after the 2002 elections with Vladimir Spidla as prime minister.²⁰ Following heavy losses in the June 2004 European elections, Spidla was replaced by Stanislav Gross—a young and ambitious politician symbolic, at least, of a new generation of leadership emerging in Central and Eastern Europe. Gross almost immediately developed public image problems because of financial issues regarding his Prague apartment, causing

further damage to CSSD and its prospects for continued leadership of the Czech government. He resigned in April 2005 and Jiri Paroubek—a long time CSSD party leader—became prime minister in May, but significant difficulties in governance remain.

The Czech Republic's major parties dominated the political scene in what was, until recently, a relatively stable party system, but slim majorities discouraged major initiatives. With CSSD's decline since EU membership and the surprising rise of the Communist Party of Bohemia and Moravia, the Czech party system has become less stable and dependably reformist. Predictions on the government that will emerge after the next election range from a CSSD government with communist support, to an OSD-led coalition, and on to a CSSD-OSD grand coalition.

Despite the obvious successes of the Czech Republic in transition from communist rule, two-thirds of Czechs still consider democracy in their country to be fragile.

Participation in civil society is better than most countries in the region, and public discourse confirms the country's position as one of the most advanced democracies in Central and Eastern Europe.²¹ Foreign investment has reached record levels and the economy continues to grow, yet privatization was poorly executed in some sectors and corruption remains a surprisingly large problem. Difficult domestic and foreign policy issues await Czech democracy, such as reduction of public debt, improving the welfare of the Roma population, and addressing demands from German groups for compensation as a result of the post-World War II Benes decrees.²² Freedom House has considered the Czech Republic a consolidated democracy for years and, as with most other new EU members in the region, improved its civil liberties evaluation for 2005 because of the incorporation of EU standards.²³ Despite the obvious successes of the Czech Republic in transition from communist rule, two-thirds of Czechs still consider democracy in their country to be fragile.²⁴

Estonia

Elites in Estonia often have links to groups, such as the Popular Front of Estonia and the Estonian Congress, which helped lead the country to independence. A large number of parties grounded in the independence movement participated in the early democratic elections and in Estonia's early post-transition governments. The Soviet Communist Party was banned, but the Estonian Communist Party was allowed to participate in the democratic transition and post-independence governance. Voting rule changes and natural attrition have led to some party consolidation, but the party system remains volatile, with elite disputes and occasional scandals leading to numerous government failures.²⁵ The coalition formed after the 2003 elections featured Juhan Parts as prime minister and his center-right Res Publica in coalition with the center-

right Estonian Reform party and the center-left Estonian People's Union; the Center Party was the most prominent opposition. The government fell in March 2005, following a no-confidence vote dealing with a justice minister and a proposal to use quotas in a government anti-corruption drive.²⁶ A new government was formed in April 2005 by Andrus Ansip of the Reform Party and included the People's Union and Center Party in a coalition.

All previous Estonian governments have pursued neo-liberal economic policies that have been exceptionally beneficial to the country's prosperity and have successfully harmonized its economy with the European Union; according to a 2003 *Economist Intelligence Unit* report, Estonia has the strongest business environment in Central and Eastern Europe.²⁷ The commitment to reform is complemented by the country's relatively low level of corruption.

Political parties reflect the continued dominance of the political process by ethnic Estonians. And herein lays a significant domestic and international challenge for Estonia: the relative disenfranchisement of the 29 percent of the population who are ethnic Slavs—mostly Russian speakers. The country's 1992 language law makes citizenship and membership in political parties difficult for them, although some liberalization has occurred in recent years. The inclusion of the Center Party in the new government may bode well for the Slavic community because of its association with Russian speaking political groups, but it could provoke more divisive politics as well.

Civil society is relatively undeveloped, with few Estonians enlisted in trade unions or committed to religious practice.²⁸ Estonia's international support from Finland and its burgeoning economy provide special advantages for democratization, while the large and only partially assimilated Russian speaking minority population and proximity to Russia present particular challenges.²⁹

Hungary

Like the Czech Republic, Hungary has been considered a consolidated democracy for several years. Hungary's pre-1989 communist leaders were part of the political and economic changes that took place at the end of the Cold War, having pursued liberalization in one form or another for many years before that. Anti-communist movements such as the Alliance of Free Democrats, the Hungarian Democratic Forum, and the Federation of Young Democrats (FIDESZ) were pushing for change as well and came to power in 1990.

The former communists, rebadged the Hungarian Socialist Party (HSP), took control of the government in 1994 and continued a reform agenda.³⁰ Corruption scandals, along with public dissatisfaction with reform, caused HSP to lose public support while reconciliation efforts with neighboring countries made it a target for the increasingly nationalistic FIDESZ. Viktor Orban, one of Central and Eastern Europe's most charismatic leaders, changed FIDESZ from an anti-communist movement into a centralized party with a populist edge; the Hungarian Diaspora in neighboring countries, primarily in Serbia, Slovakia, and Romania and a legacy of

the post-World War I Treaty of Trianon, can be a potent political issue in Hungary. FIDESZ won the 1998 election and formed a center-right government, but was ousted in 2002 by HSP with Peter Medgyessy as prime minister. Medgyessy himself was forced to resign in August 2004 following a coalition dispute, but the HSP-led coalition continues in power under millionaire Ferenc Gyurcsany—another new generation leader in Central and Eastern Europe and one who may have the personality to campaign effectively against Orban.³¹

Of the Central and Eastern European countries, Latvia has perhaps the most difficult democracy and state-building tasks ahead of it.

The party system in Hungary is fairly stable, in part because of partial single member district voting procedures and the relative dominance of HSP and FIDESZ in providing left and right alternatives. The two large parties have been able to lead smaller parties in relatively secure coalitions, although there is concern about political maturity in a political landscape dominated—at least until recently—by Orban and Medgyessy.³² The economy is doing well, but the government must deal with rising economic expectations and a delicate currency. World Values Survey data suggests that Hungary's civil society remains relatively underdeveloped. Of concern is the continuation of a "Greater Hungary" sentiment, manifested recently in a failed initiative to grant citizenship in Hungary to ethnic Hungarians living in other countries. Domestic Hungarian rhetoric and political action can have a substantial regional effect.

Latvia

Of the Central and Eastern European countries, Latvia has perhaps the most difficult democracy and state-building tasks ahead of it. It has a Slavic minority of about 39 percent and, unlike its Baltic neighbors—Estonia has a close relationship with Finland and Lithuania has a claim to Central European affiliation—Latvia has often stood alone in the post-Cold War era, at times to confront giant Russia. Latvia has a political process that privileges ethnic Latvians, but the influence of Russian speakers is substantial in business and through their predominance in the capital, Riga. The Latvian elite is a conglomerate of former communists and anti-communists, generally committed to building the Latvian state and to political pluralism, but also operating in a difficult atmosphere of informal connections and perceptions of corrupt activity. Coalition building in Latvia can be difficult, and political leadership has been frequently under attack. Vilis Kristopans was forced to resign as prime minister in 1999 because of an "atmosphere of distrust" in his government; a center-right four party coalition led by Prime Minister Einars Repse took power in 2002, but fell in early 2004 following disputes over fiscal mismanagement despite pledges to clean up corruption.³³ A three party coalition followed, led by Prime Minister Indulis Emsis—the first Green Party official to head a government in Europe—but

collapsed in late October 2004 over budgetary issues. The current right wing coalition was formed in December 2004, built around Prime Minister Aigars Kalvitis and his People's Party, the New Era Party, Latvia's First Party, and the Greens and Farmers Union.

Although many Latvian elites and political parties are nationalistic regarding Slavic minority rights and relations with Russia, they have successfully kept the country more or less in the good graces of the international community and democracy moving forward. Economic activity has picked up as reforms take hold and Latvia connects to the prosperity of greater Europe and Russia. Corruption has been widespread, and attitudes toward democratization were disturbingly low, according to a 1998 NEBS Democratic Index.³⁴ While the challenges that remain are substantial, NATO and EU memberships are great opportunities for Latvia and should help solidify its democracy.

Lithuania

Lithuania has a special history as the country that triggered the collapse of the Soviet Union and paid for its independence with blood. Independence was led by the Sajudis movement, centered in Vilnius and personified by Vytautas Landsbergis, the liberated country's first head of state. Sajudis won an overwhelming majority in the pre-independence 1990 elections but, as with other umbrella reform movements, it soon fell apart. Lithuania's Communist Party was able to reformulate itself prior to independence and gained an overwhelming victory in 1992 as the Lithuanian Democratic Labor Party (LDLP).

Political parties in Lithuania are elite-driven, with some having links to the communist era, but consensus is hard to find; the party system is fragmented and corruption is a persistent concern.

By 1996, LDLP's popularity had plummeted because of corruption scandals and a declining economy. The electorate swung to the right and brought to power various unstable center-right and centrist coalitions until 2001, when the center-left returned to power, this time organized around the Lithuanian Social Democratic Party—created in part from the LDLP.³⁵ Instability reemerged with the April 2004 impeachment of President Rolandas Paksas on charges of connections with Russian organized crime. The October 2004 elections made the new Labor Party by far the largest group in parliament, but created problems for coalition formation because of Labor Party leader Viktor Uspaskich's ties to Russia via energy giant Gazprom.³⁶ In the end, a four-party coalition was formed, including the Labor Party, the New Union Party, and the Union of Farmers and New Democracy Parties, but with the aging Algirdas Brazauskas of the Social Democratic Party as prime minister, as he has been since 2001.

Political parties in Lithuania are elite-driven, with some having links to the communist era, but consensus is hard to find; the party system is fragmented and corruption is a persistent concern. For 2005, Freedom House judged that Lithuania's political rights had suffered a setback from the previous year because of the impeachment of President Paksas.³⁷ Civil society is considered weak by the World Values Survey but, as in Poland's case, the Catholic Church plays a role in Lithuanian life and attitudes. Although the economy is growing, Lithuania's unstable politics, problems with corruption, and disputes with the European Union and Russia—often over energy issues—forecast some rough patches; as in Latvia, NATO and EU memberships should strengthen Lithuanian democracy.

Poland

Poland's Solidarity labor union was a genuine people's movement. In alliance with dissident intellectuals and the Catholic Church, the union forced change on Poland's communist government and indeed the entire Soviet bloc. Elites in contemporary Poland have both communist and anti-communist origins, and the competition for power is vigorous.

Economic growth and EU membership have rewarded Poland's years of sacrifice, yet the country seems to be facing one of its greatest political crisis since the end of the Cold War.

Solidarity's political allies and other non-communist parties initially led the government, but cooperation was difficult and the economic transition created severe hardships for the Polish people, leading to a loss of coalition popularity and cohesion. On the left, the Communist Party had essentially collapsed until Aleksander Kwasniewski, the current Polish president, was able to create a moderate left alternative to Solidarity, the Social Democracy of the Republic of Poland (SDRP) party, from the pro-reform remnants of the Communist Party. The SDRP became the greater portion of the Democratic Left Alliance (DLA) that came to power in coalition in 1993. But like the previous ruling parties, the DLA could not reform the economy and provide social relief at the same time. Public despair and corruption scandals led to its defeat in 1997 and the accession of a center-right coalition of Christian democrats and market liberal successors to Solidarity.³⁸ But the main center-right party, the Solidarity Electoral Action, essentially collapsed before the next election and allowed the DLA to return to power in 2001 with Leszek Miller as prime minister. Following a similar cycle, economic policies needed for EU accession and a string of scandals weakened the DLA at the same time that the Civic Platform (PO, a new liberal-conservative grouping) and the populist Self-Defense Party were growing in popularity.³⁹ In order to save the center-left coalition, Miller resigned as prime minister in May 2004, just after Poland joined the European Union, and was succeeded by

Marek Belka, a former finance minister and supporter of continued economic reform. DLA has nonetheless virtually collapsed as well because of continued scandals and blame for the country's high unemployment. Belka has abandoned DLA and seems ready to join a new centrist Democratic Party, with hopes of countering the emerging populist alternatives. Parliamentary elections are expected in autumn 2005, along with presidential elections and a possible referendum on the EU constitution.⁴⁰

The prospect of EU membership has been a crucial incentive for democratic consolidation in Romania and forced the country to address deficiencies in its market economy and the administration of its justice system.

Economic growth and EU membership have rewarded Poland's years of sacrifice, yet the country seems to be facing one of its greatest political crises since the end of the Cold War. The party system, which had been evolving toward larger and more stable political groupings, has fragmented. Corruption remains a problem, and the country is reexamining "who did what" during the communist era, with sometimes negative reflection on the country's leadership. Civil society remains weak except for active labor unions and the Catholic Church, while discourse suggests a broad commitment to democracy. Poland's democracy is turbulent and fully challenged by integration with Europe; its atomized party system bodes ill for political stability at least for the near term.

Romania

The communist dictator Nicolae Ceausescu was removed from his position following a rebellion by dissident communist officials and military leaders; he and his wife were executed on Christmas Day, 1989. Ion Iliescu was subsequently elected president and his National Salvation Front (NSF), a party dominated by former communist officials, gained control of the parliament. According to Tom Gallagher,

*Iliescu and his circle were essentially mediocre politicians looking for some sort of modus vivendi with the West in the hope that they could still enjoy the autonomy to pursue a semi-authoritarian course in Romania.*⁴¹

With a poor record of governance and a terrible economy, plus a better organized opposition, Iliescu lost the presidency to Emil Constantinescu in 1996, and the NSF successor and allied parties lost control of parliament. The new government introduced more vigorous economic reform and took steps to reduce the influence of former security operatives, but proved relatively ineffective at policy implementation and susceptible to vested interests.⁴² Iliescu was reelected president in 2000, and the Social Democratic Party (PSD—an NSF successor), along with allied parties, took control of parliament with Adrian Nastase as prime minister. But scandals and continued poverty reduced PSD support, and Nastase's run for the presidency in

November 2004 was unexpectedly derailed by Bucharest mayor Traian Basescu.⁴³ In the parliament, Calin Tariceanu—another rich new leader, though at fifty-two years old, perhaps not from a new generation—became prime minister and organized a centrist ruling coalition made up of his own National Liberal Party, the Democratic Party, the Hungarian Democratic Union of Romania, and the Humanist Party, excluding PSD from power even though it was the largest party.

The prospect of EU membership has been a crucial incentive for democratic consolidation in Romania and forced the country to address deficiencies in its market economy and the administration of its justice system. After considerable uncertainty and last minute effort, Romania received a positive endorsement from the European Parliament in April 2005 and seems set to enter the European Union in 2007. By supporting a cabinet made up of people “educated and trained after the December 1989 revolution,” President Basescu hopes to reduce corruption—probably the country’s gravest challenge.⁴⁴ Civil society remains weak in Romania, except for trade unions, and Freedom House lowered Romania’s political rights score for 2005 because of irregularities during the first round of the 2004 presidential and parliamentary elections.⁴⁵ Although substantial challenges remain, the Basescu regime is expected to continue the country’s reform program and democratic consolidation.

Slovakia

Slovakia’s political elite encompass both anti-communists and reformed communists, with the latter decidedly dominating numerically. Unlike the Czech Republic, lustration laws (decommunization—removing communist from government positions) were not enforced in Slovakia. The country’s early years were dominated by Vladimir Meciar, a former communist official who led the republic both before and after separation from the Czech Republic. His political party, the Movement for a Democratic Slovakia (HZDS), and its nationalist allies were superficially committed to democracy and the free market, but abused the rule of law and used privatization to benefit political allies.⁴⁶ Opposition parties were uncooperative with each other and did not present a winning electoral alternative.

Faced with NATO and EU rejection in 1997 and a deteriorating economy, the people of Slovakia overwhelmingly rejected Meciar in 1998 parliamentary elections; the previously fractured opposition coalesced into a four-party coalition with Mikulas Dzurinda as prime minister. The new government represented the political spectrum from left to right, including the party coalition representing the Hungarian minority. By 2002, the government’s reform program had transformed the country sufficiently for it to join the front runners for EU membership. But Dzurinda and his coalition allies had become exceedingly unpopular because of economic hardship, corruption scandals, and political infighting; opposition leaders Meciar and Robert Fico of the new Smer party far exceeded Dzurinda in popularity. To the astonishment of most observers, Dzurinda emerged victorious from the September 2002 election as head of a new four-party center-right coalition, becoming one of the few prime ministers in the region to be reappointed since the end of the Cold War. Continued political

maneuvering has caused the coalition to lose its majority in parliament and popularity among Slovak citizens, yet it still manages to govern, at times with the tacit approval of Meciar's HZDS party.

Civil society in the country is fairly well developed for the region, but corruption remains a significant problem. Economic growth and foreign investment are recent success stories: Slovakia will soon be the world's largest per capita manufacturer of automobiles and was named the world's top economic reform country in 2004 by the World Bank.⁴⁷ There remains, however, a significant disparity between the prosperity of Bratislava, the capital and most developed region, and the rest of the country. Slovakia's international political standing received a boost from the February 2005 Bush-Putin summit meeting held in Bratislava.⁴⁸

While ethnic issues remain salient, democracy has made important advances since the people of Slovakia ousted Meciar.

With its relatively large Hungarian minority, Slovakia is sensitive to initiatives by the Hungarian government, and from its own Hungarian minority leadership. Hungary-Slovakia relations have cooled following EU membership because of the Hungarian referendum to extend citizenship in Hungary to ethnic Hungarians living in other countries. There are also disputes over possible compensation for Hungarians displaced under the Benes decrees. Political maneuvering in parts of the country seems designed to weaken the influence of the Hungarian coalition (SMK) at the regional level, which may be an indication of how SMK will be welcomed in the national government after the next election. A large Roma population is concentrated in the southeastern portion of the country and has not benefited from the economic and social changes of post-Communist Slovakia. While ethnic issues remain salient, democracy has made important advances since the people of Slovakia ousted Meciar.

Slovenia

Slovenia has had a longer and more gradual transition from authoritarian rule than the rest of Central and Eastern Europe. As a former Yugoslav republic, it had considerable autonomy under a politically and economically mild version of communism.⁴⁹ An independence movement began in 1987 and won the 1990 elections, bringing the Democratic Opposition of Slovenia (DEMOS) coalition to power. With Serb leaders in Belgrade focused on centralization and keeping the federation together, political confrontation and war became necessary preludes to independence.

DEMOS fractured after independence and was followed by coalitions almost always led by reformed communists of the Liberal Democracy of Slovenia Party (LDS). Milan Kucan, an ex-communist leader of the independence movement, served two terms as president until 2002 and provided important leadership for the new country. He was succeeded by Janez Drnovsek, who had served as prime minister during LDS coalitions.⁵⁰ But the voters rejected LDS during October 2004

parliamentary elections and made the Slovenian Democratic Party (SDP, a center-right descendent of DEMOS) the largest party. SDP leader Janez Jansa became prime minister and formed a ruling coalition with the New Slovenia—Christian People's Party (NSi), the Slovenian People's Party (SLS), and the Democratic Party of Pensioners of Slovenia (DeSUS).⁵¹

Civil society has actually weakened in recent years while corruption has been less pervasive than in most countries of the region.⁵² Cooperation among elites who shared a communist past smoothed the democratic transition but also may have preserved privileged connections among political and business leaders. The alternation of government away from LDS was probably a positive development for Slovenian democracy. With the highest GDP per capita in Central and Eastern Europe, relative political stability, and substantial personal freedom, democracy is doing well in Slovenia.

CONSOLIDATING DEMOCRACY

Central and Eastern Europe has made good progress toward democratic consolidation since the end of the Cold War, with the ten countries examined overcoming enormous obstacles in moving toward Western-style political systems and free market economies. Yet problems remain. Poland's political instability is perhaps the most alarming recent development and could lead to a weak or even regressive leadership in the region's most important state. Ruling coalition troubles may emerge in Lithuania and elsewhere—adding to the regional political instability experienced since EU accession. Corruption remains a major concern in Romania and most other countries in Central and Eastern Europe, while economic angst burdens Romania, Bulgaria, and significant population segments in other countries of the region. Several societal issues, such as Hungarians living outside of Hungary and Russian speakers in Estonia and Latvia, remain politically important both domestically and internationally; at the same time, the Roma living in the region remain impoverished and politically marginalized.

National leaders in Central and Eastern Europe should make renewed commitments to public service, constituent needs, and civil society; they must also resist populist and nationalist excess—a temptation remaining and perhaps encouraged by EU accession. Corruption, low living standards, and societal problems will not go away anytime soon, but they can be addressed by democratic means. By taking on difficult issues through open and accepted political, judicial, and administrative processes, governments can change democracy from abstract principles to working level practices; managing problems, even those with no apparent solution, becomes the norm and democracy turns into “the only game in town.”

Notes

¹ Samuel Huntington's first wave of democratization began with the American and French Revolutions of the late-18th century and continued through the European liberalizations of the early-20th century; his second wave included European countries democratized as a result of World War II and those in Africa and Asia up to the early 1960s that made some progress in democracy after

decolonization; his third wave began in 1974 in Portugal, spread to elsewhere in Europe and then to Latin America and Asia in the 1980s—concluding with the end of communism in the former Soviet bloc into the 1990s. Samuel P. Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (Norman, OK: University of Oklahoma Press, 1991), 16-26. Some political analysts place Central and Eastern European transitional democracies in a Fourth Wave. See for instance, Michael McPaul, “The Fourth Wave of Democracy and Dictatorship: Noncooperative Transitions in the Postcommunist World,” *World Politics*, Vol. 54, No. 2, January 2002, 212-244. Regardless of the wave in which they are included, the salient point is that Central and Eastern European countries have been relatively successful in their democratization efforts.

² Under Huntington’s two-turnover criteria a democracy would be viewed as consolidated if “the party or group that takes power in the initial election at the time of [democratic] transition loses a subsequent election and turns over power to those election winners, and if those election winners then peacefully turn over power to the winners of a later election.” Huntington, *The Third Wave*, 266-267.

³ Jeffrey Kopstein reviews several books concerning these and related issues in “Postcommunist Democracy: Legacies and Outcomes,” *Comparative Politics*, Vol. 35, No. 2, January 2003, 231-250.

⁴ The Czech Republic, Hungary, and Poland joined NATO on March 12, 1999. Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia, and Slovenia joined on March 29, 2004.

⁵ Juan J. Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation: Southern Europe, South America, and Post-Communist Europe* (Baltimore, MD: The Johns Hopkins University Press, 1996), 3-5.

⁶ Stephen E. Hanson, “Defining Democratic Consolidation,” in Richard D. Anderson, Jr., M. Steven Fish, Stephen E. Hanson, Philip G. Roeder, eds., *Postcommunism and the Theory of Democracy* (Princeton, NJ: Princeton University Press, 2001), 129.

⁷ See John Higley, Jan Pakulski, and Włodzimierz Wesolowski, *Postcommunist Elites and Democracy in Eastern Europe* (London, UK: Macmillan Press Ltd, 1998), 1-7, for theoretical discussion of elites and democracy.

⁸ John Higley, Judith Kullberg, and Jan Pakulski, “The Persistence of Postcommunist Elites,” *Journal of Democracy*, Vol. 7, No. 2, April 1996, 137-138.

⁹ Kopstein, “Postcommunist Democracy,” 236.

¹⁰ Tomas Kostelecky, *Political Parties after Communism: Development in East-Central Europe* (Washington DC: Woodrow Wilson Center Press, 2002), 157.

¹¹ Gordon White, “Civil Society, Democratization and Development (I): Clearing the Analytical Ground,” *Democratization*, Vol. 1, No. 3, Autumn 1994, 397, as cited in Marina Ottaway and Thomas Carothers, eds., *Funding Virtue: Civil Society Aid and Democracy Promotion* (Washington D.C.: Carnegie Endowment for International Peace, 2000), 9.

¹² Civil society is not without its critics. Marina Ottaway and Thomas Carothers point out that “the concept of the virtuous civil society has long coexisted uneasily with doubts about the ability of democratic governments to stand up to special interest groups and lobbyists.” Ottaway and Carothers, *Funding Virtue*, 294. In Central and Eastern Europe as elsewhere, some organizations promote intolerance and may threaten other groups; NGOs advocating democracy, on the other hand, have been beneficial to democratic consolidation in several countries of the region.

¹³ Marc Morje Howard, “The Weakness of Postcommunist Civil Society,” *Journal of Democracy*, Vol. 13, No. 1, January 2002, 161-164. The World Values Survey index 1997 documents the average number of organizational memberships per person in each country as well as many other measures of social and political behavior. World Values Survey data used in this article was drawn from Howard’s article; for further information on the World Values Survey, see www.worldvaluessurvey.org/statistics/index.html.

¹⁴ Sten Berglund, Tomas Hellen, and Frank Aarebrot, eds., *The Handbook of Political Change in Eastern Europe* (Cheltenham, UK: Edward Elgar Publishing, 1998), 366. See also, Kopstein, “Postcommunist Democracy,” 237-241.

¹⁵ Janusz Bugajski, *Political Parties of Eastern Europe* (Armonk, NY: The Center for Strategic and International Studies, 2002), 776-779.

¹⁶ John S. Dryzek and Leslie Holmes, *Post-Communist Democratization: Political Discourses across Thirteen Countries* (Cambridge, UK: Cambridge University Press, 2002), 207-208.

¹⁷ “Moody’s Rates Bulgaria Below Investment Grade on Overheating Worries,” *SeeNews*, November 17, 2004, available at www.lexis.com, accessed March 19, 2005.

- ¹⁸ Zoltan Barany, "Bulgaria's Royal Elections," *Journal of Democracy*, Vol. 13, No. 2, April 2002, 153, however, considers civil society robust in Bulgaria.
- ¹⁹ Carmen González Enriquez, "Elites and Decommunization in Eastern Europe," in John Higley, Jan Pakulski, and Włodzimierz Wesolowski, eds., *Postcommunist Elites and Democracy in Eastern Europe* (London, UK: Macmillan Press Ltd, 1998), 284-285.
- ²⁰ Bugajski, *Political Parties of Eastern Europe*, 236-241.
- ²¹ Martin Weiss, "Czech Republic," in Adrian Karatnycky, Alexander J. Motyl, and Amanda Schnetzer, eds., (Freedom House) *Nations in Transit 2003: Democratization in East Central Europe and Eurasia* (New York, NY: Rowman & Littlefield Publishers, 2003), 223; Dryzek and Holmes, *Post-Communist Democratization*, 240-252.
- ²² The Benes decrees, issued by President Edvard Benes in 1945 after World War II, expelled ethnic Germans and Hungarians from Czechoslovakia and seized their property in retribution for their support of Nazi Germany during the war.
- ²³ Freedom House scores political rights and civil liberties on a seven point scale with seven being the worst and one being the best which can be achieved. "Civic Power and Electoral Politics," *Freedom in the World 2005, A Report from Freedom House*, 6, available at www.freedomhouse.org/research/freeworld/2005/essay2005.pdf, accessed April 20, 2005.
- ²⁴ "Czechs, Slovaks Rather Trust Local Than Central Bodies," *CTK National News Wire*, February 2, 2005, available at www.lexis.com, accessed March 19, 2005.
- ²⁵ Bugajski, *Political Parties of Eastern Europe*, 48-55.
- ²⁶ "Estonia on brink of new crisis over anti-corruption drive," *Agence France Presse*, March 15, 2005, available at www.lexis.com, accessed March 19, 2005.
- ²⁷ "Baltic States: Country Outlook," *EIU ViewsWire*, October 29, 2003, available at www.nexis.com, accessed March 19, 2005.
- ²⁸ Sten Berglund, Frank H. Aarebrot, Henri Vogt, and Georgi Karasimeonov, *Challenges to Democracy: Eastern Europe Ten Years after the Collapse of Communism* (Cheltenham, UK: Edward Elgar Publishing, 2001), 152-157.
- ²⁹ For more on Baltic issues, see Gazina Miniotaite, "The Baltic States: In Search of Security and Identity," in Charles Krupnick, ed., *Almost NATO: Partners and Players in Central and Eastern European Security* (Lanham, MD: Rowman & Littlefield, 2003), 261-296.
- ³⁰ Bugajski, *Political Parties of Eastern Europe*, 342-349.
- ³¹ "PM, Chief Rival Held Back Plenty of Ammunition in Dueling," *Hungarian News Agency (MTI)*, February 17, 2005, available at www.lexis.com, accessed April 18, 2005.
- ³² Robert Wright, "Overshadowed by two big personalities," *Financial Times*, May 27, 2003, II.
- ³³ Bugajski, *Political Parties in Eastern Europe*, 97; "Latvia politics: Turmoil following premier's exit," *EIU ViewsWire*, February 16, 2004, available at www.lexis.com, accessed April 18, 2005.
- ³⁴ The Democratic Index created by Richard Rose, Christian W. Haerpfer, and others for the New Europe Barometer Surveys (NEBS) is the sum of nine indexes based on individual level questions about democracy in particular countries. Less than forty means "transforming society;" greater than forty means "emerging democracy;" and, greater than sixty means "consolidated democracy." Latvia scored eighteen. Christian W. Haerpfer, *Democracy and Enlargement in Post-Communist Europe: The democratization of the general public in fifteen Central and Eastern European countries* (London, UK: Routledge, 2002), Table 3.7, 44.
- ³⁵ Bugajski, *Political Parties in Eastern Europe*, 130-135.
- ³⁶ "Opposition Leads Lithuania Poll," *CNN.com*, October 11, 2004, available at <http://edition.cnn.com/2004/WORLD/europe/10/10/lithuania.election.reut/>, accessed April 18, 2005.
- ³⁷ "Civic Power," Freedom House, 7.
- ³⁸ Bugajski, *Political Parties in Eastern Europe*, 165-167.
- ³⁹ "One more chapter in Miller's tale," *EIU ViewsWire*, February 18, 2004; "Polish opposition rejects austerity plan, putting government at risk," *Agence France Presse*, March 1, 2004, available at www.nexis.com, accessed April 18, 2005.
- ⁴⁰ "Poland's president sets parliamentary elections for Sept. 25," *Associated Press Worldstream*, May 18, 2005, available at www.lexis.com, accessed July 1, 2005.

⁴¹ Tom Gallagher, "History [Romania]," *Eastern Europe and the Commonwealth of Independent States 1999*, 4th ed. (London, UK: Europa Publications Limited, 1998), 610. The presidency has considerable power in Romania, unlike most countries in Central and Eastern Europe.

⁴² See V. G. Baleanu, *Romania's November 2000 Elections: A Future Return to the Past?*, Conflict Studies Research Centre, Occasional Brief No. 80, November 17, 2000, for further analysis of Romanian politics.

⁴³ "Romanian Politics: Political Outlook," *EIU ViewsWire*, February 19, 2004, available at www.nexis.com, accessed April 18, 2005.

⁴⁴ "Romanian parliament meets to vote on new centre-right government," *The All I Need (AFP)*, 2004, available at www.theallineed.com/news/0412/283766.htm, accessed March 27, 2005.

⁴⁵ "Civic Power," Freedom House, 7.

⁴⁶ For more on the Meciar regime, see Charles Krupnick and Carol Atkinson, "Slovakia and Security at the Center of Europe," in Charles Krupnick, ed., *Almost NATO: Partners and Players in Central and Eastern European Security* (Lanham, MD: Rowman & Littlefield, 2003), 50-52.

⁴⁷ Slovakia received this designation alongside Colombia. "Doing Business 2005: Poor Nations Struggle To Reduce Red Tape For Business, Miss Large Growth Opportunities," *World Bank Group News & Broadcast*, September 8, 2004, available at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20250634~menuPK:34463~pagePK:64003015~piPK:64003012~theSitePK:4607,00.html>, accessed June 15, 2005.

⁴⁸ Brian Whitmore, "For Slovaks, Bush Visit Fuels a New Legitimacy, 'Reliable Ally' has Coming-out Party," *Boston Globe*, February 25, 2005, available at www.lexis.com, accessed March 27, 2005.

⁴⁹ Anton Bebler, "Slovenia's Smooth Transition," *Journal of Democracy*, Vol. 13, No. 1, January 2002, 128-129.

⁵⁰ Bugajski, *Political Parties in Eastern Europe*, 637-647.

⁵¹ Slovene government website, available at www.vlada.si/nadlani/index.php?lng=eng&vie=cnt&gr1=prdVld&gr2=clt, accessed June 15, 2005.

⁵² Bebler, "Slovenia's Smooth Transition," 134-137.

Do Democracies Have the Same Values? The Transatlantic Case

by Nikos Christodoulides

Democratic countries do not go to war with each other because, among other factors, they share important features of democracy.¹ Among these features are common values that are reflected by their inhabitants. During 2004, two important events have challenged this notion of a commonality of values in democratic societies. This article, in light of the election of George W. Bush for a second term as president of the United States and the refusal of the European Parliament to accept Rocco Buttiglione, the Italian government's nominee for the post of European Union Commissioner, examines the main values of the people on the two historically democratic continents and how this situation influences the transatlantic relationship.

There are many articles dealing with the friction in the transatlantic alliance. Most of those articles explain today's relationship through analysis of developments in the international system, such as the collapse of the Soviet Union and the end of the Cold War, and developments within the US and the EU, such as the election of George W. Bush, the attacks of September 11, 2001, and the attempts of Europeans for more integration. Without questioning the validity of the above factors in the efforts to understand today's transatlantic relations, the examination of people's core values in the two continents will contribute to better understanding of the current situation.

DIFFERENCES ON VALUES THAT MATTER FOR AMERICANS AND EUROPEANS

Timothy Garton Ash, the well-known British historian, argues in his new book that Europeans and Americans believe in the same values, the so-called "western values."² However, commenting on Ash's argument, Charles Grant states that, "he is right that many of our values are similar, but not all."³ On the issue of values on the two continents, Ivo H. Daalder states that, "although American and European societies share similar perspectives on the importance of democracy, human rights, liberty, transparency and other socio-political values, their attitudes diverge notably on religious

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and traditional values. The United States is a far more religious country than the countries of Europe, and traditional values find far greater adherence in the United States than in European countries.”⁷⁴

Nobody can challenge the fact that some values are held in common by Europeans and Americans. Those values which can be characterized as basic, or “western” according to Ash, are mainly democracy, human rights, the rule of law, and freedom. At the same time however, Europeans and Americans have important differences on several other values that significantly affect their everyday lives, like religion and patriotism. These are the so-called traditional or “core values.”

Having said that Americans are very patriotic does not mean that Europeans are ashamed of or do not love their respective countries.

Values of patriotism and religious faith are unusually strong on the American continent. The sociologist Seymour Martin Lipset, in his 1995 book *American Exceptionalism*, claims that Americans “exhibit a greater sense of patriotism and of belief that their system is superior to all others... than the citizens of other industrialised democracies.”⁷⁵ According to a relevant survey, eighty-six percent of Americans said that they are very proud of their nationality. That is in great contrast to Europe, where only thirty-five percent of French and fifty-four percent of British surveyed said that they were proud of their countries.⁶ At the same time, the World Values Survey run by the University of Michigan proves to a great extent the important and serious differences of values that matter for Americans and Europeans. According to this survey, which took place before the events of September 11, Americans are the most patriotic people, with seventy-two percent claiming that they are very proud of their country.⁷ More specifically, the World Values Survey arranged values in two spectrums, one of which is traditional and secular values. Among the traditional values, the most important is patriotism, followed by religion and traditional family ties. Americans tend to be traditionalists. As many as eighty percent of the American population say that they hold “old fashioned values” about family and marriage. Europeans are on the other end of the spectrum and tend to be secular-rationalists. They believe “religion is personal, optional matter, patriotism is not a big concern and children have their own lives to lead.”⁸

Americans rarely criticize their country and they criticize those that do so. “Patriotism is one of the core traditional values and there is an obvious link between it, military might and popular willingness to sustain large defence budgets.”⁹ The fact that patriotism is one of their main traditional values explains why they support large defense budgets and military solutions in international problems while they have a very strong war lobby, which has become even stronger after September 11.¹⁰ In this way they associate patriotism with militarism and ethnic strife. The total federal spending on defense in the US has risen by more than fifty percent (from \$354 billion to \$547billion) from the last US budget adopted before 9/11 to the 2004

fiscal year. What is important about the increase of the defense spending is the fact that it enjoys support from both Democrats and Republicans.¹¹ In this regard, it is not surprising that “in February [2004], 62% of Americans said that they had a great deal of confidence in their armed forces; [whereas] the next most respected body, ‘major educational institutions’, got just 37%.”¹²

Having said that Americans are very patriotic does not mean that Europeans are ashamed of or do not love their respective countries. European and American patriotism simply differs. “Patriotic Europeans take pride in a nation, a tract of land or a language they are born into. You cannot become un-French.”¹³ In contrast, patriotic Americans have a dual loyalty: both to their country and to the ideas it embodies. “He loved his country,” said Abraham Lincoln of Henry Clay, “partly because it was his own country, but mostly because it was a free country.”¹⁴ As the English writer G. K. Chesterton said in 1922,

*America is the only country based on a creed, enshrined in its constitution and declaration of independence. People become American by adopting the creed, regardless of their place of birth, parentage or language. And you can become un-American by rejecting the creed.*¹⁵

As a result, Francis Fukuyama is right to claim that “the kind of patriotism that is commonplace in America is highly suspect in many parts of Europe.”¹⁶

Americans’ patriotic feelings influence other aspects of life, such as beliefs in religion and family values. Most churches in the US, in contrast with Europe, are full every Sunday. The results from several surveys on the issue of religiosity present findings that are parallel to the results on the issue of patriotism presented before. Thirty-six percent of the Americans surveyed claim that the Bible is the literal word of God, and fifty percent of the population say that the US enjoys divine protection.¹⁷ In a Global Attitudes survey of the Pew Research Centre in 2002, as many as fifty-nine percent of Americans replied positively to the question of whether religion plays a very important role in their lives, in comparison with thirty-two percent of British, twenty-seven percent of Italians, twenty-one percent of Germans and eleven percent of French.¹⁸ As it is correctly stated, church attendance is a far better predictor of political affiliation than income in the US.¹⁹ The importance of religion for Americans is described successfully in a statement by US Lieutenant-General William (Jerry) Boykin, the deputy undersecretary of defense for intelligence: terrorism is “our spiritual enemy that will only be defeated if we come against them in the name of Jesus.”²⁰ This senior Pentagon official, commenting on Bush’s election in 2000, claimed that while the majority of Americans did not vote for George W. Bush, he was put into the White House by God.²¹ There is also a connection between America’s religiosity and its tendency to see foreign policy in moral terms.

*To Americans, evil exists and can be fought in their lives and in the world. Compared with Europe, this is a different world-view in both senses: different prevailing attitudes, different ways of looking at the world.*²²

As the case of patriotism, the issue of religiosity also touches upon other issues like family ties, homosexuality and gay marriage. Before the 2000 election between George W. Bush and Al Gore, the *New York Times* published a map of the market for pornography in the US. The results of the election show that Gore won “the areas with the highest percentages of sex films in the home-video market and Mr. Bush carried the areas with the lowest percentage.”²³

In contrast, Europeans, because they are not as religious as Americans, approach homosexuality and gay marriage in a more liberal way. In fact, for the last twenty years, the trend in Europe has been towards liberalization in the area of social legislation dealing with divorce, abortion, and sexual behaviour.²⁴ Recently, for example, the Spanish government approved a bill to legalize gay marriages. Even in the case of the United Kingdom, where the Queen is the Supreme Governor of the Church of England and has the designation “Defender of the Faith,” religion does not play a major role in the political life of the country and/or the way the British choose their leaders. For historical reasons, the Archbishop of Canterbury and York and certain other senior bishops of the Church of England are entitled to sit in the House of Lords, but never use religion either to interpret political events or to ask people to vote for a specific candidate. In fact, during 2004, the British government introduced for discussion in the Parliament two bills that are characterized as a further step towards greater liberalization in the area of social legislation.²⁵ The same path towards greater liberalization has characterized the relevant EU legislation. Abba Seraphim of the Coptic Orthodox church in the UK, commenting on the recent EU legislation that banned discrimination in the workplace on the grounds of religion, belief or sexual orientation, states that:

*if implemented here [in the UK] it could mean that religious schools, charities and churches could face legal action for either refusing to employ atheists or for dismissing staff who convert to non-Christian beliefs.*²⁶

The gap in important values for Europeans and Americans is becoming more serious, if we examine how the inhabitants of the two continents approach the “core values” of the other. Europeans are bothered by those features of American life, and Americans are bothered by the liberal approaches taken by Europeans. As has been discussed:

*To Europeans, religion is the strangest and most disturbing feature of American exceptionalism. They worry that fundamentalists are hijacking the country. They find it extraordinary that three times as many Americans believe in the virgin birth as in evolution. They fear that America will go on a “crusade” (a term briefly used by Mr Bush himself) in the Muslim world or cut aid to poor countries lest it be used for birth control.*²⁷

Like the philosophers of the Enlightenment, Europeans argue that modernization is the enemy of religion. In this way, bearing in mind what has happened in their own case, they believe that as countries modernize and get richer, organized religion will decline. However, such a development has not taken place in the American case, and Europeans cannot understand this.²⁸ The same lack of comprehension exists with

the Americans who cannot understand the liberal approaches of Europeans on issues like religion, gay marriages, and homosexuality in general.

The gap in value differences, even though it existed in the past, has been widening in recent years. Americans are becoming more conservative than they were in the 1960s. During that period a Gallup poll found that

53% of Americans thought churches should not be involved in politics, and 22% thought members of the clergy should not even mention candidates for public office from the pulpit. By 1996, these numbers had reversed: 54% thought it was fine for churches to talk about political and social issues, and 20% thought even stump speeches were permissible in church. These shifts in opinion have given a boost to one particular group of churches: evangelical Protestants.²⁹

As it will be presented later, this path towards religion is of crucial importance and plays a decisive role in the way Americans choose their leaders.

The events of September 11 not only increased the importance that Americans place on moral values, but also was a reminder of the necessity for moral values to govern their actions. After September 11,

expressions of both love of country and love of God spiked. This did not necessarily mean Americans suddenly became more patriotic or religious. Rather, the spike was a reminder of what is important to them. It was like a bolt of lightning, briefly illuminating the landscape but not changing it.³⁰

The murder of over 3,000 people in the events of 9/11 increased the patriotic feelings of Americans since it was the first time in many years that America had been attacked. In this context, in 2002, the “[US] army met its recruitment target in record time, suggesting that the obligations of citizenship were being taken up more enthusiastically.”³¹ After 9/11, several books on the apocalypse became bestsellers in the US.³² Americans increased their trust in the president, the Congress and other national institutions, distancing themselves even more from Europeans who accept and support the pooling of their countries’ sovereignty in Brussels.

Even though this article does not touch on anti-Americanism or anti-Europeanism, it is important to mention that the differences on important values inevitably influences the way Europeans and Americans view each other. A survey by the Pew Research Centre at the University of Maryland published in March 2004 shows that only thirty-seven percent of French surveyed and thirty-eight percent of Germans had a positive attitude towards America. In the same poll, thirty-three percent of Americans had a positive view of France and fifty percent of Americans had a good view of Germany.³³ In the same spirit, the survey shows that fifty-eight percent of French and sixty percent of Germans believed that the US war on terrorism “was being fought ‘to control Middle East oil.’”³⁴

In general, Europeans and Americans have important differences over the values that matter. Europe is a secular place compared with the US, and America is conservative, compared with Europe. Social tides in Europe are moving against the conservative values championed by the American people. The Brookings Institution,

knowing the importance of moral values in American political life, recently organized an event with the title “Moral Values, Politics and the Faith Factor.” In describing the event, the Brookings Institution writes:

as President Bush begins his second presidential term on January 20, he is expected to continue to frame his approach to governance and political decisions within the context of his faith and to infuse the political process with his personal set of values. Bush's re-election was boosted by the overwhelming support he received from evangelical Christians and from those who ranked 'moral values' as the determining factor in how they cast their ballots.³⁵

The situation is also well described in an article in *The Economist*:

Europe's landscape, architecture, customs and place-names may be steeped in Christian history, but few Europeans go to church...Over abortion, the transatlantic gap is wide and widening. In America, the political initiative lies with those who want tighter curbs; in most parts of Europe the opposite is true.³⁶

BUSH'S RE-ELECTION

The majority of the analyses of the reasons for Bush's victory in the first US presidential race since September 11 and with a turnout of some 120 million people (the largest as a share of the electorate since 1968) were based on the findings of the relevant exit polls. According to the National Election Poll, the majority of voters in the 2004 elections, twenty-two percent, placed moral values above other issues, such as the economy or terrorism, when choosing the president. Four-fifths of those who had moral values as a top concern voted for Bush. At the same time, Bush got seventy-six percent of the evangelical vote and the great majority of the people who attend religious service weekly, married women and white born-again Christians.³⁷ Exit polls proved clearly that issues like abortion and gay marriage were more important for Americans than transatlantic relations, the war on terrorism, and the economy. In analyzing the results of the 2004 elections, political experts at the Brookings Institution who expected Kerry to be elected, concluded that they

didn't appreciate the extent to which other Americans felt that the whole nature of their belief system—their faith, their lifestyles—were being threatened, and this was an opportunity to act on that.³⁸

As it is stated in the first issue of *The Economist* after the US elections, “the most important explanation for Mr Bush's success was the unexpected appearance of ‘moral values’ as the top issue of the campaign.”³⁹

In this regard, the re-election of President Bush was a logical consequence, since the American nation viewed him as a candidate who shared its values. Americans had chosen Bush's “Manichaeic clash of conflicting world views” approach because they felt that his policies were inspired from the same value as theirs.⁴⁰ Americans showed approval of the nature and direction of his domestic and foreign policies

since every election with a sitting president can be considered a “referendum on the incumbent.”⁴¹ The results proved the importance of conservatism in the US and how much moral values matter.⁴² The result of the elections was a clear message to George W. Bush to continue his own agenda on both domestic (including abortion and gay marriage) and international issues.⁴³

Religion is one key dimension of moral values. Americans voted for a president that “starts every cabinet meeting with a prayer. He has woven religious themes into his presidency...[and] interpreted September 11th in terms of ‘an axis of evil’ and finding the ‘evil ones.’”⁴⁴ Americans chose the candidate who made the claim that God wanted him to be president.⁴⁵ Bush, the most openly religious president that the US has ever had, has called Jesus his favourite philosopher. Members of his administration arrange Bible study classes and support the major involvement of religious institutions on social policy issues.⁴⁶

Bush’s election is also a depiction of the other major dimension of moral values, patriotism. His administration

*wears patriotism on its sleeve...it flaunts this quality [patriotism] more openly, using images of the flag on every occasion and relishing America’s military might to an unusual extent. More than any administration since Ronald Reagan’s, this one is focused narrowly on America’s national interest.*⁴⁷

Americans voted for the candidate who works closely with conservative activists: members of the American Conservative Union, the National Rifle Association, and the Evangelical Community.⁴⁸

In no other developed country are religion, abortion, stem cell research, and gay marriages such galvanizing political issues. In other developed countries, leading politicians do not even mention these issues that are so critical for American politicians.⁴⁹ In no European country would a candidate with the beliefs of George W. Bush have a high probability of being elected. In this regard, Americans and Europeans have different criteria on the values that matter. One may consider, for example, the issue of war, which is related to moral values. “Americans tend to believe wars settle things. They are willing to support vast military spending and to see the most fearsome weapons deployed.”⁵⁰ In a way, this also explains Bush’s re-election, since no US president has lost an election in the midst of a war.⁵¹ The findings of a recent Pew Research poll prove the connection among the basic values of Americans. According to the poll, nine out of ten Americans regard measures to protect the United States from a terrorist attack as a top priority. “Only three in ten think that Mr. Bush has gone too far in restricting civil liberties as part of the fight against terrorism; half feel that his measures to protect the country are not tough enough. Four in ten even say that torture can sometimes be justified.”⁵²

The importance of moral values in the re-election of George W. Bush was a continuation of the way Americans voted in 2000. In the 2000 election, sixty-three percent of those who went to church more than once a week voted for George W. Bush; sixty-one percent of those who never went voted for Al Gore. About seventy

percent of those who believed that abortion should always be available voted for Mr. Gore, while seventy-four percent of those who believed that abortion should always be illegal voted for Mr. Bush. "As Pete du Pont, a former governor of Delaware, pointed out, a map showing the sales and rentals of porn movies bore an eerie resemblance to the map of the 2000 election results."⁵³

On November 2, 2004, Americans voted not only for the President, but also for congressmen and other political positions at various levels of government. The relevant exit polls showed that voters regarded moral values as their top concern. These results proved the importance of moral values for the American people, as the balance in Congress shifted in a distinctly conservative direction, both in the Senate and the House of Representatives.

Many Republican candidates painted their opponents as "liberal", while highlighting their own socially conservative credentials. In Louisiana, for instance, David Vitter became the state's first Republican senator since Reconstruction thanks, in large part, to his uncompromising stance on abortion. In South Carolina, Jim DeMint not only pledged his opposition to all abortions, but announced that neither homosexuals nor unmarried pregnant women should be able to teach in public schools.⁵⁴

The victory of the Republicans in both chambers made them more conservative, "not just because there are more Republicans but because the new Republicans are a particularly conservative lot, both economically and socially. Moderate Republicans in Congress are now an "endangered species."⁵⁵

EUROPEAN PARLIAMENT'S REJECTION OF ROCCO BUTTIGLIONE

Most of the academics, politicians, and journalists who are dealing with the European Union's affairs claim that one of the major problems in the functioning of the Union is the "democratic deficit"—the fact that all major institutions of the EU are governed by people not elected by the European population, but appointed by the governments of the member states. In this regard, there is a continual discussion on the necessity to increase the power of the European Parliament, which is the only European body directly elected by the people. An incident that took place in the European Parliament in 2004 was a welcoming development in the attempts to face the EU's current "democratic deficit."

Rocco Buttiglione, the Italian nominated for the justice and home affairs portfolio in the European Commission, a philosopher and devout Catholic who has written papal encyclicals, was rejected by the European Parliament after his hearing in the relevant committee. At his confirmation hearings, Buttiglione supported that woman's role was to stay at home and raise children, and considered homosexuality a sin. His comments in the hearing procedure, along with some other similar statements, like "the family exists in order to allow women to have children and to have the protection of a male who takes care of them"⁵⁶ led the Civil Liberties Committee of the European Parliament to vote against his appointment.

The president of the European Parliament, Josep Borrel, commenting on Buttiglione's statements, described them as shocking, while other members of the Parliament heavily criticized Italy's European Commission nominee. As a result, the incoming President of the European Commission, Jose Manuel Barroso, was obliged to withdraw his proposed list of EU commissioners, since the European Parliament does not have the power to reject individual members of the European Commission and can only endorse or reject the entire twenty-five-member Commission.

In an article written after his rejection from the European Parliament, Rocco Buttiglione touches on the issue of value differences between Europeans and Americans. He states in his article, "George W. Bush concluded his election victory speech with 'God bless America.' It's likely that in the European Parliament, the U.S. president would be considered unfit for his job on account of his religious beliefs."⁵⁷

Buttiglione's case was the second incident within the EU during the last year that proves how different Americans and Europeans are in approaching these so-called "moral values." During the two-year long effort to write a constitution for the EU,

one of the most fraught issues was whether to insert a reference to Europe's Christian roots into the statement of European values that serves as the constitution's preamble. Despite the Vatican's strenuous lobbying, Christianity did not make it into the final version of the constitution agreed to last June [2004]

since the great majority of Europeans were against such a development.⁵⁸

The incident of the rejection of the Italian politician's nomination was a very important development for Europe and all major European channels, while those which normally ignored the parliament covered it extensively.

*Only by arguing about values, rather than economics-so the theory goes-can EU politicians engage ordinary citizens, and convince them that the Union does more than regulate the curvature of bananas. The federalist hope the battle of Buttiglione will mark the coming-of-age of the European Parliament.*⁵⁹

Even the President of the European Commission, who supposedly was "obliged" to defend Buttiglione, stated after the incident,

*These last days have demonstrated that the European Union is a strong political construction and that this [European] Parliament, elected by popular vote across all our member states, has indeed a vital role to play in the governance of Europe.*⁶⁰

In this regard, Buttiglione's case was not a minor incident in the EU, but something that would influence decisively the future of the Union, since it was the first time that ordinary Europeans felt that their ideas and beliefs were rightly represented in an EU institution.

CONCLUSION

The gap on core values between Americans and Europeans is widening and is “starting to affect perceptions of foreign policy interest on which the transatlantic alliance is based.”⁶¹ The disappearance of the common enemy, the Soviet Union, which kept the two continents together, has made it much easier for value differences to influence transatlantic relations. Also, “in the past, cultural differences have been suppressed by the shared values of American and European elites.”⁶² However, today, “elite opinion is now even more sharply divided than popular opinion.”⁶³

It is obvious from the above analysis that there are important differences in the values of importance between Europeans and Americans. These differences become more obvious when the citizens of the two continents choose their leadership. As it is correctly stated, “American politicians clearly spend much more time debating questions of values than do most politicians in Europe.”⁶⁴ In this regard, values influence the conduct of a country’s affairs, including foreign policy. Therefore, differences in values are able to help explain today’s rift in the transatlantic alliance. It is part of the reason why the US and Europe have differences over the importance of international treaties and the appropriate uses of soft or hard power. It is why opinion polls in Europe show strong support for the European Union to be developed as a global player and counterbalance to US power.⁶⁵ As Buttiglione, the European who has been rejected for the position of the European Commissioner, states,

*If you consider that Mr. Bush won re-election in part because of his firm stand on family values and other moral issues, it becomes apparent that Europe and the United States are drifting apart not only on foreign policy but also on their vision of a democratic society and of the proper relationship between politics and ethics.*⁶⁶

Perhaps it might be useful to reflect upon Robert Kagan’s statement that Americans are from Mars and Europeans are from Venus.

Notes

¹ Bruce Russett, *Grasping the Democratic Peace* (Princeton, NJ: Princeton University Press, 1993), 11.

² Timothy Garton Ash, *Free World: Why a Crisis of the West Reveals the Opportunity of our Time* (London: Penguin Group, 2004). In an article in the *Guardian*, Timothy Garton Ash describes an incident that shows at a certain extent how certain values are very important for Americans. He writes “I was driving down Broadway the other day and the cab driver had his radio turned to a Christian gospel station called Family Radio. The announcer was describing a book called *The Light and the Glory: Did God have a Plan for America?* The answer is yes. God’s plan the intelligence dossier on this one, if you’re wondering, is in the gospel according to St. Luke, chapter 2, verse 32—is that the Americans should be “a light to lighten the Gentiles.” Or, as the announcer put it, in a slightly sexed-up version of Luke’s faith-based intelligence, Americans have been sent “as a light to the world.” Timothy Garton Ash, “What to do about Bush,” *The Guardian*, 11 November 2004. Read also the speech of Timothy Garton Ash at the Council on Foreign Relations in New York, “America and Europe: The Future of the West,” available at: www.cfr.org, accessed on November 26, 2004.

³ Charles Grant, “Choosing Europe,” *Perspect* (August 26, 2004), 32-35. In the same article, Grant claims that “About half of Americans attend church once a week, compared with less a fifth of Europeans. Americans and Europeans think differently about patriotism, gun control and the death penalty”, 35.

⁴ Ivo H. Daalder, “The End of Atlanticism,” *Beyond Paradise and Power*, Tod Lindberg ed. (New York: Routledge, 2005), 55.

- ⁵ “Night Fell on a Different World,” *The Economist* 364, 7 September 2002, 22.
- ⁶ “Night Fell on a Different World,” 22.
- ⁷ “Living with a Superpower,” *The Economist* 366, 4 January 2003, p. 19.
- ⁸ “Us Versus Us; American Values Divide as Well as Define the Country,” *The Economist* 369, 8 November 2003, 9.
- ⁹ “Living with a Superpower,” *The Economist* 366, 4 January 2003, 20.
- ¹⁰ “Night Fell on a Different World,” *The Economist* 364, 7 September 2002, 22.
- ¹¹ “One Nation After All,” *The Economist* 372, 11 September 2004, 32.
- ¹² “The Vietnam Syndrome,” *The Economist* 371, 17 April 2002, 34.
- ¹³ “Home of the Brave,” *The Economist* 369, 8 November 2003.
- ¹⁴ *Ibid.*
- ¹⁵ *Ibid.* at 14.
- ¹⁶ Francis Fukuyama, “Does ‘the West’ still exist?” *Beyond Paradise and Power*, Tod Lindberg ed., (NY: Routledge, 2005) 152. In the same article Fukuyama states that “Germans for many years after World War II taught their children not to display the German flag or cheer too loudly at football matches. Although the French and, in a different way, the British continue to feel a sense of broader national mission in the world, it is safe to say that few other European countries regard their own political institutions as universal models for the rest of the world to follow. Indeed, many Europeans regard their national institutions as having a much lower degree of legitimacy than international ones, with the European Union occupying a place in between.”
- ¹⁷ “Night Fell on a Different World,” 22.
- ¹⁸ “Real Politics, at Last?” *The Economist* 373, 30 October 2004, 60.
- ¹⁹ “The Politics of Values,” *The Economist* 372, 9 October 2004, 28.
- ²⁰ “A Tale of Two Faces,” *The Economist* 369, 25 October 2003, 32.
- ²¹ *Ibid.* In the same articles, the author writes that “General Boykin has been going round evangelical churches (often in uniform) saying such things as ‘I knew my God was bigger than his God, and his was an idol’ (referring to a Muslim Somali warlord). In June 2002, he showed the congregation of the First Baptist Church of Broken Arrow, Oklahoma, photographs of Mogadishu, Somalia’s capital, with a dark smudge on them. ‘Ladies and gentlemen,’ he declared, ‘this is your enemy. It is a demonic presence in the city that God revealed to me.’”
- ²² “Living with a Superpower,” 19.
- ²³ “The Politics of Values,” 29.
- ²⁴ Abba Seraphim, “Christians Living in a Secular Society,” *The Glastonbury Review*, Vol. xii, No. 111, December 2004, 102-10.
- ²⁵ The Gender Recognition Bill and the Civil Partnership Bill.
- ²⁶ Abba Seraphim, “Christians Living in a Secular Society,” 105.
- ²⁷ “Therapy of the masses,” *The Economist* 369, 8 Nov. 2003, 12.
- ²⁸ *Ibid.*
- ²⁹ “Therapy of the Masses,” 12.
- ³⁰ “A Nation Apart,” *The Economist* 369, 8 November 2003, 3.
- ³¹ “Night Fell on a Different World,” 22.
- ³² *Ibid.*, 22.
- ³³ “A Creaking Partnership,” *The Economist* 371, 5 June 2004, 23.
- ³⁴ *Ibid.*, 24.
- ³⁵ The Brookings Institution, “Moral Values, Politics and the Faith Factor,” (18 Jan. 2005), available at: <http://www.brookings.edu/comm/events/20050118.htm>, accessed on 24 January 2005. Full transcript available at <http://www.brookings.edu/dybdocroot/comm/events/20050118.pdf>. During the event, Dr. Richard Land, President of the Southern Baptist Convention’s Ethics and Religious Liberty Commission, claimed that “...when I say that we won this debate with the secular fundamentalists, I point to the 2004 elections as sort of the final test of that. The American people have decided that they want religious values to be part of public policy...I was part of a BBC special on what the world thinks about God, and the BBC was surprised to find that when they did their polling they found that

only 17 percent of people in the United Kingdom said that religion was important in their lives....Sixty-one percent of Americans said that religion was very important in their lives. And I would argue that it's getting more important, not less important," 33-34.

³⁶ "Real Politics, at Last?", 60.

³⁷ "A Sweet Victory... and a Tough Loss," *Newsweek* 144, 15 November 2004, 10. For further details, see the summary of Pew Research Center findings, "Moral Values: How Important?" 11 November 2004, available at <http://people-press.org/reports/print.php3?PageID=909> (accessed 16 Dec. 2004)

³⁸ The Brookings Institution, "Event Summary: The 2004 Election Results," (5 Nov. 2004), <http://www.brookings.edu/printme.wbs?page=/comm/op-ed/20041105results.htm>. In the same meeting, Visiting Fellow Michael McDonald, who worked with the exit-polling firm Edison Mitofsky on Election Day, stated that, "Gay marriage was clearly pulling people to the polls," citing evidence that gay marriage issues in battleground states drew a 6.6 percent increase in voter turnout.

³⁹ "Back to Basics," *The Economist* 373, 6 November 2004, 28.

⁴⁰ "A Sweet Victory...and a Tough Loss," 14.

⁴¹ "How to Pick a President," *The Economist* 372, 9 Oct. 2004, 3.

⁴² Read the comments of representatives of several US based conservative groups, <http://www.baptistpress.org/bpnews.asp?ID=19475>, seen on November 10, 2004.

⁴³ "And Now... Four More Years: Bush Pleads for Unity as Clear Victory Consolidates Power," *Guardian*, 4 November 2004, 1

⁴⁴ "So Now You Know," *The Economist* 372, 8 October 2004, 7.

⁴⁵ "A Hot Line to Heaven," *The Economist*, 18 December 2004, 39.

⁴⁶ "A Nation Apart," 4.

⁴⁷ *Ibid*, 4.

⁴⁸ "So Now you Know," *The Economist* 372, 9 Oct. 2004, 8.

⁴⁹ "The Politics of Values," 28.

⁵⁰ "Night Fell on a Different World," 22.

⁵¹ Fareed Zakaria, "Writing Prose For a New Term," *Newsweek*, 144, 15 November 2004, 33.

⁵² "The Enemy Within," *The Economist* 372, 9 Oct. 2004, 24.

⁵³ "Us Versus Us," 9.

⁵⁴ "The Republican Grip Tightens," *The Economist* 373, 6 Nov. 2004, 30.

⁵⁵ "The Republican Grip Tightens," 31.

⁵⁶ "EU Panel Opposes Justice Nominee," BBC News (11 Oct 2004), available at: <http://news.bbc.co.uk/1/hi/world/europe/3734572.stm>.

⁵⁷ Rocco Buttiglione, "Of God and Men," 10 November 2004, available at:

<http://opinionjournal.com/extra/?id=110005873>, accessed on November 20, 2004. See also Rocco Buttiglione, "Social Justice in the Changing Economic Environment: Encounter or Conflict," (in the winter 1991 issue of *Faith and Reason* published from US based Christendom Press), available at: <http://ewtn.com/library/BUSINESS/FR91402.htm> accessed on November 19, 2004.

⁵⁸ "Real Politics, at Last?" 60.

⁵⁹ "Real Politics, at Last?" 60.

⁶⁰ Geoff Meade, "MEPs [Members of European Parliament] win battle over anti-gay commissioner," *Independence*, 27 October 2004.

⁶¹ "Living with a Superpower," 20.

⁶² *Ibid*.

⁶³ *Ibid*.

⁶⁴ "The Politics of Values," 28.

⁶⁵ "A Creaking Partnership," 24.

⁶⁶ Buttiglione, "Of God and Men."

Health as Foreign Policy: Between Principle and Power

by David P. Fidler

INTRODUCTION

This article focuses on a political revolution—the political revolution that has occurred in the area of health as an issue in international relations.¹ In the last decade, events in the microbial and the political worlds have radically transformed health's place in world affairs. The nature and extent of foreign policy attention devoted to health today is historically unprecedented.

Recognizing that a political revolution concerning health has taken place is not, however, the same as understanding the revolution's nature or policy implications. At present, health's political revolution means different things to different people. Diversity of views, in the wake of such a dramatic transformation of health's place in international relations, is understandable and should be encouraged. Diverse opinions and approaches suggest, however, that this revolution's meaning remains enigmatic.

In this article, I probe this enigmatic change in the relationship between health, foreign policy, and international relations. The article pushes the meaning of this revolution analytically in order to better understand how health's relationship with foreign policy is developing. In addition, I ponder whether this political revolution reflects a transformation of foreign policy for the benefit of health, or a transformation of health for the benefit of foreign policy.

I begin by describing why the last decade has witnessed a political revolution in terms of how health relates to foreign policy and international relations. Having fleshed out this change, I explore three different ways to conceptualize health's new political importance. These frameworks may not entirely capture the complexity and nuance of health's rise as an issue in international relations, but they serve as useful analytical devices for scrutinizing what has happened and why it has happened.

With the frameworks described, the article analyzes which framework provides the most accurate account of health's new prominence in foreign policy and international politics. The best conceptualization of the health-foreign policy relationship most accurately captures the dynamic between science and politics found at the heart of this relationship. The science-politics dynamic in the health-foreign policy

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relationship is, however, unstable, and perhaps dangerously so. With this in mind, I suggest how the volatility in the relationship between health and foreign policy might be mitigated to produce a more sustainable foundation for the future.

THE RISE OF HEALTH AS A FOREIGN POLICY ISSUE

My analysis proceeds from the assertion that health has undergone a political revolution in the last decade. I need to provide some sense of this revolution and not ask the reader to take this assertion on faith. To begin, let me make clear that health has been an issue for foreign policy and international relations for a long time. International health cooperation began in the mid-19th century with the convening of the first International Sanitary Conference in Paris;² and, since that meeting, states have concluded many treaties, created international health organizations, and cooperated with non-governmental organizations on a diverse range of health issues, covering both communicable and non-communicable diseases.³

The science-politics dynamic in the health-foreign policy relationship is, however, unstable, and perhaps dangerously so.

International health activity has, however, been an obscure and neglected area in the study of foreign policy and international relations. Those who dissect international politics have long considered health issues unimportant or uninteresting. Scholars now interested in global health have commented on how much health as a foreign policy and diplomatic concern has been neglected in the study of international relations.⁴

Sometimes the neglect of health has been considered a function of health's place in the so-called "low politics" of international relations. "High politics" involves issues of war and peace, competition for power, the dilemma of national security, and the fight for survival in anarchy. "Low politics" concerns international cooperation on economic, environmental, and social issues. The distinction between "high politics" and "low politics" has been prominent in debates in international relations theory. Realist scholars, such as John Mearsheimer have, for example, argued that the theory of institutionalism concentrates on economic and social issues while largely ignoring the central questions of security, war, and peace.⁵

The distinction between "high" and "low" politics in international relations is useful for this article's purposes because, even in the world of "low politics," health issues have also generally been neglected. Health has occupied an area we can perhaps call "really low politics." A major reason for health's status as "really low politics" is that international health activities were, by and large, considered technical, humanitarian, and non-political endeavors. In fact, health's non-political status is what some people thought gave it political power.

This seemingly counter-intuitive idea explains the incorporation of international health endeavors in functionalist theories of international relations.⁶ Functionalists

argued that international cooperation in technical, non-political areas would create spillover effects, transforming the nature of overall political interaction between sovereign states, from one of competition for power to one of cooperation for human welfare.⁷

Health's political revolution represents health's escape from "really low politics" into a new situation in which health features prominently on many political agendas in international relations today. In short, health has ceased to be merely a technical, humanitarian, and non-political activity. Some examples help support this observation:

- Through the specific threat of bioterrorism, and the more general threat of terrorists using weapons of mass destruction, the quality of a nation's public health and health care systems has become a matter of national and homeland security concern,⁸ producing in the United States significant increases in funding for biodefense⁹ and further calls for biodefense activities the scale of which would dwarf that of the Manhattan Project.¹⁰
- In 2000, the United Nations (UN) Security Council, considered the HIV/AIDS epidemic in the developing world, especially sub-Saharan Africa, as a threat to international peace and security, marking the first time a health threat was discussed before the UN body mandated to maintain international peace and security.¹¹
- The UN Secretary-General's High-Level Panel on Threats, Challenges and Change embedded threats from biological weapons, bioterrorism, infectious diseases, and social determinants of health (e.g., poverty and environmental degradation) as critical components of what it termed "comprehensive collective security."¹² The Panel even recommended that the UN Security Council intervene during epidemics to mandate greater compliance from states with needed public health responses and to support international action to assist in quarantine measures.¹³
- The United States, other developed countries, and experts from various disciplines have expressed concerns that the political, economic, and social devastation HIV/AIDS causes in some parts of the developing world would contribute materially to the failure of states, resulting in their becoming breeding grounds of civil disorder, regional instability, and global crime and terrorism.¹⁴ The scale of the HIV/AIDS crisis prompted the United States to launch the President's Emergency Plan for AIDS Relief (PEPFAR), a \$15 billion, five-year initiative in the global fight against HIV/AIDS.¹⁵
- The growing burdens created by epidemics of communicable and non-communicable diseases adversely affect the prospects for economic development in many developing countries and have led to calls for putting health protection and promotion at the heart of economic development strategies.¹⁶

- Health issues have risen significantly on the agenda of international trade, whether the issue is the impact of pharmaceutical patents on a developing-country's access to essential medicines;¹⁷ the increasing threat to food safety posed by globalized trade in food products;¹⁸ concerns about how liberalization of trade in health-related services would affect national health systems;¹⁹ or fears about how epidemics (such as SARS and avian influenza) could seriously disrupt trade and commerce.²⁰
- Foreign and international aid agendas also reveal the growth in the importance of health problems, as illustrated by the increases seen in international aid designated for addressing HIV/AIDS, tuberculosis, and malaria,²¹ and the use of health as a criterion for the distribution of bilateral aid.²²
- The importance of health-related concerns has increased in the human rights area. Health threats, whether from bioterrorism or HIV/AIDS, now significantly affect both civil and political rights (e.g., public health measures restricting freedom or movement)²³ and economic, social, and cultural rights (e.g., access to life-saving therapies as part of the right to health).²⁴ Documents as diverse as the Bush administration's *National Security Strategy for the United States* and reports from the UN special rapporteur on the right to health²⁵ provide indications of health's new human rights importance.
- Health issues have focused more policy attention on new actors in international relations, especially the participation of non-state actors in global health initiatives, most prominently various public-private partnerships that attempt to increase access to existing treatments or create new drugs and vaccines for communicable diseases.²⁶

Many more examples could be mentioned, but these provide a sense of how events have transformed the relationship of health and foreign policy over the last decade. Moreover, the transformation is reciprocal in the sense that foreign policy more frequently has to grapple with health, and health more frequently has to grapple with foreign policy.

THE NEW RELATIONSHIP BETWEEN HEALTH AND FOREIGN POLICY: THREE PERSPECTIVES

Two policy worlds, previously distant from one another, have collided, creating reverberations for both the pursuit of health and the conduct of foreign policy. I have participated in seminars and workshops, involving doctors, epidemiologists, academics, activists, and diplomats, at which this *mélange* of expertise has explored how to understand and handle this new political reality. Discussions in these settings often reveal different interpretations of the new relationship between health and foreign policy. I now sketch three distinct ways in which the new health-foreign policy linkage can be conceptualized in order to provide the reader with a sense of the range of possibilities the linkage generates.

Foreign Policy as Health

The first perspective—“foreign policy as health”—perceives health’s rise in international relations as transformative of foreign policy. In short, “foreign policy as health” maintains that foreign policy now pursues, and should in the future pursue, health as an end in itself. This perspective argues that health affects so many political agendas that it has emerged as a transarchical value—defined as a value that influences the substantive nature of hierarchical politics within states and anarchical politics between states.

One way to capture this “foreign policy as health” position is to consider how central health as a value is to the Millennium Development Goals (MDGs) adopted in 2000 under the auspices of the United Nations.²⁷ The MDGs establish a new framework for economic development in the 21st century, and health is at this strategy’s heart. Three of the eight MDGs are specific health objectives: reducing child mortality, improving maternal health, and reducing the burden of HIV/AIDS and other diseases. Four of the remaining five MDGs concern key social determinants of health: poverty, education, gender equality, and the environment. The eighth MDG, building global partnerships, incorporates a specific health-related target of increasing access to essential medicines in the developing world.

In short, “foreign policy as health” maintains that foreign policy now pursues, and should in the future pursue, health as an end in itself.

The “foreign policy as health” perspective emphasizes other features of international relations that reinforce the recognition of health as an end in itself for foreign policy action. The frequency with which health concerns have cropped up in the realm of national and international security, whether the issue is bioterrorism or damage to state capacity caused by communicable diseases, suggests that the pursuit of health capabilities has become important even for the highest of high politics.²⁸

The “foreign policy as health” perspective contains a broad definition of both “foreign policy” and “health.” This perspective views “health” as more than the mere absence of disease and embeds health into the broader social and economic context of human activity. This expansive view of health enlarges the scope of foreign policy beyond the traditional concerns with military power and matters external to the nation’s territory. In fact, the expansive notion of health collapses foreign and domestic policy into a global policy paradigm that more accurately reflects the reality of 21st century human interdependence.

This perspective on health’s rise on foreign policy agendas differs from the old functionalist interpretation of international health cooperation. Functionalism maintained international health activities constituted a technical, non-political area of cooperation with the potential to generate positive political externalities in other areas of international relations. The “foreign policy as health” conception rejects the idea that health is merely a technical, non-political activity and argues that health has

become a pre-eminent *political value* for 21st century humanity. As such, health's potential to generate positive political spillover operates overtly rather than through functionalism's more obscure stealth dynamic.

Health and Foreign Policy

The second perspective on health's political revolution contrasts with the conception of foreign policy pursuing health as an end in itself. This alternative framework holds that health's rise on foreign policy agendas merely indicates that foreign policy is shaping health, not vice versa. This perspective—"health and foreign policy"—captures the essence of the argument: health has merely become another issue with which traditional approaches to foreign policy grapple. Health is no different from any other issue that foreign policy addresses, and foreign policy approaches health in the same manner it approaches other issues. Health does not transform thinking about foreign policy; rather, foreign policy transforms how we conceptualize health.

The “foreign policy as health” conception rejects the idea that health is merely a technical, non-political activity and argues that health has become a pre-eminent *political value* for 21st century humanity.

The “health and foreign policy” approach accepts that health issues have more frequently appeared as foreign policy challenges in the last ten to fifteen years. The reason for this change is not, however, the emergence of a transarchical health norm that states believe in and to which they adhere. To the contrary, health issues have become more prominent foreign policy issues because health-related threats to the material interests and capabilities of states have increased. When diseases threaten, or show the potential to threaten, national security, military capabilities, geopolitical or regional stability, national populations, economic power, and trade interests, foreign policy makers take notice. When diseases interfere with and frustrate a state's pursuit of its material interests, as frequently happened in the last decade in international trade, foreign policy bureaucracies respond. What drives responses is the threat posed to the material interests and capabilities of states, not a cosmo-political consensus on health's intrinsic importance to 21st century humanity.

In fact, we might more accurately call the “health and foreign policy” perspective “only certain communicable diseases and foreign policy” because, by and large, only certain communicable disease problems, such as SARS, HIV/AIDS, or a killer influenza pandemic, cause serious perturbations requiring high-level foreign policy action. Thus, foreign policy's target is not “health” but mitigating risks and costs that certain infectious diseases create for foreign policy objectives, such as protecting national security and maintaining flows of international trade and commerce.

Further, the foreign policy task often has nothing to do with reducing disease burdens in other countries. For example, the foreign policy challenge faced by

developed countries with respect to the controversy over the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of the World Trade Organization (WTO) and developing-country access to anti-retrovirals, was managing a tactical retreat on the scope of patent rights, not contributing to efforts to stem the galloping HIV/AIDS pandemic.

When improving health or health systems in foreign countries is an intended consequence of foreign policy action, the strategic objective is usually something other than health.

When improving health or health systems in foreign countries is an intended consequence of foreign policy action, the strategic objective is usually something other than health. For example, the United States' interest in improving global infectious disease surveillance views improved global surveillance as a means to increase national and homeland security against bioterrorism, not as a vehicle for improving global health.²⁹ Any constructive health consequences for other countries that spill over from improved global surveillance represent a positive externality but are not the primary foreign policy objective.

In contrast to the expansive definitions of "health" and "foreign policy" in the "foreign policy as health" perspective, "health and foreign policy" maintains a traditionally narrow understanding of foreign policy and adopts a limited conception of what health means for foreign policy purposes. Under the "health and foreign policy" perspective, health is merely a tool, an instrument of statecraft the value of which extends no farther than its utility in serving the material interests and capabilities of the state. In that regard, its function is no different from the functions of war, military power, economic wealth, and international institutions in the anarchical politics of international relations.

Health as Foreign Policy

The third framework stakes out a middle ground between the previous two perspectives and maintains that health's rise as an issue in world affairs creates a relationship between health and foreign policy under which neither completely transforms the other. I call this perspective "health as foreign policy." This conceptualization of the health-foreign policy interaction involves a dynamic between science and politics that reflects an interdependence, or mutual dependence, when health and foreign policy mix.

"Health as foreign policy" focuses on a different aspect of health from the other two perspectives because it concentrates on the science of health, or epidemiology.³⁰ The first framework, "foreign policy as health," concerns the ideology of health, while "health and foreign policy" emphasizes the power politics of health. Health as an endeavor is, however, deeply scientific. The science of health produces

learning that applies within states or between states. Epidemiology produces, therefore, transarchical knowledge and information about health and threats to it.

Scientific principles and imperatives channel action on health in specific directions that neither ideology nor power politics can alter.

Such transarchical knowledge creates scientific principles and imperatives that affect political action and governance. For example, epidemiology stresses the critical nature of surveillance. Virtually everything else in public health hinges, for example, on knowing what diseases are affecting what parts of what population. Surveillance is not a function of ideology or politics, but a scientific principle and imperative that applies everywhere.

Epidemiology also develops scientific principles and imperatives in terms of how disease threats should be addressed. Scientifically, breaking the chain of transmission of a virulent airborne virus, such as SARS, requires interventions different from those required to reduce obesity-related diseases. Science drives both the identification of, and the interventions to be deployed against, threats to health.

Scientific principles and imperatives channel action on health in specific directions that neither ideology nor power politics can alter. Science's role in health undermines the ideology of health that informs the "foreign policy as health" perspective, and it challenges the "health and foreign policy" assumption that health functions no differently in international politics than other kinds of material interests and capabilities. Let me elaborate on these arguments.

The ideology of health contained in the "foreign policy as health" perspective assumes that the health of all peoples is interdependent and mutually vulnerable, giving rise to a context in which health serves as a common denominator for political action. Classical expressions of this notion appear in the preamble of the Constitution of the World Health Organization.³¹ The preamble states, for example, that the health of all peoples is fundamental to the attainment of peace and security, and that the achievement of any state in the promotion and protection of health is of value to all.

These statements are empirically dubious, at best. To my knowledge, no correlation exists between a people's health status and its disposition for violence and war. The 20th century saw life expectancies rise in most regions of the world, yet that century was one of the most violent and bloodiest in human history. The assertion that health gains in one state are of value to all peoples in the world is also too sweeping to be taken seriously from an epidemiological point of view. One country's successful efforts to eradicate a highly transmissible disease may indeed benefit everyone else on the planet, but one country's success in reducing non-communicable diseases may have no epidemiological relevance at all to health in other countries. Levels of health interconnectedness and interdependence among populations in the

world vary significantly, which creates a complex epidemiological reality that the ideology of health simplifies for political not scientific purposes.

Traditional foreign policy concerns with the preservation and promotion of a state's material national interests occupy the gap between epidemiology and ideology. The idea of "health" does not overcome the political dynamics created by states interacting in a condition of anarchy. Just as students of international relations have generally neglected health as an issue, health experts and advocates have shown little serious interest in understanding the problem anarchy poses for collective action among states.³² Jumping from epidemiology to ideology without appreciating the anarchy problem causes trouble for health advocates.

Likewise, science's role in health challenges the assumptions of the "health and foreign policy" perspective. This perspective plugged health into foreign policy as a fungible issue controlled by the laws of power politics. I have not yet seen a medical treatise, public health text, or Phase III clinical trial that indicates that the balance of power is an empirically valid strategy for dealing with disease threats to health. The "health as foreign policy" perspective encourages us to "speak science to power" rather than accept the proposition that, in the intersection of health and foreign policy, statesmen only think and act in terms of interest defined as power. Jumping from anarchy to power politics without appreciating epidemiology causes foreign policy on health issues problems.

Thus, the "health as foreign policy" perspective focuses on the science-politics dynamic at the heart of the health-foreign policy linkage. This dynamic contains scientific principles and imperatives that foreign policy cannot overlook, and anarchy/power considerations that health cannot ignore. "Health as foreign policy" provides a perspective on the health-foreign policy relationship that is more balanced conceptually than the other two frameworks explored above.

BETWEEN PRINCIPLE AND POWER: HEALTH AS FOREIGN POLICY

Which, then, of these three perspectives—foreign policy as health, health and foreign policy, or health as foreign policy—most accurately describes the political revolution health has undergone as an issue in international relations? I argue that "health as foreign policy" provides the best perspective on health's political revolution, but selecting this perspective over "health and foreign policy" proves difficult for reasons examined below. These reasons also provide clues as to why "health as foreign policy" only precariously emerges as the perspective that best describes health's political revolution over the last decade.

Ideology without Interests: Foreign Policy as Health

The argument that health's political revolution means that foreign policy now pursues health as an end in itself, as a transarchical political value, is appealing at many different levels. It conceives of states and peoples commonly bound together through health and acting upon this common bond through global policy. This

conceptualization also connects with long-standing beliefs and principles in international health, including the interdependence of the health of all peoples and the enjoyment of the highest standard of health attainable as a fundamental human right.³³

One need only reflect on the awful progression of the HIV/AIDS pandemic to understand that states and peoples have not behaved as if their health is interdependent and that they share a common health bond.

The “foreign policy as health” perspective does not, however, accurately describe the relationship between health and foreign policy produced by the last decade’s events. One need only reflect on the awful progression of the HIV/AIDS pandemic to understand that states and peoples have not behaved as if their health is interdependent and that they share a common health bond. The Executive Director of UNAIDS stated that “the world stood by while AIDS overwhelmed sub-Saharan Africa.”³⁴ The United Nations Special Envoy for AIDS in Africa has lashed out at countries for finding billions of dollars to fight terrorism but failing to provide adequate funds for fighting HIV/AIDS and called this situation a “double standard [that] is the grotesque obscenity of the modern world.”³⁵

The “foreign policy as health” perspective fails to describe health’s political revolution for two reasons. First, the assumption that the health of countries and peoples is tightly interdependent, or mutually vulnerable, is overbroad from an epidemiological point of view. Mutual vulnerability exists with respect to some health threats, such as transmissible pathogens. SARS provided another reminder that epidemiological dependence is a reality with some health threats. Even with communicable diseases, “mutual vulnerability” might be overstating the epidemiological reality. Perhaps “variable vulnerability” would be more accurate in communicating the idea that some countries and peoples are more vulnerable than others to certain health threats. Malaria provides a good example of variable vulnerability because countries located in tropical regions are much more vulnerable to malaria than countries located in temperate climates.

Second, in a context of variable vulnerability, countries and peoples have different interests regarding health that are expressed through domestic and foreign policy. Divergent interests often appear in circumstances of variable vulnerability when health risks are connected with international trade. Developed and developing countries often have been at odds over health-related trade issues partly because health actions developing nations want to take conflicted with trade interests of developed states. Examples of these conflicts can be found in international infectious disease control, controversies over the WTO’s TRIPS Agreement and General Agreement on Trade in Services, and global tobacco control. Behind such conflicts is the absence of mutual vulnerability to the health risk at issue.

The ideology of health has not eliminated material interests that states have in health-related contexts, and the “foreign policy as health” perspective seems unable to account conceptually for the conflict and controversies that arise when material interests on health held by different states clash. “Foreign policy as health” contains a version of the old “harmony of interests” doctrine in which health advocates assume that what is in the interests of world health is in the interests of each state. As in other contexts, reality deflates such “harmony of interests” assumptions when states interact.

Power Play: Health and Foreign Policy

The “health and foreign policy” perspective, with its emphasis on power and the material interests of states, is a strong candidate for the framework that best describes health’s political revolution. Health’s rise as a foreign policy issue in the last decade can, for example, be tracked against growing concerns of powerful states about health-related problems developing in the world of foreign policy. The great powers, such as the United States, have had to address health more frequently in their foreign policies because health problems have threatened, or complicated the satisfaction of, their material interests.

Further, the shape of international health activities today reflects how the great powers want health issues addressed. The United States’ pursuit of national biodefense is more robust and better funded than any international initiative on any health problem, including the global nightmare of HIV/AIDS.³⁶ Frustrated with the WTO in its attempts to create high levels of patent protection for pharmaceutical products, the United States pursues this objective through regional and bilateral trade agreements.³⁷ SARS prompted an impressive global response because it threatened the health and trade interests of developed countries. Other than in connection with direct threats from chemical or radiological agents, non-communicable diseases do not register strongly in foreign policy calculations of developed states.

Thus, the “health and foreign policy” perspective presents a more plausible explanation of health’s political revolution than “foreign policy as health.” In fact, I am tempted to conclude that “health and foreign policy” is the most accurate account of what has happened to the relationship between health and foreign policy in the last decade. The reality of global health today can hardly be explained without reference to the impact that power has on the health-foreign policy relationship. “Health and foreign policy” provides the most robust explanation of that impact.

The reality of global health today can hardly be explained without reference to the impact that power has on the health-foreign policy relationship.

Two things temper the temptation to choose “health and foreign policy” as the explanation of choice. The first involves a reluctance to drain “health” of normative content and energy and subject it exclusively to the power play that exists among

states in an anarchical political system. The second concerns the epidemiological short-sightedness of this perspective on health and foreign policy. “Health and foreign policy” also drains health of the insight provided by science.

Epidemiology identified the likelihood of a major HIV/AIDS epidemic in the developing world in the 1980s, with sub-Saharan Africa being particularly affected. The CIA even issued an intelligence estimate in 1987 that the impact of HIV/AIDS in sub-Saharan Africa in the following decade would be severe.³⁸ Warnings largely went unheeded, however, in both the developing and developed worlds until the end of the 1990s when the magnitude of the public health disaster could no longer be ignored. What epidemiology foresaw, foreign policy ignored. The world is now in the midst of struggling to mitigate the costs of one of history’s worst pandemics, with experts predicting the worst is still to come.³⁹ A foreign policy highly tuned to power politics but deaf to epidemiology is harmful to both foreign policy and health.

Epidemiology in the Service of Interests: Health as Foreign Policy

My concerns with the “health and foreign policy” perspective lead me to prefer interpreting health’s political revolution through the “health as foreign policy” approach. The science-politics dynamic at the heart of “health as foreign policy” establishes a context in which epidemiological evidence has to be marshaled for policy purposes through the lens of material interests. One striking thing about the last decade is the extent to which arguments for more foreign policy attention on health connected epidemiological evidence with adverse material consequences for states were relied upon rather than traditional concepts of health as a humanitarian or human rights issue. One document connecting health and U.S. foreign policy succinctly captured the emphasis on material self-interest when it identified the strategic objectives of U.S. engagement in global health as “protecting our people,” “enhancing our economy,” and “advancing our international interests.”⁴⁰

In the anarchical world of international politics, the shadow of the future does not extend very far, reducing a state’s motivation to solve a problem today that can be left for tomorrow.

Use of the science-politics dynamic can be seen in the ways governments, international organizations, and non-state actors linked communicable disease problems to national and international security, international trade, economic development, national and regional stability, and the effectiveness of international aid. Similarly, a powerful tool in the new global strategy for tobacco control involved advocates tying the growth of tobacco-related diseases directly to significant economic costs that governments would have to bear if they did not improve tobacco control.⁴¹ The interest shown in the concept of “global public goods for health” also illustrates the power of the science-politics dynamic because the “public goods” idea flows from economic theory not the ideology of health.⁴²

Connecting epidemiology and material interests has proven traction in foreign policy contexts, and more traction than the concepts of “Health for All” and the human right to health. Perhaps we are witnessing a global health version of the famous Melian dialogue Thucydides recorded in his history of the Peloponnesian War.⁴³ In this dialogue, Athenian envoys come before the leaders of Melos to convince them to surrender or be destroyed by Athens. The Athenians and Melians agree to dispense with pleasing rhetoric and talk about material interests. In the science-politics dynamic, epidemiology is the envoy from Athens, nation-states are the interest-calculators of Melos, and the results of not adequately adjusting interests to epidemiology leads to adverse consequences for the state and unnecessary human suffering.

A Dangerously Unstable Dynamic

Thinking about “health as foreign policy” also involves understanding that the science-politics dynamic is unstable, and perhaps dangerously so. This instability is worrying because it threatens to destroy a way in which the health-foreign policy relationship can be strengthened. The instability arises because the science-politics dynamic is not yet deeply grooved in either the health or foreign policy communities. Many health specialists and advocates remain leery of abandoning the ideology of health for a materialistic approach that compromises what they believe is special about health in human societies. Foreign policy experts remain skeptical about acting on the foresight of epidemiology in a world where short-term calculations of power and interest dominate state behavior. In the anarchical world of international politics, the shadow of the future does not extend very far, reducing a state’s motivation to solve a problem today that can be left for tomorrow.

The dynamic is also unstable because matching epidemiology with material interests is not easy, and disputes about whether a health risk or problem requires foreign policy attention could occur. In these circumstances, the health concern may be ignored entirely or lumped in with other “merely humanitarian” issues that clutter the “low politics” of international relations. This scenario simply encourages matters to return to the status quo ante, with health and foreign policy specialists operating in separate worlds, neither of which captures the reality of the health-foreign policy relationship in the era of globalization.

Grooving Health as Foreign Policy

Strategic construction of policy linkages between epidemiology and state interests can mitigate the instability present in the science-politics. Elsewhere I argued that today we are witnessing the emergence of “constitutional outlines” of public health’s new world order.⁴⁴ These outlines are governance functions that are developing nationally and globally, and these functions provide channels through which the “health as foreign policy” approach can be more deeply grooved, reducing the volatility that threatens the science-politics dynamic.

These governance functions involve: (1) health and security; (2) health and commerce; (3) health preparedness and response; and (4) human rights scrutiny of

health-related actions. Each function connects to strong interests held by states in the international system, and the functions provide pathways through which epidemiology can influence foreign policy. These functions reflect, in fact, how epidemiology has, in the last ten years, already affected foreign policy because they represent areas in which health's political revolution has been most apparent.

Connecting health problems with the pursuit of national and international security has been an unprecedented development in the health-foreign policy relationship, which has created new territory for the science-politics dynamic. The commerce-health linkage is old, but its long historical pedigree merely underscores how international commerce provides a fertile area for the science-politics dynamic. Health preparedness and response as an area for pursuing "health as foreign policy" directly connects epidemiology and material interests, because preparedness and response capabilities are essential for states to be able to manage health's intersections with security and trade. Another important feature of health's political revolution—human rights—can also be a tool for shaping political responses to health threats in epidemiologically and ethically appropriate ways that serve the national interest.

Systematically targeting security, commerce, preparedness and response, and human rights as ways to groove more deeply the science-politics dynamic is a formidable task that may require structural and procedural changes in how governments conduct foreign and health policy in the future. This observation supports the concern now being shown in international health circles about national "policy coordination and coherency" in areas in which health affects, and is affected by, foreign policy. Concerns about the impact of the new political importance of health on the U.S. Centers for Disease Control and Prevention illustrate, for example, the growing pains of melding science and politics together effectively.⁴⁵ Efforts to improve such coordination and coherency are, in essence, endeavors that support the prudence of the "health as foreign policy" strategy.

CONCLUSION

When asked about the French Revolution's impact, Chinese statesman Chou En-Lai said that it was too early to tell. Perhaps it is also too early to determine the ultimate direction and meaning of health's enigmatic political revolution. This article examined perspectives that interpret this revolution in different, sometimes antithetical ways. I also selected which perspective I believe not only best describes the political revolution but also offers the best prospects for mitigating the volatility seemingly inherent in the relationship between health and foreign policy.

Plotting a path between principle and power is risky, but in the context of health and foreign policy, it is empirically necessary and normatively appropriate. The goal of pursuing "health as foreign policy" is neither health for all nor the balance of power but rather the creation and sustenance of a constructive approach to the relationship of health and foreign policy that avoids being utopian, hegemonic, or irrelevant.

Notes

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¹³ *Ibid.* at paragraph 144.

¹⁴ *National Security Strategy of the United States*, and Andrew T. Price-Smith, *Pretoria's Shadow: The HIV/AIDS Pandemic and National Security in South Africa* (Washington, D.C.: Chemical and Biological Arms Control Institute, 2002), and Andrew T. Price-Smith and John L. Daly, *Downward Spiral: HIV/AIDS, State Capacity, and Political Conflict in Zimbabwe* (Washington, D.C.: United States Institute of Peace, 2004), and *The Human Security Challenges of HIV/AIDS and Other Communicable Diseases: Exploring Effective Regional and Global Responses* (New York: Asia Society, 2004).

¹⁵ White House, *Fact Sheet: The President's Emergency Plan for AIDS Relief*, January 29, 2003, www.whitehouse.gov/news/releases/2003/01/print/20030129-1.html.

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Global Warming: The Challenge of Preventing Dangerous Climate Change

by Bill Hare

INTRODUCTION

Rapid human-induced climate change over the next several decades and beyond presents enormous risks to natural ecosystems, to species, and particularly to the development prospects of the poorest regions of the world. Three international scientific assessments over the past fifteen years by the UN Intergovernmental Panel on Climate Change, the first in 1990 and the most recent in 2001, have shown that the science of global warming is certain enough to justify action to reduce emissions of greenhouse gases. The scientific community is increasingly anxious about the slow rate of policy action. Such concerns have led the UK government's chief scientist to warn recently that, in his view, climate change is the most severe problem that the world is facing today.¹

THE SCOPE OF THE PROBLEM

A range of serious climate impacts is projected if greenhouse gas emissions are not reduced. The impacts of climate change are likely to include effects that could undermine development in many poor, developing countries, leading to increased hunger, water scarcity, droughts, and enhanced spread of diseases such as malaria.² Rapid human-induced climate change will rarely act alone in impacting vulnerable communities, but as the climate warms to unprecedented levels, its influence is likely to become decisive in a number of regions. In richer countries, with better health care, water supply systems, and greater economic resilience, damages may still be high with only a few degrees global-mean warming.

Some of the largest negative effects of low levels of (disproportional quick) warming (below 2°C compared to baseline pre-industrial) are likely to be on species and ecosystems.³ Iconic species, such as the polar bear, may be at risk of extinction in the wild over the coming century as a consequence of the loss of sea ice. Coral reefs seem particularly at risk with quite low levels of temperature increase (1.5°C)⁴, raising questions as to whether or not many can be saved from rapid climate change.⁵ Some scientists express concern that the Amazon forest may be at risk of collapse

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from warming, which could occur within the next few decades.⁶ Indeed, the list of species and ecosystems threatened by climate change is a long one.⁷

Sea level rise, another consequence of climatic warming caused by the thermal expansion of warming oceans and the melting of glaciers and ice sheets, threatens the survival of a number of small island countries and, in the longer term, several low-lying deltaic countries or regions. One of the fundamental aspects of the sea level rise is that it is very difficult to stop, evocated by the relative inertia of the climate system. After the climate has stopped warming, sea level rise caused by thermal expansion of seawater would continue for many hundreds and perhaps a few thousand years, irrespective of what happens to the large ice sheets. Over several centuries, it is very clear from the science of this problem that limiting sea level rise to less than one meter is going to require the virtual elimination of anthropogenic carbon dioxide (CO₂) and other greenhouse gas emissions. This means that if there is to be a Bangladesh in 2300, quite aggressive action in the early and middle decades of the twenty-first century is needed.

RISK OF ABRUPT SYSTEM CHANGES

Climate change is unlikely to unfold slowly. There is a danger of rapid, abrupt changes in the climate system that would magnify the risks described above, or create new greater risks.⁸ In the past, much of the evidence from the behavior of the climate system points to abrupt changes in response to ecological conditions such as variations in solar energy input. Scientific knowledge is, at present, insufficient to forecast how and when abrupt changes might occur. A few examples suffice to illustrate the risks.

Global warming could set off a slowing or shutdown of the North Atlantic thermohaline circulation. That, in turn, could trigger sudden changes in regional climate around that region,⁹ with large and negative consequence for ecosystems and food production globally.¹⁰

Many scientists have speculated that the West Antarctic ice sheet, which contains sufficient water to raise global sea levels by six to seven meters, is unstable.¹¹ Human climatic warming could precipitate its collapse over a few hundred to a thousand years.¹² Should this happen, a global catastrophe is likely to ensue the flooding of many of the world's major cities over a number of centuries. Should this risk be real, despite scientific controversy,¹³ the processes that would trigger a collapse become more critical with increasing temperature.¹⁴

Another example is that of potential adverse changes in the climate 'regime.' A number of climate models are projecting that warming could lead to a more permanent and perhaps extreme El Niño state of the climate system.¹⁵ As is now well known, El Niños often bring extreme floods, droughts, and other weather disasters to many parts of the world, affecting millions of people.

As a final example, warming could, itself, lead to more warming, known as a 'positive feedback,' rendering ineffective human efforts to control the problem.

Modellers at the Hadley Centre for Climate Prediction and Research in the United Kingdom have indicated that there is a significant risk, should warming not be limited, of large-scale dieback of the Amazon forest towards the end of the coming century. Releases of carbon from such a catastrophe, along with the much larger releases of soil carbon projected by the same model from northern forests, would release large volumes of CO₂, the main greenhouse gas, into the atmosphere.¹⁶ The releases would be so large that they would overwhelm all presently conceivable means of limiting the CO₂ increase in the atmosphere. Warming oceans could trigger the release of large amounts of methane from under the sea bed, which would amplify the warming.¹⁷

LARGE INERTIA IN THE CLIMATE SYSTEM

A fundamental feature of the climate system is its inertia. Like a huge ship, once in motion, it is very difficult to stop, let alone reverse. This means that to avoid significant and potentially dangerous changes, emissions of greenhouse gases, particularly CO₂, need to be reduced sooner rather than later.

Climate change is often portrayed as a long-term problem, which will indulge a period of experimentation and contemplation by governments, policymakers, and the scientific community, and even reward a delay in acting with lower costs.¹⁸ Unfortunately, climate change is neither likely to be forgiving of delay, nor is it likely to be a problem whose effects are slow to unfold over the next several decades, like a long, late summer's day. It appears much more likely that changes will be rapid, even abrupt, and deep effects will be clear to all within relatively few decades, unless ameliorating action is taken. Nor is it a problem that, once started, can be easily, if at all, reversed. Indeed, for some highly vulnerable regions and ecosystems, it may already be too late to prevent substantial loss of species and area. As oceanographer Wally Broecker has argued, "it is clear that Earth's climate system has proven itself to be an angry beast...when nudged, it is capable of a violent response."¹⁹

STRONG SCIENTIFIC CONSENSUS ON RISKS OF CLIMATE CHANGE

Obviously one of the main issues in determining whether and how to deal with the threat of climate change is the strength of the scientific basis for concern about climate change and its impacts and effects. In other words, just how strong is the case that climate change poses a major threat to the future of ecosystems, species and human lives, livelihoods, and infrastructure? In short, the answer to this question is that there is a very strong scientific consensus, internationally, that human-induced climate change presents substantial risks to species, ecosystems, agriculture, health, water resources, human livelihoods, and infrastructure in many regions.

Internationally, the assessment of climate change has been vested in a body known as the Intergovernmental Panel on Climate Change (IPCC), which was established by the United Nations Environment Programme and the World

Meteorological Organization in 1988. It draws upon hundreds of scientists from over 120 countries to regularly assess the state of scientific, technical, and economic knowledge on all aspects of the issue. It is a unique institution, relying upon the good will of many scientists who voluntarily contribute their time and energy to the not very rewarding labor of reviewing vast amounts of literature responding to the critical comments of governments and other reviewers of their reports. At the end of the assessment process, the scientists must watch as 120 or more governments negotiate, line by line, the summaries of their years of work, producing a document that, by consensus, reflects the internationally-agreed understanding of the state of knowledge of the science, impacts, and economics of climate change. Given this process, which involves governments, such as that of Saudi Arabia, which are determined to water down any findings that could imply that action is needed to combat climate change, it is perhaps surprising that any meaningful conclusions emerge. Yet, conclusions have emerged, and with great effect.

The IPCC's most recent assessment, Third Assessment Report (TAR), adopted in September 2001, significantly strengthened the already robust conclusions on the science and impacts of climate change, as well as the economics of combating its negative effects, from the two earlier assessments in 1990 and 1995. It is worth emphasizing some of its key findings, one of which is that the effect of human activities can already be seen in the climate changes of the last fifty years, due most likely to the increase in greenhouse gas concentrations.²⁰ In addition to strengthening the finding of human effects on the climate, the IPCC can attribute "about three-quarters of the anthropogenic emissions of CO₂ to the atmosphere, during the past twenty years, to fossil fuel burning."²¹ In the coming century, human activities, principally the combustion of oil, coal, and gas, are projected to result in a much faster rate of global warming than that seen over the twentieth century and very likely faster than at any time in the last 10,000 years.

Apart from the high rate of projected climate change, the scale of the warming, in the absence of emission reductions, is very large and compares with what occurred during the transition from the last glacial maximum to the present interglacial period. The IPCC estimates that the human-caused increase of temperature over the course of the twenty-first century will be in the range of 1.4–5.8°C over the period 1990-2100. When the last glaciation ended around 10,000 years ago, the world warmed by some 4–6°C over a period of 7,000 to 10,000 years. In other words, if the IPCC's mid and upper range temperature estimates come about, this human-induced global warming will be similar to that which brought an end to the last ice age. Short of a major climatic catastrophe, such as that which destroyed an estimated 95 percent of species around 250 million years ago,²² climatic changes on Earth do not come much bigger.

The distinct impact of global climatic warming over the past several decades is evident in many physical and biological systems, such as species, ecosystems, and glaciers.²³ Indeed, the chance that all of the observed changes in relation to melting glaciers, reduced ice on lakes, reduced snow, and reductions in sea ice would be in

the same direction is less than 1 in 100,000.²⁴ Reviews published since the TAR have confirmed the findings in relation to observed impacts on species and ecosystems.²⁵ The evidence was less clear as to the social and economic effects of increased flooding and droughts attributed to climate change.²⁶

Further work, after TAR was finished, has added to the conclusion of the harmful effects of global warming, but not fundamentally strengthened it. For example, in relation to the October and November 2000 floods in the UK, it was found that the extreme rainfall patterns that caused these were consistent with global warming, but the association was not statistically significant. Nevertheless, should current trends continue, a significant increase in such events is expected for the coming century.²⁷ Indeed, in Europe, river flooding is expected to increase over much of the continent, and in coastal areas, the risk of flooding, erosion, and wetland loss will increase substantially.²⁸

Combating the threat of climate change requires broad international agreement.

One of the key findings of the TAR is that it is the changes in climatic extremes are likely to have the most immediate and the greatest negative effects. Some of these changes may include increased frequency of heat waves resulting in crop and livestock losses, increased frequency of wildfires exacerbating wildlife mortality, and increased energy demand for cooling necessary to prevent human deaths and illness from heat stress and air pollution. Extreme fluctuations in the weather could increase the frequency of high intensity rainfall leading to flood and flash flood risk, with consequent property damage, soil erosion, flushing of pollutants into streams and waterways, health threats, and deaths. In addition, more frequent drought in mid-latitude continental interiors will increase agricultural losses, threaten terrestrial and aquatic ecosystems, and reduce quality and availability of water with life-threatening consequences. Increased intensity and frequency of tropical cyclones in some regions will threaten property, coastal stability, ecosystems, health, and life. Any rise in intensity and frequency of extreme climate events will increase demands on an already overburdened public and private financial mechanisms to cover weather-related losses, particularly in developing countries.²⁹

In a marked strengthening of the earlier 1990 and 1995 assessments, which found developing countries at risk from climate change, the TAR states that the greatest hardships will fall on those least able to protect themselves from these meteorological extremes. Increases in global mean temperatures are expected to produce net economic losses in many developing countries for all magnitudes of warming, and the effect is most extreme among the poorest people in these countries. For example, the relative percentage damages to GDP from climate extremes have been substantially greater in developing countries than in the industrialized world. The projected distribution of economic impacts is such that it would increase the disparity in well-being between nations as the temperature increased. Finally, it is

projected that more people will be harmed, rather than benefit, by climate change—even for global mean temperature increases of less than a few degrees.³⁰

While many regions will be impacted negatively, as a continent, Africa stands out.³¹ Unfortunately, it seems likely that the impacts of climate change on diminishing food security, agriculture, and malnutrition may threaten the well-being of large populations in parts of Africa already struggling to survive. In a region already facing the effects of AIDS, climate change seems likely to foster the extension of ranges of infectious disease on the continent. An increase in droughts, floods, famine, and other extreme events will create a further stress on water resources, food security, health, and infrastructure, which will constrain development in Africa. As climate change grips Africa and vital ecosystems wither under the pressure of increasing human activity and rapid, adverse climatic change, some of the richest biodiversity on Earth may disappear, with consequent damages to human activities, such as subsistence, tourism, and epidemiological success.

BROAD INTERNATIONAL AGREEMENT NEEDED

While the projected effects of human-induced climate change are of epoch-making dimensions, the political and economic complexities (scientific uncertainties aside) in managing this issue globally are monumental. By its very nature, combating the threat of climate change requires broad international agreement; no country acting alone can do more than slow its own rate of increase of greenhouse gas concentrations in the atmosphere. If all the damages from human-induced climate change occurred predominantly where the harmful greenhouse gases were emitted, the political complexities would be substantially reduced. The situation, however, is the reverse: much of the severe impact is projected to occur in countries and regions with little responsibility to date for the causes of the problem. As a consequence, this gives rise to profound questions of fairness and equity in deciding who should take action, when, and how. This also, in itself, leads to substantial potential for conflict in deciding what levels of climate change are dangerous; the US, for example, is the largest single emitting country, but retains a higher threshold of danger than many of the potential victims. Compounding this situation is the fact that much of the scientific and technical knowledge of climate change resides in the richer industrialized countries, which have the time and resources devoted to studying the issue. Many of those most affected, however, have neither the resources nor the time to fully devote to an understanding of what is at stake as other issues are much more immediate and demanding.

As if this level of complexity and uncertainty were not enough, the major share of emissions of climate changing greenhouse gases, of which carbon dioxide is the main causative agent, are derived from the burning of fossil fuels, such as oil, coal, and gas. These fuels generate most of the energy that drives the global economy. By far the largest proportion of fossil fuel-related CO₂ emissions comes from the richer industrialized countries. Developing countries, ironically, aspire to develop

and need increasing amounts of energy services to achieve higher living standards and economic developments for their people, which translates into large increases in CO₂ emissions. Greatly reducing emissions of CO₂, which is necessary if the climate system is to be stabilized, will involve decoupling energy services in both the developed and developing worlds from CO₂ emissions. Given this context, it is therefore not surprising that many developing countries fear that efforts to combat climate change could curtail their development.

INTERNATIONAL ACTION

In response to the risks identified in the IPCC's First Assessment Report in 1990, the international community negotiated the United Nations Framework Convention on Climate Change (UNFCCC), which was adopted at Rio de Janeiro in June 1992.³² This has, as its ultimate and legally binding objective, the prevention of dangerous interference with the climate systems. Article 2 of the UNFCCC requires that all parties, essentially the entire world community, including the US, work together to *prevent* dangerous climate change. Stabilization of the most important greenhouse gas, CO₂, requires at least a 60–80 percent reduction in anthropogenic emissions. The UNFCCC contained only broad obligations on the industrialized countries to return emissions to 1990 levels by 2000. These obligations were found to be inadequate at the first Conference of the Parties to the UNFCCC in Berlin in 1995. It was decided that the parties would negotiate a protocol, or other legal instrument, “as a matter of urgency” to develop emission controls for the industrialized countries. The Kyoto Protocol, which was the product of intense negotiations that attracted extremely high levels of public attention, was adopted in 1997 at the third Conference of the Parties to the UNFCCC with emissions targets for nearly all of the industrialized nations. Following this success, the ensuing years have been marred by controversy and setbacks, including the rejection of Kyoto by President George W. Bush in early 2001. In spite of this, the final agreements on the implementation of the Kyoto Protocol were made at Marrakesh at the end of that year, and with Russia's ratification in 2004, the Protocol entered into force on February 16, 2005. Only the US and Australia stand outside the Kyoto Protocol from the developed country group.

Arguably, progress to date towards the prevention of dangerous climate change has been slow and, with the unilateral withdrawal of the U.S. from the Kyoto Protocol, at risk. Scientific evidence, however, is pouring into the peer-reviewed literature demonstrating the risks of delay in managing the threat of climate change. In many policy circles, there is a rising level of anxiety at the slowness of action in the face of mounting risks. Already, the first effects of human-induced climate change are being felt; species are migrating, glaciers are receding, the atmosphere and oceans are warming, and weather systems are changing. Predictions of the impacts from future changes by the scientific community are alarming, especially if one considers that the magnitude of change projected over the next century is similar to, but many times faster, than that which occurred at the end of the last ice age.

DOES CLIMATE CHANGE MATTER?

The rejection of the Kyoto Protocol by President George W. Bush has given new life to the so-called climate sceptics, who in many cases are essentially arguing that even if anthropogenic climate change is happening, it is not a big issue. Are people not starving in Africa today, and why does climate change matter when other causes of starvation are much more significant? Is malaria not prevalent south of the Texas border, but hardly heard of within North America considering both regions have the same climate? Since ecosystems and species are being wiped out anyway, are there not more urgent priorities? Are not population growth and consumption patterns much more significant an influence on water use and demand than climate? And did not people adapt to climatic changes in the past? Analysis of these impacted areas plainly indicates that climate change does present clear risks that are not subsumed by other processes.

Climate change poses a first order risk of increased hunger to poorer regions already experiencing food scarcity or food security problems.

The current scale of species loss has been described as the sixth great extinction event: the other five events had natural causes. In evolutionary terms, this, if unchecked, would be a massive loss of the biological inheritance of the planet. While the ecological consequences are difficult to predict, many scientists believe there will be major repercussions on the functioning of the biosphere, which we depend on for many ecosystem services. Climate change will seriously exacerbate, and in many cases directly cause, the loss of species and ecosystems.³³ In some cases, it may be the main driver behind the risk of this large-scale loss, such as the Cape Floristic Province on the southern tip of South Africa,³⁴ the moist tropical forests of northeastern Australia,³⁵ much of the Alpine flora of New Zealand³⁶ or many coral reefs.³⁷ In other cases, climate change interacting with human disturbance of the Amazon could lead to the more or less complete collapse of that system.³⁸ In systems such as these and coral reefs, even if the human disturbance currently threatening these systems stopped, climate change would still pose a main or fundamental risk.³⁹ Most of the main risks occur by the time global mean warming is in the range of 1.5–2.5°C above pre-industrial temperatures.

Unchecked land degradation will make it more difficult for the world to feed itself and exacerbate regional food shortages, as highly degraded regions are less able to cope with normal climatic fluctuations. Climate change is expected to intensify or even cause land degradation problems in many regions.⁴⁰ While measures to reduce the loss are likely to provide resilience to climate variability, it seems unlikely that they would be sufficient to prevent significant negative effects.

Most recent global assessments of the ability of the world to feed a growing human population indicate that this is feasible, if not without significant environmental

costs.⁴¹ While overall levels of food production are generally sufficient, areas of food scarcity are only slowly reduced as overall levels of income rise, under assumed scenarios of economic growth. Factoring climate change into the assessment alters the picture significantly, with many developing countries expected to experience yield reductions at low levels of warming. By and large, developed countries are expected to increase their yields, although after a warming of 2–4°C, they are predicted to decline in many places.⁴² Well below this level of warming, the number of people at risk of hunger or suffering from food scarcity in poorer developing countries is increasing rapidly, with the risk not being offset by either general increase in income or adaptation measures.⁴³ In relation to developed countries, the general assessment of increased yields is by no means certain and is dependent on model projections of how climate may change in the future.⁴⁴ In other words, climate change poses a first order risk of increased hunger to poorer regions already experiencing food scarcity or food security problems.

As mentioned above, the TAR has identified that climate change poses a threat to development in a number of regions, arising from a set of pressures, such as increased climate-related disaster risk, increased risk of the spread of diseases such as malaria and dengue fever, reduced agricultural production, and food scarcity. Hence, whatever the uncertainties about future development prospects for regions such as Africa, the effects of climate change cloud the future. It could, in many cases, make it significantly harder for countries to cope with the multiple problems afflicting their regions. In other cases or plausible combinations of circumstances, such as increases in extreme-event frequency and intensity, climate change could be a decisive factor in the future development of countries or regions.⁴⁵

In some cases, climate change presents a threat to both the physical and cultural survival of low-lying island countries and their peoples. Highlighted by this issue of cultural or physical loss, caused by the effects of climate change, is the fact that often the impacts are likely to be, and in some cases are already being felt, by people whose lives are lived far from both the physical centers of metropolitan existence in the wealthier industrialized countries. Such people are remote from the causes of climate change and yet are on the sharp end of the impacts. What weight is to be given to their interests as opposed to those of consumers in, for example, the US? The IPCC estimated it would cost less than US\$125 per person per year in 2010 to meet the targets of the Kyoto Protocol in the US.⁴⁶ If Kyoto's implementation was the first step towards preventing large climatic damages, would this be a fair price to demand? Or if, as the Bush administration decided, this is too costly for the US, then, as a consequence, the peoples affected by rapid climate change may have to fend for themselves.

Of course, sooner or later, unless far reaching action is taken, the consequences of rapid climate change will be felt deep in the heartlands of Europe, North America, Australia, and Japan and not just visited upon the poor of the larger part of the world. Indeed, at least in the public perception, this may already be so in relation to events such as the severe drought of 2001 and 2002 in Australia,⁴⁷ severe wind

storms in France, record coastal floods in the United Kingdom in 2000, the river flood catastrophes in Germany in the summer of 2002, and in the 20,000 deaths attributed to the completely unprecedented summer heat wave of 2003. Apart from the scientific reasoning behind treating climate change as a problem that must be dealt with sooner rather than later, the political ramifications may become much sharper sooner than many politicians expect. Respected voices in the scientific community are becoming more strident as the evidence of danger accumulates.⁴⁸

CONCLUSION: PREVENTING DANGEROUS CLIMATE CHANGE

The impacts and risks outlined above point to the need to limit global mean warming to an increase of 2°C or less above pre-industrial temperatures. Such a limit has been identified in the research and policy community⁴⁹ and has also found expression as the stated aim of the European Union for global warming policy.⁵⁰ Achievement of such a target requires global emissions to peak within a few decades at the most and for industrialized countries to begin reducing emissions virtually immediately,⁵¹ as is implied in the obligations of the Kyoto Protocol.

The rejection of the Kyoto Protocol by President George W. Bush in early 2001 and his subsequent challenge of the basic science underpinning the global response to the threat of climate has sent intellectual, political, and emotional shockwaves throughout the climate community and indeed into the broader world. For many, the threat to the Kyoto Protocol and the international climate regime at large created by President Bush presents a major risk. Prior to Bush's presidency, although progress was slow and difficult, there was a feeling that the world was slowly beginning to deal with the threats posed by climate change. In one blow, Bush's unilateral rejection of the Kyoto Protocol and its underlying scientific justification has cast into doubt the most fundamental basis of international efforts to deal with the threat—the need for a strong international movement from which no main player was exempted.

While most of the world is pushing ahead with implementing Kyoto and preparing for the next stage of broader action, the role of the U.S. remains negative and recalcitrant, yet the problem cannot be solved ultimately without its active involvement. An overabundant amount has been written in the last two or three years about the modes of “re-engagement” of the US, “new frameworks,” “Post-Kyoto” climate actions, and so on. The common denominator of these discourses or alternative proposals is that they would do substantially less in terms of emissions reduction than the Kyoto Protocol, and would, in this way, represent a step backwards. By far the strongest response to this discussion has been the establishment of an emission trading system among the twenty-five member states of the European Union. This is both setting a marker for action in the concrete domain of policy instruments and governance of climate change and maintaining forward momentum at a time of great difficulty. Rather than contributing to this discussion here, I note only that both building on Kyoto and developing a large global program for “greening” the energy system in developing countries is the only realistic and essential way to maintain momentum where it matters: reducing emissions from the industrialized countries

and beginning the process of stabilizing emissions from the developing world.

Instead, I want to conclude with an argument of great force and simplicity put forward by Ambassador Lionel Hurst of Antigua and Barbuda, who has drawn a powerful and eloquent analogy between the slave trade and global warming.⁵² Global warming threatens the livelihoods and homes of many who have played little or no role in its causes and who themselves can do nothing to prevent the otherwise inevitable loss of islands and homes due to sea level rise. Put simply, global warming poses a moral question to the most powerful on the planet, who are also the major source of emissions, wealth, and know how. The slave trade, Hurst argues, was not stopped by the slaves themselves persuading their masters of the immorality of slavery. It was solved from within, starting with Great Britain, which resolved after much debate to end slavery over two hundred years ago. Ultimately, it prosecuted this decision with great vigor and fought battles and wars to stamp out the trade. A moral decision was made that slavery was not the right thing to do. When it comes to greenhouse gas emissions and climate change, the rich and powerful have the same kind of moral choice to face—to act or not to act to prevent huge damages to powerless people and to natural ecosystems unable to defend themselves.

The ball, I would say, is now in the US court: what is the choice to be?

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REVIEW

A Review of *Islam Under Siege*

by S. Azmat Hassan

Islam Under Siege: Living Dangerously in a Post-Honor World. By Akbar Ahmed. Malden, MA: Polity Press, 2003. 213 pp. US\$19.95, paper. ISBN 0745622100.

All nineteen of the hijackers who slammed civilian planes into the World Trade Center and the Pentagon—two of the most visible symbols of American military and industrial strength—were Muslims; fifteen of them from Saudi Arabia. Who were these angry young men, and what impelled them to perpetrate mass murder on that sunny morning of September 11, 2001? That cataclysmic event has inspired a torrent of books and articles examining Islam's role in the contemporary world, many of which are similarly focused. Professor Akbar Ahmed's book *Islam Under Siege: Living Dangerously in a Post-Honor World*, however, has cast a fresh light on a phenomenon which has profound implications for how different religions and cultures react and interact with each other in the new millennium.

Ahmed, a distinguished anthropologist, former civil servant, and ambassador from Pakistan, is the Ibn Khaldun Professor of Islamic Religion and International Relations at the American University. Widely acknowledged as one of the foremost Islamic scholars, his treatment of the events surrounding 9/11 is refreshingly different from that of most analysts, in that he examines global conflict through an anthropological prism.

Ahmed uses the framework of *assabiya* as propounded by the great medieval Muslim anthropologist Ibn Khaldun, representing a group solidarity by which the world of Islam was ordered for over a thousand years. This relative stability and cohesiveness, however, was dissipated by the rise of the West, propelled by the Industrial Revolution. Large areas of the Islamic world were conquered and colonized by the European powers in the 19th century. In the 20th century, the United States supplanted the European countries as the foremost military and economic power. Bereft of *assabiya*, the Islamic world was unable to cope with the stresses posed by modernity and globalization. Large sections of its population feel threatened and besieged by the relentless onslaught of globalization. It is thus easy for a large mass of angry, unemployed, and exploited people at the mercy of corrupt and repressive rulers to turn their frustration and resentment against the most visible and potent symbol of globalization, the United States of America.

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Fears of being engulfed and marginalized further by Western countries led by the United States has produced the environment in which Osama bin Laden and Ayman Al Zawahiri can whip up anti-American sentiments. These demagogues have manipulated Islam, a religion of peace, and misquoted certain verses of the Quran to proclaim a *jihad*, or holy war, against Christians and Jews. Some American writers and religious leaders have contributed to the understandable bitterness and confusion by attacking Islam as an “evil” and “violent” religion. Akbar Ahmed laments the misperceptions and misunderstandings of the “other” engendered in both the West and the Islamic world. He pleads for a correct understanding of Islam, a great religion which has much in common with Judaism and Christianity and is a part and parcel of the Abrahamic tradition.

His final chapter “What needs to be done” is an eloquent plea for a dialogue between Islam and the West, based on mutual respect and understanding of the predicaments which both civilizations face in dealing with each other. He has himself participated with eminent Americans in such interfaith dialogues. Such exchanges, he argues convincingly, are the only antidote to continued conflict in which terrorism could become even worse. Both sides should take stock of their common goal of producing a more viable and peaceful world, working in unison to confront the perils and promises of globalization. In laying out a hopeful future for mankind by drawing on the best features of the great monotheistic religions; in eschewing finger pointing and antagonistic stereotyping, Akbar Ahmed’s book has made a marked contribution to the debate. In charting a course for decency, compassion, and understanding in our turbulent world, *Islam Under Siege* should be compulsory reading for the policymaker and the layman alike, in the United States and elsewhere.

REVIEW

Can the Voices of the Developing World be Heard? Calling for Deep Reforms to the International Financial Institutions

by William F. Arrocha

Challenges to the World Bank and IMF: Developing Countries Perspectives.
By Ariel Buira, Editor. London, UK: Anthem Press, 2003. 277 pp. US\$24.95, paper.
ISBN 1843311410.

The voice of the developing world has been expressed in many forums, journals, and manuscripts. It is a voice, however, which is not often heard by those in power. There are also patterns of thought which deny the social and political consequences of economic models that often do not reflect reality. Conscious of this disparity, the editor of *Challenges to the World Bank and IMF*, Ariel Buira, worked among those in power as a former executive director of the International Monetary Fund (IMF). In this book, he brings together the ideas of those who, in addition to echoing these concerns, also see the pressing need for deep reforms in the international financial institutions (IFIs).

Challenges to the World Bank and IMF is a critical and well-researched multidiscipline survey that presents uncompromising questions related to the concerns of the developing world: Can the IMF, World Bank, and World Trade Organization (WTO) carry on with pressing changes in their governance structures? Do their institutional goals match the results of more than six decades of questionable policies? Is there political will from those who control policymaking bodies to share the economic and social burdens derived from their policy decisions?

Ariel Buira's writings on IMF governance and conditionality attempt to explain the systemic failures of the institution through an articulation of the institution's goals and governance structures.¹ The result of his analysis is very clear: although the IMF is an important IFI which uses mechanisms to manage financial crises, it is ill-equipped and has grossly overstepped its mandate by imposing political and economic directions that violate the sovereign will of states. As a former employee of this institution, Buira is very forthright when he states, "the legitimate institutions of the

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country should determine the nation's economic structure and the nature of its institutions. A nation's desperate need for short-term financial help does not give the IMF the moral right to substitute its technical judgments for the outcome of the nation's political process.²²

A common thread throughout this volume is the lack of "ownership" developing countries have regarding two fundamental aspects of IFIs. The first, which is meticulously studied by Aziz Ali Mohammed,³ shows serious structural asymmetries between creditors, which are mainly G7 countries, and debtors. Not surprisingly, the economic and political costs for running the institution end up falling heavily on the debtors' side. This situation is exacerbated by the fact that the IMF's resources are substantially declining,⁴ yet the need to prevent financial crises has increased considerably, particularly for financially stressed low income countries (LIC) and the so-called transition economies.⁵

The second aspect of "ownership" is related to programs such as the IMF's Heavily Indebted Poor Countries (HIPC) Initiative and the World Bank's Poverty Reduction Strategy Paper (PRSP) process. The end result of Jim Levinson's study on PRSPs is that, although there have been some positive outcomes in debt relief and increased participation by civil society in PRSP implementation, LIC continue to suffer from a dependent relationship based on negative terms of trade and weak internal political and economic institutions.⁶ Bernard Gunter's study on HIPC has similar findings and does not shy away from a recommendation of 100 percent relief on bilateral debt and a serious overhaul of the "international aid architecture."⁷

Contrary to the neoliberal policies promoted by most IFIs, G. Epstein, H. Gabel, and K. Jomo present several case studies which demonstrate the positive effects of state intervention through capital management techniques (CMTs) in avoiding financial risks and creating sound structures for economic growth and development. The two fundamentals of CMTs are capital controls and prudential regulation. Their results, based on strong empirical research, are clear: medium income countries (MIC) with high levels of *administrative and state capacity* are better off implementing CMTs than implementing orthodox policies from IFIs.⁸

However, even MIC with higher levels of administrative and state capacities need a robust ratio of international reserves to short-term external debt (IR-STED) to prevent financial crises that can have disastrous domestic effects and international spillovers. J. Guzmán and R. Padilla present clear evidence to this effect but remind us that the IR-STED ratio by itself falls short of preventing financial crises. As such, the authors demand better coordination between private creditors and government agencies.⁹

Regarding trade as a motor for growth, one has to ask if the vicious cycle of high indebtedness can be overcome by the WTO. Although the organization aspires to raise standards of living, achieve full employment, increase economic growth and real income, and create an effective demand based on sustainable development,¹⁰ its structural problems are similar to those affecting the IMF and World Bank.

In “Developing a Global Partnership,” Martin Khor calls for a deep restructuring of the WTO regarding its governance structures as well as its rules and procedures, especially those related to intellectual property rights. If such changes are not carried out within the present Doha Development Agenda, it will be very hard for the present trade regime to meet the United Nations Millennium Development Goals.

Finally, Buiria’s edited volume addresses whether developing countries can benefit from reforms if the systems in place for dialogue and cooperation are inherently inadequate. Berry Harman and Ravi Kanbur both attempt to explain this conundrum through different institutional approaches.¹¹ For Harman, innovative ways to bring together private creditors and governments through a more structured negotiating mechanism could foster closer and more constructive relations between creditors, hence avoiding further and deeper interventions from IFIs.

For Kanbur, IFIs need to return to their fundamental goals and let other regional institutions deal with the delivery of international public goods by working very closely with states. It is clear from reading Harman and Kanbur’s work that the IMF and the World Bank have set agendas and goals incommensurate with their institutional size, governance structures, and programmatic goals.

Upon closing this book, one wonders if voices from the developing countries are taken seriously, especially when considering the unanimous confirmation by the World Bank’s executive board of US Deputy Defense Secretary Paul Wolfowitz as the new president of the institution. Dr. Wolfowitz is known for his unilateralist approach and mistrust of diplomacy.¹² Regretfully, one can only conclude that from developing countries’ perspectives, the issues facing the World Bank and IMF will remain firm challenges.

Notes

¹ See Ariel Buiria, “The Governance of the IMF in a Global Economy,” 13-37, and “An Analysis of the IMF Conditionality,” 55-91, in Ariel Buiria, ed., *Challenges to the World Bank and IMF: Developing Countries Perspectives* (London: Anthem Press, 2003).

² Buiria, “An Analysis of the IMF Conditionality,” 57.

³ Aziz Ali Mohamed, “Who pays for the IMF?” in Ariel Buiria, ed., *Challenges to the World Bank and IMF: Developing Countries Perspectives*, (London: Anthem Press, 2003), 37-55.

⁴ Buiria, “The Governance of the IMF,” 22.

⁵ One of the best studies regarding the daunting picture of the economic and social situation of Transition Economies is the following: The World Bank Group, *Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia* (Washington, DC: The World Bank, 2000).

⁶ Jim Levinsohn, “The Poverty Reduction Strategy Paper Approach: Good Marketing or Good Policy?” in Ariel Buiria, ed., *Challenges to the World Bank and IMF: Developing Country Perspectives* (London, UK: Anthem Press, 2003), 119-140.

⁷ The reasons Gunter presents are: 1) inappropriate eligibility criteria; 2) unrealistic growth assumptions; 3) insufficient provision of interim debt rescheduling; 4) delivering HIPC debt relief through debt rescheduling; 5) lack of creditor participation and financing problems; and 6) currency-specific short-term discount rates. See Bernhard Gunter, “Achieving Long-Term Debt Sustainability in Heavily Indebted Poor Countries (HIPC),” in Ariel Buiria, ed., *Challenges to the World Bank and IMF: Developing Countries Perspectives* (London: Anthem Press, 2003), 95, 103.

⁸ Gerald Epstein, Ilene Grabel, and KS Jomo, “Capital Management Techniques in Developing Countries,” in Ariel Buiria, ed., *Challenges to the World Bank and IMF: Developing Countries Perspectives*, (London: Anthem Press, 2003), 141-175.

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¹⁰ See the preamble of the *Agreement Establishing the World Trade Organization*, at http://www.wto.org/english/docs_e/legal_e/04-wto.doc, accessed July 10, 2005.

¹¹ Barry Herman, "Mechanisms for Dialogue and Debt-Crisis Workout that can Strengthen Sovereign Lending to Developing Countries," in Ariel Buira, ed., *Challenges to the World Bank and IMF: Developing Countries Perspectives*, (London: Anthem Press, 2003), 203-207; see also Ravi Kanbur, "International Public Goods: Operational Implications for the World Bank," in Ariel Buira, ed., *Challenges to the World Bank and IMF: Developing Countries Perspectives*, (London: Anthem Press, 2003), 251-267.

¹² Elizabeth Becker and David E. Sanger, "Wolfowitz Gets Bush Nomination for World Bank," *New York Times* March 17, 2005. For additional information on this decision see "Why Paul Wolfowitz?" *New York Times*, March 17, 2005, as well as Paul Krugman, "The Ugly American Bank," *The New York Times*, March 18, 2005.

REVIEW

Countering Police Violence After Dictatorship

by Gregory Weeks

Contesting the Iron Fist: Advocacy Networks and Police Violence in Democratic Argentina and Chile. By Claudio Fuentes. New York: Routledge, 2005. 271 pp. US\$75.00, hard bound. ISBN 415971691.

Claudio Fuentes, currently the director of the Latin American Faculty of Social Sciences (FLACSO) in Chile, has been studying and publishing on civil-military relations for a number of years. The problem of the persistence of police violence, the topic of *Contesting the Iron Fist*, has many similarities to the dilemma of democratizing the role and behavior of the armed forces. Both involve exerting civilian control over a repressive apparatus (and in post-authoritarian contexts like Argentina and Chile, repression was intense during the era of dictatorship) and enacting reforms in the face of institutional resistance. Such reforms have been historically weak across Latin America. Analyzing the struggles to limit police abuses and to establish oversight mechanisms, the author provides a clear and theoretically-informed analysis of the failures of police reform, using both qualitative and quantitative data for support.

Fuentes focuses on the impact that human rights advocacy groups have had on agenda setting, promoting legal reforms, and monitoring police practices. Have activists in Argentina and Chile been successful? The quick answer is a sobering “no.” Not only are citizens’ rights routinely abused by the police, but efforts at reform have advanced little and, in some cases, have actually been reversed.¹ The “political opportunity structure”—the domestic context that makes policies possible—all too often favors the status quo.

There is a large and ever growing literature on transnational advocacy, which offers a view that—unlike Fuentes—is often optimistic, as it emphasizes the positive connections that domestic and international human rights groups can make.² For example, the former have the greatest knowledge of a particular country, while the latter have far greater resources. However, Fuentes argues that pro-order forces can take advantage of opportunities just as much as those promoting a pro-human rights view. This seems especially relevant in the post-9/11 period, a time when the United

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States government has drastically changed its modus operandi with regard to domestic security, and has encouraged Latin America to join the “war on terror.” Citizens, even those living in countries that suffered military regimes in the not-too-distant past, can be convinced to accept and even support “iron fist” policies they believe will make them feel safer.

The book sheds analytic light on the incentives that tend to lead policy makers to maintain the status quo, and also raises important questions about the facilitating conditions for reform. How can we know when a critical juncture—a moment when real change can occur—is upon us? This is an important question for activists as well, since these moments in time may be brief, and the opportunity to enact reforms may not come again for some time. Fuentes discusses the facilitating and inhibiting factors³ and the need to recognize “windows of opportunity.”⁴

One interesting conclusion to be taken from the book is the importance of identifying unlikely allies at the right time. In 1998, Chile prohibited police officers from arresting suspects simply on the basis of “suspicious activities,” even in the absence of significant human rights activism. As Fuentes argues, the main reason was that even the moderate right agreed that such a move would aid in the overall effort to reform the judicial system.⁵ In Argentina, reform to limit the time a suspect could be held while trying to verify his or her identity occurred even over a presidential veto, after police beat to death someone in custody. At these times, even many in the pro-order camp agreed change was necessary.

The sad truth, however, is that many such reforms were quickly undermined or reversed by some combination of various pro-order groups. Fuentes argues that the civil rights coalition in Chile has missed opportunities to act due to lack of effective leadership, social networks, and resources.⁶ In Argentina, that coalition has been better organized and able to draw attention to specific issues, but continues to face stiff resistance.

This is a useful book for those interested in human rights advocacy, in general, and police reform in Latin America, in particular. Even though the last era of Latin American dictatorships is fading into the past, Fuentes effectively demonstrates that the democratization of police forces remains a goal rather than an accomplishment.

Notes

¹ Fuentes, *Contesting the Iron Fist: Advocacy Networks and Police Violence in Democratic Argentina and Chile*, 4.

² In these regards, the work of Kathryn Sikkink is particularly notable.

³ Fuentes, *Contesting the Iron Fist*, 38-40.

⁴ Fuentes, *Contesting the Iron Fist*, 137.

⁵ Fuentes, *Contesting the Iron Fist*, 85-86.

⁶ Fuentes, *Contesting the Iron Fist*, 73.

REVIEW

A Review of *Globalized Islam*

by Adam Godet

Globalized Islam: The Search for the New Ummah. By Olivier Roy. New York: Columbia University Press, 2004. 349 pp. US\$29.50, hard bound. ISBN 0231134983.

Building on his previous work, *Failure of Political Islam*, Olivier Roy turns his attention in *Globalized Islam* to the growth of a new radical movement: neofundamentalism. Included in this movement are such well-known terrorist organizations as Al Qaeda and Jamaat Islamia. While such groups are often referred to as Islamists, Roy differentiates neofundamentalism from Islamism in several ways. Most importantly, neofundamentalists refuse to engage in political battles to establish the Islamic state. Instead, “they believe that an Islamic state should result from the re-Islamization of the *ummah* and not be a tool for this re-Islamization.”¹ More generally, the Islamists use Western political terms and tools to work toward achieving their goals; neofundamentalists reject the use of Western terms and practices.

The thesis of *Globalized Islam* is that neofundamentalism has resulted from increased immigration, the growth of communication technologies, and the deterritorialization of Islam—all a product of the current era of globalization. He begins his argument by first stating that neofundamentalists are not a product of the Middle East. In fact, Roy demonstrates that the great majority of known and captured neofundamentalist terrorists have spent most of their adult lives outside of the Middle East and inside Western countries. This fact is an important part of understanding the development of their radical views. Muslims living outside of Muslim countries are often forced to question their religiosity—their individual relationship to their own religion. In Muslim countries, maintaining everyday practices such as diet and prayer are reinforced by the structure of society and the other people within it. For example, Fridays are reserved for prayer and worship, and halal meat is readily available. For Muslims living in the US this “social authority” does not exist. As such, one’s religion becomes an object of reflection, as each Muslim must enforce the guidelines of their faith without the support of the entire society. As Roy states, each Muslim must ask, “what does the Koran say about...” and find their own answer. Within Muslim countries, religious practices are built into the daily structure—there is not a need for questions. Religious norms are automatically societal norms.

Adam Godet graduated in May 2005 from the Whitehead School with an MA in Diplomacy and International Relations. As a student, he specialized in International Economics and the Middle East. Currently, he is working as a short-term consultant for the World Bank.

The current era of globalization has increased the number of Muslims living in non-Muslim countries, and thus the questioning of one's religiosity has also increased. As individuals question and develop their religiosity, they naturally seek a community that shares their views. These communities must be created, and their development has been very different in Europe and the US. In Europe, specifically France and England, Roy argues that a broad "muslim community" does exist, with more or less consistent views. In the US, however, such a community has not developed. In both, the development of smaller communities, centered around the local mosque, has been growing over the past twenty years.

Together, the questioning of individual religiosity and the development of small communities pushes Islam into the realm of "mere" religion. That is, it is no longer tied to a specific country or culture—it has become deterritorialized. Roy argues that such deterritorialization works to the advantage of neofundamentalists in two ways. First, neofundamentalists believe that Islam is a "mere" religion and that it "loses its purity and holistic dimension if embedded in a specific culture."² Thus, for the neofundamentalist, the deterritorialization of Islam is an opportunity for a rebirth of the religion and the development of the new *ummah*. Second, as Muslims leave their country of origin, or as second-generation Muslims seek to define themselves and develop their faith, neofundamentalists within local mosques can have immense influence in shaping religiosities. As they do so, their numbers begin to grow.

While Roy examines the growth and development of these radicals, he also acknowledges that the questioning of religiosity and the processes of deterritorialization rarely lead to radicalism; there are many paths which may be found. Moreover, the number of neofundamentalists is relatively very small compared to the total number of Muslims living in Western countries. Nonetheless, this small group can be extremely powerful and dangerous.

Globalized Islam provides an excellent discussion of many important topics. Beyond the central point of neofundamentalism resulting from globalization and deterritorialization, Roy offers many insights into the development of Muslim identity and religiosity and how the processes of globalization affect culture and religion. Moreover, the book offers useful background on the development of Islamist thought and neofundamentalist beliefs, as well as Western policies towards these groups and towards their Muslim populations. In his concluding words, Roy offers perspicacious views on ways to approach the problems associated with the neofundamentalist movement and how to combat stateless terrorists in this current era of globalization. Overall, this book offers much for the advanced student of international relations, terrorism, ethno-political identities, religion, globalization, and the development of cultures.

Notes

¹ Oliver Roy, *Globalized Islam: The Search for the New Ummah*. (New York: Columbia University Press, 2004), 247.

² Roy, *Globalized Islam*, 259

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