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FROM THE EDITORS
FOREWORD

GW’s Elliott School of International Affairs has a three-part mission: educating the next generation of international leaders, conducting research on important global issues, and engaging the policy community in the United States and around the world. Education is the school’s paramount priority. In addition to educating students about the world, we enhance their research and analytic skills so that they, in turn, can advance our collective understanding of important global problems and develop potential policy solutions.

The Elliott School’s Undergraduate Scholars Program is a win-win-win proposition. It provides some of our best students with opportunities to deepen their expertise on issues they care about. It strengthens their research, analytic, and communication abilities. It also provides a platform for major research projects that generate constructive policy recommendations.

As you will see in the pages that follow, fourteen Elliott School undergraduates participated and excelled in the Undergraduate Scholars Program in 2012-13. These students identified important topics, designed and carried out innovative research projects, and contributed to our understanding of a wide range of international affairs issues. Their research areas included some of the most urgent problems facing the world today, such as the impact of social media on political mobilization, the political and economic empowerment of women, political and economic development in the developing world, the reintegration of child soldiers in post-conflict societies, the use and abuse of natural resources, the security challenges generated by transnational criminal organizations, weak states, regional conflicts, and great power relations. These research projects also spanned the globe – from Africa, the Americas, and Asia to the Middle East. In short, these fourteen scholars tackled a wide array of very important issues.

The Elliott School Undergraduate Scholars Program supports independent research by providing undergraduates with a research stipend, a faculty advisor, a graduate student mentor, and a series of meetings focused on advanced research skills and effective writing. These efforts culminated in an April 2013 conference, where the Undergraduate Scholars presented their research findings. In addition to contributing to the school’s education,
research, and policy engagement mission, the Elliott School Undergraduate Scholars Program strengthened our academic community by bringing together undergraduate students, graduate students, faculty, and staff in highly interactive, enlightening projects.

On behalf of the Elliott School and our students, I would like to thank the faculty advisors who shared their world-class expertise with our undergraduate scholars: Nathan Brown (two projects), Elizabeth Chacko, Bruce Dickson, Alexander Downes, Christina Fink, Cynthia McClintock, Mike Mochizuki (two projects), Sean Roberts, Robert Shepherd, Robert Sutter (two projects), and Paul Williams.

I would also like to recognize the important contributions of the following Elliott School graduate students, who served as mentors to our undergraduate scholars: Amelie Barratt, Sabrina Cao, Eduardo Cortazar, Soledad Feal Zubimendi, Hollyn Hammond, Namitha Jacob, Serena Kelleher-Vergantini, Jonathan Kirk, Trung Le, Lauren Oschman, Patrick Rizk, Felicia Rodriguez, Janene Sawers, and Jason Schall.

In addition, I would like to thank Annie Vinik, Associate Director of the Elliott School’s Academic Advising and Student Services Office, for her administrative leadership of this superb program. Bravo to Elliott School students Courtney Joline, Gloriana Sojo-Lara, and Preston Whitt for their assistance in editing and producing this publication!

To the 2012-13 Elliott School Undergraduate Scholars: I would like to convey my congratulations to you on the successful completion of your projects and for your contributions to scholarship and policy analysis. You began your undergraduate years as consumers of knowledge. You are now producers of knowledge, and you are helping humanity understand important global issues. It is a privilege to have you as colleagues in the field of international affairs.

Michael E. Brown
Dean
Elliott School of International Affairs
The George Washington University
ABOUT THE PROGRAM

When the Elliott School Undergraduate Scholars Program launched in Spring 2009, it built upon the typical independent research model by offering additional support and resources to participants, who were accepted through a selective application process. Beyond choosing a research topic and working with a faculty advisor to research and write a paper, students in the program were paired with a graduate student mentor, met in a weekly class to develop their research and writing skills, received a research stipend, and presented their work at an on-campus conference at the end of the semester. In 2010, this publication became an additional component of the program.

In the course of a semester, students produced high-quality work on a range of significant international affairs topics. Some students presented or published their research outside of the program, and many leveraged it during their job search or graduate school and fellowship application processes. A common refrain, though, was that the program, while highly beneficial, would be even more valuable if it spanned the full academic year.

To this end, the Undergraduate Scholars Program expanded to two semesters in 2012-13. The new format allowed students to spend the fall semester, when the weekly course continued to focus on research and writing skills, deepening their research and outlining their papers. The spring semester was devoted to writing the final paper and to a more profound level of peer support than was possible with the one-semester model. Each weekly session focused on two students’ rough drafts, which every member of the group had reviewed beforehand.

The feedback the students provided each other was remarkable; having developed a strong group rapport, familiarity with the various project topics, and a sense of best practices in research and writing during the fall semester, students offered each other incisive critique in a candid but collegial manner. The final papers and presentations were stronger as a result of this process, as were the relationships among the Undergraduate Scholars. Time and time again, faculty advisors and graduate student mentors, who attended the sessions when their students’ work was discussed, commented on how sharp but respectful the Scholars were. This feedback is a testament to this outstanding group of undergraduates.
I would like to thank the 2012-13 Elliott School Undergraduate Scholars, with whom I had the privilege of spending the full school year, for their hard work, diligence, and positive attitudes, and to congratulate them on their superb work. I am so proud of all that this group has already accomplished and look forward to seeing what the future holds.

Additionally, I would like to echo Dean Brown’s gratitude for the dedication of the faculty advisors and graduate student mentors who supported the Undergraduate Scholars. These professors and master’s students play a crucial role in the program. I am also most appreciative of the remarkable efforts of the co-editors of this publication, Courtney Joline, Gloriana Sojo-Lara, and Preston Whitt. Finally, I would like to thank Dean Brown and Dean Mike Mochizuki for their ongoing support of this program.

I wish the 2012-13 Elliott School Undergraduate Scholars all the best and look forward to working with next year’s group!

Annie Vinik
Associate Director, Academic Advising & Student Services
Elliott School of International Affairs
The George Washington University
THE RESEARCH PAPERS

Section One

BEYOND THE VEIL OF THE ‘STATE’: CASE STUDIES
FROM CENTRAL AMERICA AND PERU
Government Involvement and Border Dynamics: The Costa Rica-Nicaragua Border Region

Gloriana Sojo-Lara

This research studies the nature of government involvement as well as changing local and regional dynamics in the Costa Rica-Nicaragua border region. First, the study analyzes the context and motivations behind recent government projects on both sides of the border. Then it investigates how social and commercial activities at local and regional levels have changed as a result of this increased government involvement. The paper also raises questions about the management of development projects in border regions: ‘for whom, by whom, and in whose interest’ are these developed? The study contains a combination of qualitative and quantitative data. It uses interviews with merchants, workers, and business owners of the border area, as well as news articles, business projections for activity across the border, and statistics on touristic activity in the area. The findings suggest that the Nicaraguan government projects are more focused on economically developing the border region, whereas Costa Rica’s projects respond to geo-political concerns. Moreover, as both governments turn to their border regions, albeit for different reasons, there has been an increase in touristic and economic activity at regional levels, but a decline in historical patterns of local commercial exchanges and social interaction.

The author would like to thank Annie Vinik and Dr. Elizabeth Chacko for their academic support, but more so, for being mentors during the author’s years as an undergraduate. The author thanks Preston, for bearing with her, as she did with him. Finally, special thanks to the members of the Zona Económica Especial de la Región Huetar Norte for their invaluable insights at the initial stages of the project.
I. Introduction

The Costa Rica-Nicaragua border region is known as an area of historical tension between the two countries. However, for border residents both in Nicaragua and Costa Rica, this has been their living space for decades, and for decades they have coexisted and interacted peacefully.

(http://www.zeezn.com/attachments/100_SUSTAINABLE%20SPATIAL%20PLANNING.pdf)
Although the two regions are isolated from the respective capitals, particularly since the 1970s, governments of both countries have become more involved in the area for security and economic concerns. This study analyzes the current involvement and projects by the Costa Rican and Nicaraguan governments in their shared border area, and their cross-border impact on the social and commercial activity of different groups.

The idea that borders do not become uniformly more open or closed and that different factors of production move more or less easily across borders has been thoroughly discussed. However, this study will look deeper into this assertion, analyzing the differentiated impacts of government involvement on cross-border activity within established categories such as ‘goods’ and ‘labor’ or ‘migrants.’ The findings will demonstrate that border management and development projects in border regions have contradictory impacts not only among different economic factors of production and outputs but within them. This understanding is important not only for the Costa Rica-Nicaragua border residents and the two countries’ governments, but for policymakers across the world, since “comprehensive policy requires incorporating local knowledge, recognizing historical experience, understanding complexities of borderland geographies, and a context-specific, regionalized approach.”

This paper first analyzes border concepts, details methods used, and provides a brief background of the Costa Rica-Nicaragua border region. Then, it discusses involvement by the two governments in the region, and finally analyzes the different impacts that government involvement has had at local and regional scales.

II. Border Concepts

Literature and concepts related to borders have evolved from a state-centric, geopolitical perspective to a more post modern view concerned with the bordering process as it reflects the daily lives, identities, and narratives of the people that affect and are affected by the borderline. Although this research mainly views borders as social constructs, it also takes into account the more traditional, top-down perspective by

acknowledging the importance of political decision-making and policy outcomes as they affect interactions and patterns in the border area. Thus, the research does not view the two perspectives exclusively, but rather as complementary lenses with which to understand and explain the development patterns that have taken place at the border, and how relations between the two countries have affected social and economic dynamics.

“Local particularities, whether political, economic, social, or cultural, can only be understood in terms of wider conceptualizations;” in analyzing both local particularities and wider perceptions regarding the border region it becomes evident that borders and their surrounding regions have different meanings and implications for different groups. Anderson and O’Dowd discuss the dichotomies that is present in borders:

They are at once gateways and barriers to the ‘outside world’, protective and imprisoning, areas of opportunity and/or insecurity, zones of contact and/or conflict, of co-operation and/or competition, of ambivalent identities and/or the aggressive assertion of difference. Borders look inwards and outwards: they simultaneously unify and divide, include and exclude.

Not only does the case of the Costa Rica-Nicaragua border region illustrate this description vividly, but it also highlights some important contradictions about the border’s impact at different scales.

The discourse about globalization has also influenced border concepts. The ‘borderless world’ thesis, pioneered by Kenichi Ohmae and Francis Fukuyama in the 1990s, has been seriously challenged, and now scholars are asking questions about how open or closed 21st century borders really are, and whether they act as barriers or bridges. These same scholars have also extensively discussed the contradictory meanings and impacts that are inherent to borders. They challenged the notion that borders have become uniformly more open or closed, and although the discourse of globalization and interconnectedness emphasizes the free flow of ideas and capital, many governments are increasingly placing more restrictions on the

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4 Anderson and O’Dowd, “Borders, border regions and territoriality,” 595.
movement of people across borders. This study contributes to the understanding that borders can be more open for some and less so for others, but it aims to do so at a more detailed level. Instead of looking at ‘goods’ as one category, this study analyzes whose goods move across the border more or less easily. Instead of looking at people as a category of ‘migrants’ or ‘labor,’ this study distinguishes between different groups, such as border residents, large business owners, and tourists. It is in this context that this study draws conclusions about the impact of government involvement on cross-border social and commercial dynamics.

Literature and discourse about the Costa Rica-Nicaragua border is limited. Most discussions focus on conflicts about the location of the borderline, uses of the San Juan River (which acts as the eastern part of the border and belongs to Nicaragua, see Figure 1), and the long-debated possibility of building a canal in the area. Thus, much of the research remains focused on the where of the borderline, instead of the how and the bordering process. News rhetoric also reflects this limited focus on the border as an area of conflict and tension between two countries.

However, two researchers, Pascal Girot and Abelardo Morales, have studied the Costa Rica-Nicaragua border region not as a source of conflict but as a living frontier with a rich history and a complex network of social and economic interactions. They noted the different meanings and symbolism that the border has had for different actors in the region, and Morales emphasized the mismatch between local and national interests at the border. This investigation aims to give continuity to these studies by describing and analyzing the current border situation at a local and regional level.

III. Methodology

This investigation uses a mixed methodology, although qualitative data is the main source of information. To understand social and commercial interactions as they have adapted to new forms of government

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presence in the border, qualitative methods are more suitable because much of the cross-border activity between individuals is informal and undocumented. The study uses 12 in-depth interviews, conducted in August 2012 and January 2013 in San Carlos, Nicaragua and Los Chiles, Costa Rica. The participants were nine males and two females, the majority of who were 30 to 50 years old. Among the interviewees were local boat owners, merchants, a local governor, tourist guides, an agricultural worker, waiters, NGO workers, and a hotel owner and sibling of a local governor.

News articles from the Costa Rican newspaper La Nación, and La Prensa Libre and El Nuevo Diario from Nicaragua were important to demonstrate the different rhetoric that exists regarding the border region. These sources provided a perspective from the capitals of both countries that showed how politicians and urbanites viewed the border compared to the perspectives of border residents.

Quantitative methods were key to gathering information about social and economic activity that takes place at the regional level. Economic data were obtained from companies that do not necessarily represent the interests of the people in the area yet conduct business across the border and on tourism that occurs in the border zone. In particular, companies’ projections about their trans-border economic activities and statistics related to tourism in the border area were useful to demonstrate patterns in activity at the border but not necessarily representing local interests.

IV. The Two Countries and their Shared Border

The borderline between the two Central American countries runs from the Pacific to the Caribbean coasts and separates two states with a common language, religion, and history of Spanish colonialism. Yet it also distinguishes between two countries that, for most of the 20th century, took contrasting development trajectories, Nicaragua’s marked by civil war and Costa Rica’s by a more peaceful development. These differences particularly in the past half century have determined the type of relations between Costa Rica and Nicaragua.

While the border differentiates between two countries whose development levels contrast and whose overall attitudes toward each other clash, the physical environment and the regional history of the border bring
people of the area together. “The lowland Rio San Juan watershed and waterways have been a corridor for the migration and interchange of wildlife, people, and cultures,” and the area has become a space with a “binational identity, a distinct history and economy, and large areas of tropical forest and wetland environments.”

The differences that exist at the macro-level between the two countries converge in the border area, where its physical geography has historically facilitated intertwined social and economic dynamics.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Type</th>
<th>Cost</th>
<th>Characteristics</th>
<th>Status</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acoyapa-San Carlos (AS) Road</td>
<td>Transport infrastructure</td>
<td>US$ 49.5 million (IADB loan)</td>
<td>-Eventually connects border town of San Carlos to the capital, Managua -Major road -Paved</td>
<td>Completed in 2011</td>
<td>Shortened distance to the capital from 12 to four hours</td>
</tr>
<tr>
<td>San Juan River Bridge</td>
<td>Transport infrastructure</td>
<td>(Japanese government)</td>
<td>-Connects the AS road to the Tablillas border checkpoint</td>
<td>Scheduled to be completed in 2014</td>
<td>Provides alternate land route to Costa Rica</td>
</tr>
<tr>
<td>Ruta del Agua Project</td>
<td>Infrastructure and business development</td>
<td>US$ 15 million</td>
<td>-Develop tourist infrastructure (water front, docks, local airport and customs buildings) -Loans to local small business owners -Tourist advertising campaign</td>
<td>In place since 2006</td>
<td>Increased tourism and business presence in the area</td>
</tr>
</tbody>
</table>

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Furthermore, at the border level national differences in development between the two countries are less apparent. On one hand, Los Chiles is a relatively poor Costa Rican town with deteriorated infrastructure and a lack of jobs, while on the other hand San Carlos in Nicaragua, although still poor, has been significantly developed in the last decade. In fact, in comparing the physical infrastructure of the two border towns of Los Chiles and San Carlos, the Nicaraguan town has newer and less deteriorated infrastructure.

Not only is there a geography to development levels at national and local scales, but also there is a geography to rhetoric about the border area. While people of the area generally coexist peacefully and call themselves Tico-Nicas (Costa Rican-Nicaraguans), at the national level there is significant tension between the two governments and the two nationalities. In the words of Costa Rican journalist Vilma Ibarra, “Border conflicts between the two countries only exist in the capitals.”

V. Nicaraguan Government Involvement in the Border Area

The Nicaraguan government has developed several integrated projects in its border area with Costa Rica, increasingly developing it and connecting it to the rest of the country. In this sense, Nicaragua’s projects deviate away from what the International Organization for Migration referred to as “government responses [by the Costa Rican and Nicaraguan governments] that are instrumental, short term, and inarticulate.”

The AS Road has significantly improved access to San Carlos, Nicaragua. Although it is difficult to use statistics to show trends about border crossings between San Carlos and Los Chiles because many of these crossing have been informal, personal narratives shed light on these changes. Leonel, a native San Carleño, explained that before the AS Road, and particularly before 1985 when there was only access to San Carlos through the Lake of Nicaragua, it was easier for people from San Carlos to go to northern Costa Rican cities or even to the capital San José than to go to their own capital for goods and services. This is no longer the case and as the

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7 Ranking 76th out of the 81 districts in the Human Development Index in 2005.
Nicaraguan government develops its own border region it increasingly reduces the local population’s dependence on Costa Rica’s goods and services. Alejandro, a local boat owner from Los Chiles, Costa Rica, said that now Nicaraguans do not need much from the Costa Rican side since they already have banks and Costa Rican stores. “As the two countries develop,” said Alejandro, “the more they have grown apart.”

The AS Road does not end in San Carlos, and neither do Nicaragua’s plans for the region’s development. With financial support from the Inter-American Development Bank (IADB) and the Japanese government, the AS Road connects to the San Juan River bridge and eventually to the Costa Rica borderline. This route is not the main route to Costa Rica and neither is the Tablillas checkpoint the main checkpoint on the border, yet it is an alternative, significantly shorter route that will eventually connect to the Moin Port in the Costa Rican Caribbean coast. Neither Nicaragua nor Honduras, its neighbor to the north, have a sufficiently large port on the Atlantic Ocean and therefore have to transport much of their export goods to Moin. While the bridge is scheduled to be completed in 2014, Nicaraguans have already completed the construction of the migratory and customs buildings at Tablillas, where the road meets the borderline.

Along with the transport infrastructure projects, the Nicaraguan government developed the Ruta del Agua project, which provided resources to improve tourist infrastructure, to support small and medium size businesses, and to launch an advertising campaign for the region. The project not only provides support for the local population, but also increases access to the region, ensuring that San Carlos does not become just a passage for tourist and businesses but a space for development. Since the roads and bridges in the Nicaraguan border region were not developed in isolation but in conjunction with other types of economic support, these have

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10 In particular, he mentioned a Costa Rican store called Gollo, which sells kitchen and electronic supplies to a lower class market by granting credit at very high interest rates. People can buy the goods and Costa Rica and have their relatives pick them up at stores in Nicaragua.
12 The main route is to the west of the Lake of Nicaragua and goes from Managua to Peñas Blancas, in the westernmost part of the border.
significantly improved living conditions in the Nicaraguan town of San Carlos. Although there are no statistics about poverty and human development in San Carlos since 2005, all of the interviewees in Nicaragua claimed that there were more opportunities than in the past and that conditions in the town had improved.

VI. Costa Rican Government Involvement in the Border Area

While Nicaragua’s projects connect the border region with the rest of the country and facilitate the export of goods through Costa Rica, Costa Rica’s Juan Mora Porras road, according to national politicians, was constructed for security concerns and appears to be more a symbolic barrier to Nicaraguans than a connector for border residents.

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Type</th>
<th>Cost</th>
<th>Characteristics</th>
<th>Status</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Juan Mora Porras (JMP) Road(^1^4)</td>
<td>Transport Infrastructure</td>
<td></td>
<td>-Parallel to the border line, connects border towns</td>
<td>-Construction began in 2010, but currently halted</td>
<td>-Alternate transportation route for border communities, avoid reliance on Nicaragua’s San Juan River for transportation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-Secondary road</td>
<td>-Parts destroyed by the rain</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-Mostly ballast</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-Construction mandated by an emergency executive degree 36440-MP after an alleged Nicaragua invasion</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-Constructed without the usual blueprints</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Unlike Nicaragua’s AS Road, which was developed in conjunction with

\(^1^3\) Ibarra and Ramírez, “Los esfuerzos del gobierno de Nicaragua.”

\(^1^4\) Not only have government officials publicly stated these geo-political motivations behind the construction of the road, but also its name, Juan Mora Porras, hints at its highly geo-political nature: Juan Mora Porras was the general in charge of leading the offensive against the Nicaraguan invasion in 1856. The route is referred to as Route 1856, which is the year that the American-Nicaraguan invasion took place.
numerous other development projects in the area to strengthen local touristic and economic growth, the JMP Road was carelessly planned\(^\text{15}\) and developed in the context of abandoned and deteriorated infrastructure in the border area. As Minister of Public Works and Transportation Luis Llach said in a 2012 opinion article, “[The road] was constructed in a time of extreme urgency for our country and not in the usual context in which infrastructure projects are developed.”\(^\text{16}\) He said that due to this urgency the project was developed “without the usual blueprints.”\(^\text{17}\) Therefore, some of those few communities that benefitted from it are once again having to find alternative transportation routes.\(^\text{18}\) This lack of planning was precisely a result of the political urgency and pressure to respond to the threat of a Nicaraguan invasion that resulted in a disregard to the importance of adequate infrastructural planning for the sustained development of the area. Thus, a road that was intended to benefit communities along the entire borderline, and in doing so make a symbolic statement of sovereignty, has now become a source of political embarrassment. Although this research began with the original assumption that the road had a local and regional impact, the empirical facts gathered in the investigation were the lack of an impact on tourism, economic activity, and border crossings because of its inadequate construction and planning.

Costa Rica’s disregard for a sustained development of its border region does not end with the JMP road. While Nicaragua has developed its border infrastructure, Costa Rica’s is either non-existent or deteriorated.\(^\text{19}\) At the border checkpoint of Tablillas in 2011 there was nothing on the Costa Rica side, compared to a newly constructed immigration building on the Nicaraguan side. Moreover, Los Chiles, which serves as the entry town to Costa Rica for those who navigate on the Cold River from San Carlos, has extremely deteriorated and insufficient infrastructure. In January 2013, there

\(^{17}\) Llach, “Una troche que vale la pena.”
\(^{19}\) With the exception of a new immigration buildings on the westernmost part of the border at the checkpoint of Peñas Blancas.
was no one building for customs and immigration, the establishments were spread in an area of three blocks, and people could potentially walk away as they disembarked the boats when they arrived. The customs facility was an old parking lot, the roof of the local government’s building for migratory tax collection was falling apart, and the immigration office was about three blocks away from where people disembark and held fewer than ten people at once. Thus, not only was the JMP road an infrastructural and political failure, but it was also developed in a context that was overall not conducive to economic development.

VII. Infrastructure Development: Bridges for Companies and Tourists

Despite the different contexts and motivations behind the recent involvement of the Costa Rican and Nicaraguan governments in their border region, this involvement has resulted in an overall increase in infrastructure, although particularly on the Nicaraguan side. The increase in infrastructure development and access to the region has in turn increased regional economic and touristic activity. There are various companies that conduct business across the border and as they foresee the completion of Nicaragua’s road and the two checkpoints at Tablillas, many have increased the projections for cross-border activity.

According to data from the Special Economic Zone of the North (ZEE), three out of five companies that conduct business in the area plan to increase the amount of trucks that cross the border daily. They plan to at least double this amount by 2016, with the average truck crossing per day for all the companies increasing about 300% from 2007 to 2016. Moreover, other companies such as agricultural product firm Grupo Colono have expressed plans to expand their business activity to Nicaragua in the context of improved infrastructure. According to Otto Corrales of the ZEE, others foresee significant reductions in their transportation costs as the route to Costa Rica’s Moin Port is shortened.

More and better infrastructure in the area has also attracted tourists, but with different impacts for San Carlos and Los Chiles. Government

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20 The use of “regional” refers to activity that might take place at the border level but that does not directly or necessarily represent the interest of the people living in the area.
21 Corrales, Otto, Director of Costa Rica Special Economic Zone in the North. Interview with author. August 2012.
involvement and improved infrastructure created a space for touristic development in San Carlos. Data from the Nicaraguan Institute for Tourism show that from 1997 to 2000 the number of total rooms in the Department of Río San Juan, where San Carlos is the capital, remained at 56 and a total of five hotels. However by 2011, the total number of hotels increased by 620% to 36 hotels and the total number of rooms increased by 420% to 291 rooms. Tourist entries to Nicaragua at San Carlos have also increased significantly in recent years. The institute reports that while from 1997 to 2000 the amount of tourists that entered Nicaragua at San Carlos increased only from 5,340 to 5,592, and ten years later in 2007, this number had only increased to 6,739. However, by 2011 it almost doubled to 11,213 tourists entering Nicaragua at San Carlos. Moreover, according to statistics from the IADB, after the completion of the Nicaraguan AS Road there has been a 68% increase in tourist revenue in the region of San Carlos.

However, in Los Chiles the benefits of tourism have not translated into improvements for the town. Los Chiles is merely a passage for tourists who want to explore the rivers of the area, or for those who are traveling to either Costa Rica or Nicaragua, but there is insufficient infrastructure for the area to become a tourist destination in itself. As Alejandro, the boat owner noted, “The only thing that tourists leave here is the trash in the boats.” According to Alejandro, tourists never stay in Los Chiles; they stop there to eat lunch and quickly either board a boat to cross to Nicaragua or get in their private bus to leave for San José. The income that they leave in Los Chiles is scarce, because as the boat owner said, when they do eat lunch or stay a night or two in a hotel, they do so at hotels that are mostly owned by wealthier businessmen from other northern cities of Costa Rica. These hotel owners arrange the tours usually from the main touristic city in northern Costa Rica, La Fortuna. They arrange for the tourists to stop at their restaurants and to use their services in Los Chiles, not those of Los Chileans. Tourism has recently generated such few jobs in the area that according to Alejandro, when in January 2013 a local super market announced it was hiring employees, about 300 people lined up to submit their resumes in hopes of obtaining one of the eight positions.

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22 Arguello, interview.
Among the tourist packages that non-local business owners arrange for tourists are packages that include sightseeing on both Costa Rican and Nicaraguan rivers. The experience of tourists as they navigate the rivers of the area and cross the border is very different from that of the locals. Tourists usually arrive to Los Chiles in their private buses, and as they photograph the area they walk to the dock where their private boat awaits them. Soon thereafter they are enjoying the scenic views of rivers on both sides of the border. Contrastingly, local residents wait in crooked benches for sometimes hours, they attempt to move around their numerous bags filled with goods for their families occasionally amidst heavy rainfall, and when they board the boats many are unable to fill in the required forms. Not only has tourism developed differently for San Carlos and for Los Chiles but also there are important contrasts in how tourists and local residents experience the border.

VIII. Government Controls: Barriers for Local Residents

As governments have increased their presence in the border area in recent years, not only has infrastructure improved overall, but also border controls have increased. This tightening of border controls limits the extent of social and commercial activity among border residents. Border dynamics have historically been subject to government relations at the national level, so as tensions between the two governments rise, so do border controls, and vice versa. While some of the border controls are put in place as a result of bi-national tensions, others have increased steadily throughout the years as the frontier formalizes and more people and goods move across Los Chiles and San Carlos.

These controls first became tighter during the Nicaraguan civil war in the 1980s. Some families were separated and others had to choose a country in which to live, after having resided in the border area for generations. This period marked the first instance in which border dynamics were significantly hindered. Leonel, the local hotel owner and long-time border resident said that they “used to often go to Los Chiles for religious festivals and now [they] do so much less.”23 He also remembered the days in which they used to have sports leagues among the different Costa Rican

and Nicaraguan border towns. In fact, according to Leonel, the border area in Nicaragua is where more people play soccer in that country due to Costa Rican influence, and the border area in Costa Rica is where more people play baseball because of Nicaraguan influence.

This period was followed by the cooperation and integration efforts of the 1990s, which were unstable and mostly disintegrated as bi-national relations worsened in 2010. Border residents have not been able to reorganize their traditional sports leagues and local governors do not interact like they used to. The 2010 meeting of the Costa Rica-Nicaragua Bi-National Commission was cancelled and in 2011 local governors did not attend a meeting with community leaders to create a regional arrangement to facilitate local cross-border activity. Leaders in this meeting presented their concerns for increasing restrictions on border interactions and they produced a document that stresses “the natural migratory flow across the border, and the importance to continue to facilitate it without obstacles by the police or the army of each country, to allow those who move across this area daily, so that they can acquire basic products, go to school, receive medical treatment, and engage in local commerce.” Members of the meeting suggested that the governors create a regional identity card that would facilitate this dynamic. They also suggested that “reciprocated free access for vehicles and people be allowed for special festivities such as international fishing tournaments, aquatic carnivals, tourism fairs, health fairs, and local festivals.” Yet they note that for this to happen, local governors must coordinate and facilitate this process.

Commercial activity among residents on both sides of the border has also decreased. The border controls that have disrupted commercial

24 As binational relations improved in the decade of 1990s residents began to see opportunities to restore their exchanges. The two countries created the Costa Rica—Nicaragua Bi-National Commission as well as initiatives such as International System of Protected Areas for Peace (SI A PAZ) which aimed to develop cooperation efforts for peace and environmental protection in the border area. Residents of several towns in the border area, including San Carlos and Los Chiles, also obtained special permits that allowed them to cross the border more easily and stay on the other side for a period of 48 hours. Moreover, according to local governor of the border town of Sarapiqui, there used to be significant interaction among local governors of the area.


26 Rothschuh, “Líderes fronterizos.”
activity include restrictions on flows of cash, certain types of foods, and certain types of animals. These restrictions had been in place for many years in the main border checkpoint in Peñas Blanca and particularly in airports, but to residents of Los Chiles and San Carlos these restrictions are only about a decade old. For instance, cattle trade among border residents was once prevalent, since they could buy it cheaper in Nicaragua and sell it at a higher price in Costa Rica. However, in order to do so now, individuals must pay a special permit. While larger companies pay this permit easily, border residents do not. Since they do not buy and sell cattle, or other goods, on a weekly basis, but rather once or twice a year, the permit becomes much more expensive given the size and frequency of their exchanges.27 Moreover, border residents who usually moved prepared food, meat, and dairy products for their relatives on the other side of the border cannot do so anymore, as was the case with Cristobal, who had to give his bag of *pejibayes* (a local vegetable) to an immigration officer as he arrived in San Carlos.

Similarly, while the orange company Tico Fruit/Frutan estimates to increase the number of its trucks that cross the border, local residents cannot easily move oranges across the border. With a history and a physical environment that continue to pull people in the area together amidst political tension and the formalization of the border, Leonel still wonders, “If fish can swim freely across the border, why can’t we?”28

**IX. Conclusion**

The impacts of government projects in the border region differ from country to country and across groups, particularly border residents, tourists, and non-local large business owners. This study found that improved infrastructure has increased the porosity of the border for some, by allowing tourists to move more easily in the area and facilitating cross-border economic activity for non-local large-scale business owners. Yet at the same time, as the two countries have turned to their common border and relations have worsened, border controls have increased and cooperation efforts have weakened. As a result, local residents are unable to engage in

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27 Ubau, interview.
28 Ubau, interview.
social activities on both sides of the line to the same extent as in the past and they are also less able to engage in commercial exchanges with each other. Although local leaders have made efforts to facilitate these deeply rooted dynamics, a tense political situation has halted progress in negotiations among politicians and residents at local levels.

Scholars have already suggested that when borders become more ‘open,’ factors of production, goods, and ideas do not all cross the border equally. This study’s findings reaffirm the view that border opening or closing is not a homogenous and uniform process and that it has varied impacts for different actors. However, it goes further in that it does not look at ‘goods’ as one category, rather it analyzes whose goods cross the border or who can move goods from one country to the other. The study views individuals not as ‘labor’ or ‘migrants’ but it differentiates between border residents, non-local business owners, and tourists and how each faces different situations as government presence in the border area increases.

Borders and projects developed in border areas can act as bridges for some but as barriers for others. Infrastructure development in border regions, which has been the main form of government involvement in the area, is usually viewed positively as it facilitates international connections and regional economies. Although this might be true, this study shows that these projects and the political context in which they have been developed have benefitted some, such as tourists and large business owners, but local residents have lost many of their traditional patterns of social and commercial exchanges as a result. Thus, border development and management needs to be considered and understood for its potential to simultaneously create barriers and bridges.
Humala’s Peruvian Impotence: Forced Equilibrism in Latin American International Political Economy

J. Preston Whitt

This case study calls for research on the new concept of ‘forced equilibrism’, contending that Peruvian President Ollanta Humala, as a limited representation of other developing country experiences, faces a non-traditional recipe of international economic constraints confronting, with increasing violence, the equally restrictive demands from the domestic ‘state/society complex.’ The resulting conflict limits the narrow political economic strategies from which Humala can choose. This research builds upon the precedent wealth of analytical knowledge from ‘critical theory,’ to describe the Peruvian iteration of the emerging trend in Latin America of ‘forced equilibrism.’ The first theoretical section defines this proposed concept. Methodologically, in the second section I test three ‘critical points’: new mineral taxes to pay for increased social spending, neoliberal compromises regarding free trade agreements and coca eradication that alienated leftist support bases, and a hobbled, erratic management of widespread protests against several key mining projects. Within each critical point and across the trend that together they illustrate, I take limited traditionalist variables and analyze them using critical theory, in order to demonstrate ‘forced equilibrism,’ in which other actors essentially impose Humala’s policy choices upon him.

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I. Introduction

The June 2011 victory of Ollanta Humala provoked, within hours, a historic collapse on the Lima stock exchange due to investors’ fears of a cataclysmic Peruvian ‘Chavezation’ by the former revolutionary. But President Humala’s conduct has not brought these concerns to fruition, begging the question: Why and how did a revolutionary ideological candidate evolve into a pragmatic centrist president? I contend that Humala suffered ‘forced equilibrism’: a push to the narrow middle as the demands of the left and the right increasingly chip away at policymakers’ agential space. This research analyzes Humala’s decision-making as a generative relationship between the demands of Peruvian social forces expressed with increasing violence, the dwindling effectiveness of the Humala government’s responses, the constraints imposed by the global political economy, and the increasing involvement of non-state actors.

Methodologically, I draw units from traditional models and analyze them using critical theory to investigate three ‘critical points’ (CP), chosen as multi-actor, multi-level representations of Humala’s principal challenges to date: (1) new mineral taxes to fund increased social spending, (2) neoliberal compromises alienating leftist support bases on free trade agreements and coca eradication, and (3) vacillating management of the continued widespread protests against several key mining projects that has alternated between balanced negotiations and authoritarianism.

II. Precedents and Methodology

There is no shortage of research on Latin America’s international relations and political economy, given its increasing international presence, economic importance, and, not unimportantly, the vociferousness of some of its more colorful presidents. However, many studies commonly fall victim to various ‘traps,’ from ideological biases to over aggregation.¹ Some studies do offer promising forays toward the necessary combination of various international political economy (IPE) traditions by extending political economic analysis to the popular movements that form key veto players in

Latin American politics, but then maintain a narrow focus that excludes international actors.

For example, Javier Santiso labels Latin America’s a “political economy of the possible,” where leaders have forsaken their historical hopes for a miraculous theoretical panacea (socialist revolution, neoliberal monetarism) to now focus on pragmatic combinations of “neoclassical orthodoxies with progressive social policies” or “neoliberalism by surprise.” Santiso praises this new policy blend as a solution to the woes of the past when many of the region’s presidents scrambled daily to maintain the knots holding together the drifting planks of their regime rafts, as the Peruvian case shows. Santiso’s argument is limited by its weakly defended optimism and sweeping generalizations, from dismissing Chávez’s appeal to other nations to holding up Spain as an example to be emulated. This failure is due to his use of only traditional units of analyses (presidents, states), leaving no room for the diversity of social currents complicating modern governance; to his self-admitted deification of “game-theory-inspired analyses;” and to his lack of a constructional role for the systemic elements he nevertheless highlights, such as the “dependent” and “exposed” nature of Latin American political economies to the power of the market.

Thus, the concept of ‘forced equilibrism’ constructs from the insights of previous endeavors into Latin American IPE a better understanding to redress some of their faults. Traditional, problem-solving theories’ “rigorous methodologies” can provide testable bases from which to explore the larger foci of critical “eclecticism.” With this utility in mind, I draw from several traditionalist IPE theories that each indicates non-positivist ‘variables’ that I identify within the Peruvian case, in order to understand each CP and its relation to my assertion of forced equilibrism.

I approach the CP in the spirit of two older IPE perspectives: Gourevitch’s “second-image reversed,” which first highlighted the

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importance of the international level on domestic policy, and Katzenstein’s “domestic structures,” which stress analyzing ‘interpenetration,’ ‘interdependence,’ and ‘interconnection’ in a country’s political economic decisions. Furthermore, equilibrism studies the international economy’s effects on the process of domestic politics, not just the policy outcome. Yet, analyzing Humala’s decision-making requires going further than these internationally focused antecedents. Combining some of these traditionalist international elements with a critical focus on the power of systems and non-state actors, this study can be understood as a critique of the dominant IPE paradigm, “Open Economy Politics” (OEP), which aggregates interests, institutions, and international bargaining into a deductive theoretical methodology. OEP has hitherto tended to treat countries, institutions, and their economically deducted preferences as parameters. While this approach can yield some insights, it collapses when societal actors begin to reject the institution-provided “currency used in the political marketplace.” Therefore, OEP is limited in its ability to cast light on Humala’s attempts to balance responsibilities to domestic constituencies with the involved international economic interests. By critically considering international structures, I avoid this “reductionist gamble” of OEP.

Critical theory, the alternative to traditional models, seeks to overcome their limitations by questioning the existing social and power structures of states, institutions, and world systems, rather than taking them for granted as a parameter for investigation. This broader, more structural view moves “beyond a description of…flows and flux to a more analytic treatment of critical structures…that underlay long-term performance as well

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as cyclical patterns.” Yet, analyses focusing on the structure of the international ‘system’ have a long and troubled history. Theoretically, drawing such a stark dichotomy between individualist outlooks and holistic macro-views creates an ‘agent-structure’ separation problem and leads to circular logic lacking identifiably independent variables. Therefore, I use the loose framework of “structuration,” which accepts a role for potentially irreducible structures that contain and interact with their constituent agents in a “dialectical synthesis” within spatial/temporal contexts. Importantly, structuration theory limits itself to exactly that: a framework. It cannot actually serve as an explanatory mechanism, but rather simply as an ambitious description of two relationships that must each be analyzed as separate, though interrelated, phenomena.

Moving beyond the framework, critical ‘paradigms’ much more efficiently analyze the Peruvian (and Latin American) case. The historical materialist conception of international affairs considers states as unique configurations of “state/society complexes” instead of “competing bureaucratic entities,” which sharpens the analytical lens for Latin American IPE to treat societal conflicts. Only this type of analysis can address the eroded, globalized state that describes most Latin American countries, including Peru: antiquated militaries whose modern roles are now more to maintain civil order rather than defend against other nations; monetary and fiscal dependence based on the whims of speculators and other uncontrollable market forces; and tax-deprived social welfare schemes pruned in the name of austerity or supported momentarily by stop-gap privatizations. This new internationalization has “debilitated States” and reconceptualized

15 Strange, Susan. “The Erosion of the State.” Current History 96, no. 613 (1997): 365-369. Some countries still maintain a formidable military, but to defend against non-state actors like transnational, state-challenging crime syndicates (see Nuttal in this volume). When Colombia destroys cocaine production, for example, producers move into the unpatrolled regions of Peru, and this economically and violently powerful non-state actor then enters Peru’s policy equation.
sociopolitical ideologies and cultures, causing the state to become “the space of negotiation and management” via “new strategies of social recognition.”

Students of IPE should therefore ask whether the “democratic subject” has been replaced by “the idea of popular subject… constructed… through the series of demands that have not been absorbed by the democratic system,” and whether this homogenizes or fractures national culture. Forced equilibrism asks exactly that, and translates these structurational issues to an expansion of the pool of veto players, or a shrinking of the overlap of possible “win-sets” among internal and external interests.

A consideration of Humala’s goals, process, agency, capacity, and location in the structure, trapped between the state/society complex that surges from ‘below’ and the assertions of the externally connected holders of economic power from ‘above,’ should explain Humala’s policy decisions. In this type of “power struggle,” agents are “social forces [attempting] to develop means to relate to a social reality [or structure] that partly escapes their control and which they seek to influence or change.” The conflict provides both constraints and opportunities, and “a radical emphasis on agency” sets the stage to analyze the dynamic between social forces (agents) competing with international economic interests (structure) for President Humala’s policy choices. This research shows that this competition dramatically reduces the space for Humala to develop a ‘national role consensus’ (NRC) to satisfy both.

The NRC concept was born from the tradition of role theory, which first arose in other social sciences before being applied to international relations (IR) and IPE. Role theory focuses on the interaction between the free will of the agent with the expectations placed upon him or her by the principals, providing four key notions: role performance, national role

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17 Moraña, “Negotiating the Local,” 38. Emphasis mine.
20 Knafo, “Critical approaches.”
conceptions, role prescriptions and the position itself. Though the study held it as a constant for methodological purposes, it even included the “international context” as a source of influence on role prescriptions.\textsuperscript{21} More recent efforts to employ role theory in IR highlight that “structures do not deterministically impose behaviors but rather become part of the domestic political “game’” and promote consideration of “contested roles” between domestic elites and social movements who tend away from a national role consensus.\textsuperscript{22} However, they do not analyze the shrinking agency of policymakers, holding instead that leaders can simply shape public opinion. That is, they still assign primacy to domestic agents. Yet, given the indubitable internationalization of domestic politics,\textsuperscript{23} how much independence to filter or manipulate international stimuli do national executives actually hold?

Forced equilibrism improves upon the NRC idea in this way. Role theory studies “how actors fashion their role in the international system, navigating between domestic sources of identity… [and] circumnavigating as best as possible the obstacles imposed by their position in the international structure.”\textsuperscript{24} Forced equilibrism narrows in on when domestic constituents ‘proscribe’ policies that resource-providing actors of the international economic structure perceive as threatening and therefore contest. The next section applies this new approach to the three CP to show that this conflictive erosion of space for a NRC makes successful policymaking agency a dwindling Peruvian resource. To close, the following diagram summarizes the forced equilibrist concept.

\textsuperscript{21} Holsti, Kalevi. “National Role Conceptions in the Study of Foreign Policy.” \textit{International Studies Quarterly} 14, no. 3 (197): 233-309.


\textsuperscript{24} Breuning, Marijke. “Role theory research in international relations: state of the art and blind spots.” In Harnisch, Sebastian, Cornelia Frank, and Hans Maull, eds., \textit{Role Theory in International Relations}. NY: Routledge, 2011.
In terms of an operational schema, this research expands traditional analytical categories with a constructivist, structurational focus on Humala’s agency. Adapted from Gardini and Lambert to critical IPE and non-state actors, these categories include *Ends and Purposes*: “the objectives of...policy and the implications for the strategy to achieve them;” *Means Available*: “capabilities (including traditional attributes of power);” *Agency*: “the stature and quality of leaders and their worldviews and beliefs;” *Process*: “the ways in which...policy is designed, adopted, and implemented;” and *Structure*: “the specific historical and political, domestic, and international context.”

These precedents are the basis of the argument. Now, a general description of the CPs’ context within the Peruvian state-society complex is followed by an analysis of each with respect to the previous, non-paradigmatic units of analyses, to support the hypothesis of Humala’s impotence in policy decisions due to the imposition of equilibrism.

### III. Critical Points

Peru’s political party system severely lacks institutionalization and tends to polarize only around economic issues, especially neoliberal principles like privatization. This position as a left-right fulcrum might be explained by a perception that neoliberal policies do not benefit the average citizen and that endeavors like privatization bear the connotation of authoritarianism from the Fujimori dictatorship. Peru consistently ranks

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amongst the most dissatisfied with its elected leaders, since parties are perceived as vehicles for personal political advancement or self-enrichment.  

Humala first took leadership of a national political party in 2005, against then-president Alejandro Toledo. The Peruvian Nationalist Party (PNP) originated in the rebellious Peruvian Nationalist Movement resisting the Fujimori dictatorship, against which Humala led a failed military revolt. Despite this revolutionary history, as head of the PNP Humala vocally committed himself to democracy and the electoral path. Recognizing the shrinking presidential agency of the Toledo government, Humala’s electoral rhetoric called for a ‘Great Transformation’ that would strengthen national production and restore the dignity and power of the Peruvian state. Despite “modest social programs…in a neo-populist appeal to the poor,” the Toledo administration’s economic policies “played to the interests of foreign capital and Peru’s predominantly white and coastal-based commercial, financial, and agro-mineral oligarchy.”

Officially to counter this empowerment of external and externally oriented economic actors, Toledo began decentralizing and democratizing the policy-making process. The two best examples of this effort were so-called ‘policy-development roundtables’ and the division of the country into 24 regions with elected departmental presidents. Yet, the elite, via their representative in the presidential office, made the roundtables little more than a symbol of traditional clientelism and preference manipulation. While this does not represent forced equilibrism, but rather a traditional exercising of elite presidential agency, there do exist claims that the decentralization initiative came from a social unrest-driven need to deflect demands placed on the central government back onto the regions.

The Alán García government, which only narrowly beat Humala in 2006, focused economically on continuing commodity export-led growth and attracting foreign investment. Indigenous, regional, and labor unrest continued to mark García’s second term, and the government responded to

28 Alemán et al., “Legislative Parties.”
the social dissatisfaction with this external orientation with “an authoritarian turn” and a “general criminalization of dissent.”

Since nothing more clearly represents the state’s power than its use of its Weberian monopoly of force to guarantee order, the 2009 violence that resulted in more than 20 indigenous protestor deaths could represent an expression of García’s control. Yet the protest gained such momentum that it eventually forced García to revoke the decrees that as part of the 2009 free trade agreement with the US legalized the sell-off to transnational corporations of about 64% of Peru’s forests.

The militant protests did not pause for the 2011 elections in which Humala, leading a leftist coalition named Gana Perú that incorporated indigenous support and organized labor, faced off against a rightist four-way split that eventually produced Keiko Fujimori. Humala moderated his rhetoric and plans for limited social policy reform even further, promising to serve only one term, respect property rights, and leave the neoliberal orientation of the market intact. He rather obviously shunned efforts by former ideological ‘ally’ Hugo Chávez to involve himself, and instead imported Brazilian advisers to present himself “as a socially aware but fiscally conservative disciple of Lula.”

Apparently, Humala’s strategy paid off, as he was elected and Gana Perú won 36% of congressional seats, even though that left 64% in the hands of Fujimori’s Fuerza 2011 and other rightist, pro-neoliberal parties representing externally oriented economic interests. In designing his first cabinet, Humala promoted a García deputy finance minister to be minister of the economy, and left an orthodox economist as president of the central bank. Alongside these “market-friendly economic managers,” Humala also appointed “leftist intellectuals” to lead his social programs.

In the conclusion to his overview of the 2011 Peruvian elections, Burron clearly predicted the idea of forced equilibrism: the power struggle between the elite and the increasingly dissatisfied social forces that has forced President Humala to the narrow center.

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But the power of Lima’s business elite and agro-mining oligarchy to shape Peru’s economic strategy will likely go undiminished. The accumulation strategy will continue to privilege these sectors…In the chimerical effort to secure a new equilibrium between Peru’s dominant and subordinate classes… [Humala] is more likely to govern by attempting to co-opt the social movements… With the neoliberal state firmly ensconced, the impetus and momentum for change will continue to come from below.  

How then has Humala carried out his responsibilities in negotiating policy compromises and establishing a national role consensus during his long, conflictive, first period of governance?

**Critical Point 1: New Mineral Taxes for Increased Social Spending**

In September of 2011, Peru’s congress approved raising the effective tax rates on mining companies to a royalty between 1% and 12% and a special mining tax that slides between 2% and 8.4%, with voluntary participation rates for those companies with stability agreements higher at 4% to 13%. This legislation formed a key victory for Humala as a fulfillment of one of his foundational campaign promises, and the IMF predicted collections of around US$1 billion per year. Since the laws apply to profits instead of sales values, this more progressive (at the firm level) design will increase revenues proportionally with higher commodity prices, and reduce tax pressure on the companies during downturns.

In a quite revealing process of negotiation, the government actively collaborated with the mining companies, represented by the Mining Society, starting with an August 2011 “Agreement of Understanding, in which both parties agreed to create a new mining tax regime.” News outlets reported the companies’ initial opposition before they “started to negotiate when polls showed there was widespread support for having them pay more.”

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policy compromise amenable to both Peruvian society, who demanded higher taxes on the companies, and international actors, the mining companies who could move their operations.

However, how much credit can Humala take for this legislation? He had the support of most of the state structure, since the campaign promise satisfied his coalition, and the negotiation process and overwhelming public opinion weakened the resistance of the opposition. Thus, polarization and fractures in the state structure did not play a role. Of course, the mining industry was clearly willing to negotiate, since, as cited earlier, they feared worse tax rates would be imposed without their participation. Indubitably, higher mineral prices influenced companies’ willingness to negotiate as well, especially considering that the new rate tiers, though progressive, are very limitedly so. That is, while each higher profit range raises the tax percentage rate, the brackets increase the company’s income proportionally more than the higher tax paid to the state. Still, for this CP, a unified state aligned itself with the will of the Peruvian populace to negotiate a new policy compromise with external economic forces. It demonstrated Humala’s power as a leader to deliver quite early on campaign promises made to the social actors who had elected him.

While the evidence against forced equilibrism seems strong, this victory occurred during the ‘honeymoon phase,’ when, immediately post-election, the leader’s agenda has the least opposition. Given the next two CP, I ascribe Humala’s short-lived electoral victory to this specific phenomenon of little equilibristic pressure. It represents power on the part of Humala, but fleetingly so compared to the subsequent developments that swept over the administration.

Critical Point 2: Spurning the Left, Moving towards Neoliberal Orthodoxy

As a candidate, Humala appeared quite critical of Free Trade Agreements (FTAs). In 2006 he warned of the danger that FTAs posed to the Andean Community, and criticized President García for “favoring the North American interests that want to sign FTAs.” In a 2009 interview, Humala called the Peru-Chile FTA “treason to our patrimony,” and avowed his

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intention to annul it if he won the 2011 elections. But by two weeks before his victory, Humala had moderated to categorize the Peru-US FTA as “not bad,” needing only to be “refined” within the frameworks set in place by the treaties themselves. Once in office, Humala continued negotiating those FTAs that his predecessors had set into motion, promising US Secretary of State Clinton in July 2011 that “Peru’s international agreements are going to be scrupulously respected according to international law.” During the Peru-EU FTA negotiations in June 2012, Humala characterized his shift bluntly: “[I have] always had a discourse critical of FTAs. But today, as president, I have to respect the policies of the state…” Humala has also proposed new FTAs with Central America and Venezuela, and has expressed interest in accords with Singapore, Japan, and the Trans-Pacific Partnership.

Coca eradication efforts have similarly, but more drastically, weakened Humala’s support from the left, especially Peru’s virile indigenous movement that attaches cultural importance to the leaf. As a candidate, Humala made clear his intentions to end the US-sponsored coca eradication efforts opposed by so many of his key supporters. The website for the integral Peruvian Nationalist Party, without update since February 2011 and as late as March 2013, still promised legal coca cultivation as one of its top priorities: “We will impede the compulsive eradication of coca cultivation, which is ineffective and disadvantages the most poor while favoring narco-traffickers… Cultivate coca, yes. Cocaine, no.”

Once in office, coca eradication became a stepping-stone to the right. In August 2011, Ricardo Soberón, Peru’s drug czar, temporarily suspended coca eradication efforts in what was initially reported as an attempt to wring more anti-drug aid from the “very surprised” United States. A few months later, Interior Minister Valdés fired the “reformist” Soberón for opposing

Humala “who… shifted to the right on this and other issues since taking power.” By the end of 2012, Humala’s new interior minister Pedraza reported the destruction of “a record 14,171 hectares of coca plantations… a rise of 37 percent,” and promised 22,000 for 2013, which if successful would reverse a six-year production expansion. Throughout this shift, the administration publically shed several leftist members with the resignations of two economic advisors, a prime minister, the minister of justice, and several deputies.

After his success reforming taxes amenably to the preferences of his leftist electorate, what explains Humala’s rightist shift? The protests addressed in the next section probably pushed him in that direction, but his very steps toward economic orthodoxy contributed to sparking them. On coca, illegal organizations like the militant Shining Path fund themselves in part through relationships with rural coca growers, and traditional cultivation zones lacking state presence have become crime havens. As part of combating Shining Path, Humala has chosen to continue using US support to destroy one source of their income. Given the political betrayal it represents to the president’s pro-coca indigenous supporters, the necessity of state survival versus a non-state threat forced this choice. On free trade, several self-reported independent voters, in interviews conducted by the author in Peru in March 2012, cited pressure from the business lobby as the driving force behind Humala’s continuation. One colorfully explained the trump card of mining companies: “you go ahead and keep your gold in the hill; who is going to take it out for you?” Drs. J. Torres and J. Rudolph from the Pontificia Universidad Católica del Perú School of Business put it even more clearly: “Humala has changed. He…had to follow the established path, like the FTAs, and use growth for his ‘social inclusion’ agenda…The State has

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50 Mealy, Maris, and Carol Austad. “Sendero Luminoso (Shining Path) and the Conflict in Peru.” In Landis, Dan and Rosita Albert, eds. Handbook of Ethnic Conflict: International Perspectives. Springer 2012, 547-577.
less power now… The system forced Humala, like Tony Blair was forced to join the US in the Middle East."51

Essentially, domestic economic elites, aligned with the internationalized business lobby, pulled the economic national role consensus of the presidency toward themselves, to the detriment of social movements such as organized labor and the indigenous/environmentalist alliance. Similarly, the threat of coca-funded insurgencies forced Humala to renege on promises to pro-coca voters in favor of US anti-drug aid. Partly in response, these disaffected sectors began a wave of protests and demonstrations that have come to completely dominate Humala’s domestic agenda.

Critical Point 3: Indecisive Management of Widespread Protests

Peru’s Office of Public Defense counted 224 social conflicts in early 2013, 67% of which were “socio-environmental,” down slightly from the peak of nearly 250 in June 2012. The same office only registered 214 when Humala took office, with 55% in the socio-environmental category.52 By far, the most pressing of these conflicts has been the mining protests centered in Cajamarca in Northern Peru. Widespread protests began in November 2011, when 10,000 peasants, 5% of the city’s total population, began an 11-day demonstration. Escalating violence led Humala to deploy the military, but this first militarization failed, and Humala next deployed then-Prime Minister Lerner to begin a dialogue with the protestors,53 while instructing the owner of the mine, Minera Yanacocha, to pause the project pending environmental studies. When that attempt also failed, Humala declared a state of emergency and, with Lerner’s resignation, reorganized his cabinet under a new hardliner, his former army instructor Óscar Valdés.54 In his first appearance before Peru’s congress, Valdés, in a rousing speech that “stood as a clear rejection of Humala’s original electoral platform,” stated, “Peruvians need more investment to create more jobs. What we don’t need is disorder.”55

51 The author conducted the interviews cited in this paragraph in Spanish, so the translations may be slightly paraphrased.
Tensions flared again in July 2012, prompting another suspension of civil liberties. Protesters assaulted government buildings in the small town of Celendín, with the main motivation being the city mayor’s support for the mine. Again, Humala responded to the violence with a cabinet reshuffle, replacing Prime Minister Valdés with Juan Jiménez, “a former justice minister [and]…a constitutionalist.” Jiménez promised to lead “a government of dialogue,” and in November, Environmental Minister Vidal appeared to commit to that strategy by recruiting two Catholic priests to mediate the dispute. Jiménez declared that the project was on the “back burner,” however, and in a January 2013 meeting expected to reopen negotiations, Jiménez denied that the subject even came up. Anti-Conga protests in the Cajamarcan epicenter died down to just a few hundred demonstrators after the appointment of the negotiators, allegedly because rallies were occurring outside of the area of protest prohibition. As of writing, the Cajamarca Environmental Defense Front and other alliances continue to organize and plan demonstrations, as well as a regional referendum, for 2013.

The Conga mining protests were only one iteration of Peruvian society’s dissatisfaction with the status quo. In May 2012 in the Espinar province of southern Cuzco, protestors began setting up roadblocks against the Tintaya copper mine owned by Xstrata, a worldwide mining conglomerate with British and Swiss principals. Originally, the protesters clamored for a larger contribution from Xstrata to Espinar’s development, but as the protest grew, the demands expanded as well, eventually turning against Tintaya’s operation entirely. In response, the Humala administration declared another state of emergency, with two fatalities and several injuries. Xstrata and the local protestors agreed to resolve their dispute in a series of

roundtables that began in June 2012 and were extended past the original end-date of January 2013. The negotiations produced some concessions from Xstrata, but Mayor Óscar Mollohuanca has promised to stand by protestors rumored to be planning a strike against the roundtables to express their “serious worries.”

Other, non-mining unions also staged walkouts to demand salary hikes. Medical pay raises depend only on the executive, augmenting the direct pressure that the hospital closures and patient turn-away placed on Humala’s administration. Despite that legal power, Humala largely ignored the protestors. It was not until the congressional president, of Humala’s own party, earmarked funding that the conflict was resolved. Teachers had similar motivations. After a month of protests during which Humala introduced legislation to accede to their demands, teachers returned to work in October of 2012 with a temporary bonus until the legislation was approved. Various protestors explained their dissatisfaction similarly: one accused Humala of being “just another puppet,” while another explained to the author that he simply wanted to hold Humala to his electoral promise of “cancelling social debts.”

A key characteristic of these protests has been the participation and, often, leadership of members of the fractured state structure beneath Humala, which weakens his ability to resist equilibristic pressures. The regional president of Cajamarca, Gregorio Santos, has been a prime mover of the Conga protests. In June 2012 he held a large assembly to call for Peruvians to “remove” Humala from his post, leading to an investigation for incitement of rebellion. This preceded December accusations that Santos used public funds to pay protest attendees. Similarly, Espinar Mayor Óscar Mollohuanca was “preventatively detained” in June, on accusations that he, too, used public funds to support protests and incite violence. Mollohuanca criticized his detention as “surely handed down because of pressure from

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above, because what we have here at play are big interests from, for example, mining companies.”

The most recent updates leave the imbroglio largely unresolved. Anti-mining protests were still occurring as of publication, with no signs of slowing. Recognizing the near-future permanence of the social opposition, mining companies have begun to fulfill their threats of reducing investment. Less than half of the available portfolio for 2013 is expected to come to fruition. Newmont has downwardly revised its development plan for the Conga site, and an April report mentioned the possibility of moving the unused investment funds outside of Peru.

In sum, the widespread and enduring mining protests dominated the policy agenda. Economically dependent on mining exports, the subsequent reticence of policymakers to confront mining companies expresses their power in the political process. The state structure weakened, as subnational leaders complicated Humala’s government, whether out of personal political aspirations or real concern for their local constituents. The administration effused a sense of fading power as Humala rested a great deal of authority in his prime ministers, and while such delegation would not in itself indicate a lack of agency, delegation to three different occupants with such different methods in the space of one year shows a serious lack of credibility. The only major initiative to curb the unrest, the Law of Previous Consultation, gives indigenous communities the right to participate in the pre-negotiations of development in their areas, but many indigenous leaders have spoken out against the policy, citing difficulty in proving indigenous identity or defining an indigenous community. The first consultation, a Loreto petroleum project, was scheduled for March 2013 but did not occur, further reducing confidence in Humala’s ability to resolve issues without capitulating to international companies.

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IV. Conclusion

These three critical points, viewed in the conceptual light of forced equilibrism, clearly illustrate the shrinking space for independent policymaker agency. The power of international economic actors to defend their interests over the preferences of their destination state/society complexes now exceeds any authority previously wielded by the international system. Simultaneous mobilization from below has also begun to flex its muscle against the restrictions of the economic structure, such that guaranteeing a stable market through policy compromises and ‘neoliberalism by surprise’ is with every new issue more difficult. These conflicts of role prescriptions are not new, but the strength with which each side articulates its demands has now begun to overwhelm the policymaker in between. Humala recognizes both Peru’s dependence on the international economy for investment and the need to answer the social deficit of “inclusion” that provokes such malcontent, but the multiplicity of demands upon him erodes his very ability to address them. Subnational leaders incite protests against the President, even as he points with legitimate evidence to regional incompetence with more than US$3 billion in development funds. Conflicts with Shining Path require diversion of government attention and resources, and complicate the coca question through their regional and financial relationship to the leaf. Able neither to resolve problems with decisive action nor to mediate peaceful compromises between Peruvian protestors and international industrialists, Humala has instead wavered between the rod of authoritarian militarization and the staff of government noninvolvement or unsupported suggestions from the sidelines.

This work should provoke concern at the ability of governments like Peru’s to provide for the needs of their societies and, in recognition of that, serve as a point of departure for further research with a focus on this topic. Perhaps the implication of forced equilibrism is that policymakers in smaller states must give predominance to one side or the other; whether that strategy, instead of attempting to navigate the centrist’s razor’s edge, is more successful should be the subject of future investigation. It may not be

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necessary to, in full historical materialist spirit, question the entire power structure upon which rest the conflictive relationships of society on one side, international economy on the other, and a shrinking overlap for policymaker participation in the middle. What is necessary, however, is that international political economy brings its insights and methodologies to the phenomenon of forced equilibrism.
Section Two

CONFLICT AND THE STATE:
ASSESSING REINTEGRATION, STATE FAILURE, AND
GOVERNABILITY
The Archipelago State: Perceptions of State Failure and Alternative Systems of Governance in Somalia

Andrew Jackson Detsch V

State failure intends to diagnose a particular reality. States ‘fail’ when consumed by internal violence and when they cease to deliver basic political goods to their inhabitants. Utilizing Somalia and the ineffectiveness of nation-building efforts since 1991 as a case study, this analysis interrogates the viability of the state failure diagnosis based on four analytical lenses: geography, politics, history, and terrorism. Current analyses unjustly focus on the last 50 years, the only period in Somalia’s history in which it has resembled a nation-state. The country’s political borders are merely symbolic; in practice, sub-state actors dominate the provision of violence and political goods along clan-based lines. The lessons of Somalia are clear: it is possible to avert future failures during the process of nation building by creating realistic political goals calibrated to development.
I. Introduction

Picture a country cleaved into a rightward arrow, an expanse of plateaus, plains, and highlands populated by pastoral nomads, city dwellers, pirates, and Islamic extremists. Is this what a failed state looks like?

States are the basic currency of international relations, synthesizing dense economic, military, and social relationships that span the globe. Understanding the map of the world as an unbroken chain of states makes for a convenient point of departure. In that vein, state failure attempts to diagnose a particular reality: countries cease to function when consumed by internal violence, forcing them to halt the delivery of basic goods and services to their inhabitants within their political borders.

Somalia, that expanse of plateaus, plains and highlands, is patient zero for state failure. Since the collapse of Mohamed Siad Barre’s military junta in 1991, the calamity of the Battle of Mogadishu in 1993, and the subsequent descent into piracy, intermittent famine, and civil war, it has developed a global reputation as a pariah state. Al Qa’eda-led attacks on American embassies in Kenya and Tanzania in 1998, and on the World Trade Center towers and the Pentagon in 2001, further established its reputation as a pariah state and security threat.¹

If political, social, and economic turmoil is the status quo, how can Somalia not be considered a failed state? Two-thirds of the country remains outside of federal government control, and piracy continues to plague the Gulf of Aden off of the coast of Puntland. Al-Shabaab, an A- Qa’eda-affiliated terrorist organization, continues to stymie urban and cultural renewal by staging attacks against civilian and government targets in Mogadishu. These latest developments point to a key idea: a state cannot fail where it has never existed.

The modern state failure paradigm emerges from the notion of Westphalian sovereignty: the singular exercise of authority within a delineated, self-determined territory. But in Somalia, sub-state structures have always dominated political life. The historical memory of the Mogadishu incident remains the dominant caricature of Somalia in

government, media, and academic circles, extrapolating a misconstrued perception to encompass reality. The failure of nation building efforts in Somalia over the past twenty years reveals critical flaws in notions of state failure: Somalia’s anomalous shape, history, political structure, and patterns of migration do not invite state-based solutions. For centuries its citizens have successfully called on clans and kinship groups to preserve the peace and deliver political goods. By developing realistic political goals calibrated to Somalia’s needs and anomalies, changing expectations, tools and standards of measurement, the nation-state experiment can succeed in Somalia.

II. State Failure

State failure is defined as the dissolution of a monopoly of violence and the failure to provide goods and services to a specific national population over a delineated territory. The paradigm emerges from the writings of Max Weber, who contended that the existence of the state was contingent on “a monopoly on the legitimate use of force within its borders.” But the state failure paradigm fails to explain how troubled states really behave. It puts an extreme emphasis on parameters of security, while ignoring substantive issues of economic capacity.

Expectations of the Nation-State

Nation-states are expected to provide two essential services to their citizens: a basket of political goods and security. Measuring state solvency reflects the standard of living inside the country, and successful governance is largely equated with the capacity of state and society to provide such allocations.

A failed state lacks the capacity or willpower to provide political goods to the entirety of its population, and either chooses to favor factionalized elites, or simply neglect its citizens. If a government fails to provide basic services or collect tax revenues, the dissolution of the state

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becomes increasingly likely.\textsuperscript{3} This typically causes group conflict and violence that can subsume the state. Thus, the natural result of state failure is anarchy: individuals cannot cope with violence without public assistance, necessitating sub-state alliances based on ethnic, racial, and ideological groupings. The centralized state has the right and obligation to order and manage the political allegiances of its citizens. Essentially, it must control and be the arbiter of forces of national self-determination.\textsuperscript{4}

*The Characteristics of a Failed State*

The state failure paradigm is heavily focused on security and the idea of the monopoly of the official use of violence. State authority is only valid if it is respected by a majority of the citizenry in question, and is mostly contingent upon its ability to maintain a monopoly of force and deliver basic goods and services, such as schooling, roads, electricity and fresh water. Whether states succeed or fail largely depends on the imposition of brute force, coercion, and capital controls. However, this understanding leaves significant margin for error. A government may lose political legitimacy to a sub-state or non-state actor, yet remain solvent by maintaining a monopoly of violence.

As legitimacy erodes, nominal borders become irrelevant and sub-state groups within its territory begin to seek autonomous control. Through the lens of the present case study, Somalia has no unanimously recognized authority to run the state, perform its day-to-day functions, control flows of migration, and maintain an appreciable level of security. Therefore, Somalia cannot be considered a state at all. It is a mere geopolitical expression, where sub-state actors compete over territory and political dominance in the absence of a state apparatus.

*Critique of Nation-State Expectations in Somalia*

The use of the state failure label in Somalia suggests disproportionately high expectations for the new government, despite its


limited capabilities. With the end of the interim mandate in February of 2012, Somalia’s transitional federal government became permanent, as President Hassan Shiekh Mohamud took office in Mogadishu. Though the government does not possess the capacity to govern large areas of territory in Southern Somalia on its own, it is the first centrally recognized authority that the country has had since the fall of Mohammed Siad Barre in 1991. Because Somalia’s structure is resistant to centralization, the long-term success of the federal government project depends on external forces, such as the whims of international aid and the African Union Mission in Somalia, a peacekeeping mission which pits parties such as Ethiopia, Kenya, and Uganda against the insurgency. Shiekh Mohamud will only survive if he can limit his ambitions and expectations for central authority, with care to the country’s unique geography, history, politics, and role in the global war on terror.

III. Geography

At its core, Somalia resists the conventions of a state. Historically, its boundaries were negotiated by colonial administrators and “had little or nothing to do with ‘ethnic’ fault lines, linguistic demarcations, religious affiliations, geographical landmarks, or other such ‘natural’ lines of cleavage between territories.” In that respect, Somalia is not an anomaly. Indeed, few countries are nation-states in the strictest regard; like many of its neighbors, it is not an independent territory equated with a politically united people.

The state system fails to explain situations in which local structures of governance supersede their national counterparts. Somalia is not the only country where localized forms of governance exceed the central government in terms of overall importance, but is it a natural victim of false equivalency. State failure theory has a natural tendency to aggregate diverse states and their differentiated problems, encouraging generic and inappropriate policy prescriptions.

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Somali Political Geography Post-Siad Barre

The failure of a successful central government to emerge in post-Siad Barre Somalia is not strictly due to gaps in security, economic, and political capacity, but rather naturally occurring geographic differentiation. About 60% to 70% of Somalis trace their lineage to pastoral nomads, and throughout its history, the country traditionally has had no stable, hierarchical political units. The economy, dominated by agriculture and the livestock trade has survived, grown, and continued without the presence of a central government. Somali national identity is inherently based on concentric clan and kinship groups, preventing majority unification and the emergence of a static ‘citizenry.’

Despite its varied political geography, modern analysis artificially imposes the boundaries of a state upon Somalia. But it is foremost a “geographical expression” of component regions, much of which has developed “political and economic systems independent of Mogadishu over the past twenty years.” Across the breadth of Somalia, there exist thousands of competing views of the state.

IV. History

The state failure paradigm is predicated on a particular conception of the state. The modern state model emerged from the signing of the Treaty of Westphalia in 1648. This conception of the state does not apply to Somalia. The country’s history stretches back to the Roman occupation of its peninsula through the period of sultanates and lucrative foreign commerce that preceded the ‘Scramble for Africa’ of the late 19th century. Only during the rule of Siad Barre, who attempted to impose a system based on pan-Somali nationalism, was there any semblance of a modern state.

The Modern State Model

The origins, nature, and fundamental tasks of statehood are hotly disputed, particularly when considering less-developed states in Africa,

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including Somalia. However, unlike Europe, states were not contiguous throughout the rest of the world.\textsuperscript{9} Where bastions of authority did exist, they were mainly confined to core areas, and their legitimacy waned in peripheral areas of sovereign territory, where tribes, clans, barbarians, and other non-state actors reigned supreme. Still, this model was incorrectly extrapolated to states in the developing world emerging from the colonial yoke. The modern misunderstanding of state failure owes itself to this historical incongruence, layering Western conceptions onto states with different geographic parameters, cultural maxims, and expectations of development.

\textit{The Origins of the Somali State and Colonialism, 600-1960}

Loosely populated and originating from a complex mix of regional, colonial, and clan influences, Somalia is largely defined by contact, conflict, and expansion.\textsuperscript{10} Somalis were an industrious, yet nomadic people; livestock was, and remains, the staple of their economy. Despite adequate demand for Somali goods, a lack of luxury or extractive resources made the coastal enclave less attractive for exploitation than its neighboring states. As a result, economic and urban development barely spread beyond the cities, and connections between them remained relatively weak, enabling the emergence of differentiated patterns of governance.

Nonetheless, Europe’s enterprising colonial powers drew Somalia into the ‘Scramble for Africa’ in the late 19\textsuperscript{th} century as England, Italy, and France pushed into Kenya and Ethiopia. Holding a military base in Aden, across the Red Sea from Somaliland, Britain signed a series of treaties with local clansmen, establishing a protectorate in 1889. This was not accepted by all, and warlords such as Seyyid Mohamed Abdulle Hassan, led indigenous charges against British ‘usurpers’ and created an ideal of Somali nationalism: that all countrymen could be united beyond ties of lineage and blood contract in nationhood. By the time Seyyid’s resistance collapsed in 1920, the colonial powers had effectively split the Greater Somali nation into several parts: the Northern Frontier District, the Ogaden, British Somaliland, and the French Somali Coast, further fragmenting the dream of Somali nationalism.

\textsuperscript{9} Clapham, “Politics of State Decay,” 17.
Independence and the Pan-Somali Experiment, 1960-1991

Independence was achieved in 1960 as the British Somaliland Protectorate and the Somali Youth League forged a lively parliamentary democracy, buffered by substantial amounts of foreign aid. This would serve as a linchpin of state building strategy. An ambitious five-year development plan was eagerly launched in 1963 at a cost of US$95 million. Later that year, the Somali National Congress rejected a package of Western military assistance valued at US$8.8 million in favor of a larger Soviet package, linking Somalia’s fortunes with the success of the Soviet Union in the Cold War. A period of relative stability in central governance was quickly stunted by the assassination of President Abdirashid Ali Sharmake on October 15, 1969.

Six days later, the military entered the capital, and General Mohamed Siad Barre took power, creating a socialist state and quickly trying to institute a Marxist revolution based on the eradication of tribal loyalties. The general immediately instituted a standardized Somali script and literacy program. The nation would henceforth be led under the mantra, “tribalism divides, socialism unites.” It was a dictatorship in everything but name; sustained by Russian aid, Siad Barre faced the impossible task of attempting to manage Roman Catholic and Islamic populations within an atheist, Marxist-inspired state.

With the country rallying behind him, even though the worst drought on record drastically deteriorated economic conditions in 1974-5, Siad Barre took an unprecedented move in 1977. He would attempt to reunite ‘Greater Somalia,’ linking with the indigenous rebels of the Western Somali Liberation Front to recapture the Ogaden from Ethiopia, which had recently been weakened by a coup d’état. As the Somali military remained weak and somewhat divided, Siad Barre distributed thousands of small arms among militiamen to assist him in the fight.

The bold military strike backfired horribly: the Soviet Union switched sides in the regional skirmish, providing vast amounts of military aid to Ethiopia and forcing the aggressors out. The United States came to

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the aid of Siad Barre, but was not particularly enthusiastic in its support. Their failure to promote the dictator, or control the spread of arms across the countryside to militia groups, which began during the Ogaden campaign, further undermined Siad Barre’s popularity, even as he attempted to keep his diffuse country in one piece.

Despite his efforts to consolidate ‘Greater Somalia,’ clan loyalties still superseded any superficial allegiance to the Somali state. When groups such as the Majeerteen of Puntland protested, Siad Barre responded by poisoning their wells. Despite the president’s upbringing in Somalia’s largest clan group, the Hawiyya, the regime’s complicity in the torture of its citizens and increasing crowds at refugee camps created enemies on all sides. The divide and rule tactics practiced by the dictator enabled clan fissures already deeply entrenched in Somali society to further define its body politic.

Siad Barre’s toxic relationship with his American clients ultimately sealed his fate. In 1988, Western donors began to rapidly withdraw aid from the regime, enabling the institutions of its government, long starved of resources, to atrophy further, leaving schools, roads, and basic infrastructure on the verge of collapse. With the government exhibiting increasing totalitarian behaviors, resistance movements sprung up throughout the country, pushing the dictator out of power.

The ‘Failed State’ of 1991-2012

The narrative of Somalia after Siad Barre’s 1991 fall is the most familiar one. Images of the country broadcast to the outside world showed a prototypical African disaster zone replete with war and hunger and a graveyard of state building initiatives, particularly after several substantive efforts on behalf of the United Nations Operation in Somalia (UNOSOM) went nowhere. While the establishment of the Transitional Federal Government (TFG) from the Nairobi Accords of 2003 brought a new administration to Mogadishu imported from the international community, its control barely extended into the outer reaches of the capital, as evidenced by persisting rates of violence there.

This narrative was certainly convenient but ignored the truth: Somalia is a geographical anomaly that resists modern analyses of state construction or failure. Most of the country is situated in a hot, arid mid-
latitudinal climate crowded with camels, cattle, sheep, and goats, grounding its economy primarily in the livestock trade and the cultivation of farmland, particularly among citizens situated along the country’s two main waterways, the Shabelle and the Juba.\textsuperscript{12} The Somali political experience is representative of a pastoral society alien to linear, hierarchical patterns of authority described in the Westphalian model. National borders and the idea of a country mean little, and the customary decision-making process is democratic “almost to the point of anarchy.”\textsuperscript{13} As a result, central authority never emanated from Siad Barre or the TFG: these were just structures layered on top of existing clan loyalties. Despite this, communities that were geographically cut off from state authority consistently sought to devise sub-state organizations that could provide core functions of governance, especially basic security.

\textit{A New Authority Emerges, 2012-Present}

In August of 2012, Sunni Islamic al-Shabaab militiamen announced that they would be withdrawing from Mogadishu, pointing not only to the success of the African Union Mission in Somalia (AMISOM) peacekeeping operations, but increasing respect for TFG authority within the zone of control. The group had consistently undermined government authority to a staggering effect, confiscating humanitarian aid for use as a recruitment tool during the 2011 East Africa drought. Later that month, as the TFG mandate expired, Somalia held elections for the first time since 1960, electing former University of Somalia chancellor Hassan Sheikh Mohamud on a platform of national reconciliation by a federal parliamentary vote.

\textbf{V. Politics}

Somalia is an archipelago of political communities, including the Hawiya and Darod in the south, the Ishaak and the Dir in the north, Somaliland and Puntland. These communities are invisible on a political map of the world. However, they hold the real power in politics, delivering security and political goods, just like a functioning state. As a result, in Somalia, politics do not function as they would in a normal state. Thus, the

\begin{footnotesize}
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\item \textsuperscript{12} Harper, \textit{Getting Somalia Wrong}, 27.
\item \textsuperscript{13} Lewis, \textit{Understanding Somalia}, 43.
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collapse of the state is not a collapse of political authority. Historically speaking, the state is not where Somalis have ever gone for security or the delivery of political goods. Governance works without government, and while the power of the federal government is growing, it does not dictate much socially or economically.

*Who Wins, Who Loses in State Failure?*

The collapse of the state apparatus has not been a losing proposition for all aspects of Somali society. The persisting collapse of the state enterprise is exploited and perpetuated by its most powerful and elite members. Stronger clans, some of which possess paramilitary capabilities, attempt to dominate weaker clans throughout southern Somalia. In the absence of a central state after the Siad Barre regime collapsed in 1991, the divide and rule tactics of the dictator had a lasting effect in cementing power relationships in Somalia.

The collapse of central governance in Somalia has also enabled the business community to promote radical liberalization of the economy to ensure lucrative profits. Siad Barre’s attempts to install a regime of central planning gave way to an economy devoid of any government intervention or protectionism, in which markets are almost entirely deregulated and state-owned companies have been either looted, destroyed, or privatized.

Somali businessmen also levy the only effective taxes in the country: arbitrary fee rates on transportation services, including checkpoints at roads and airports, revenue that enables them to maintain private militias. Dominant clans benefit in business from kinship relationships. Though business partnerships serve to buttress corruption endemic throughout Somali society, they also create extensive commercial ties, transcending clan and conflict. This network of economic cooperative relations has proven useful to manage conflict in the vacuum of central governance and reduce the prevalence of foreign influences in Somalia, including terrorism.

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14 Lewis, *Understanding Somalia*, 84.
Somali View of Government

Somalis’ support of the federal government largely depends on where they live. Dominant tribes that have been particularly successful in the post-Siad Barre vacuum, such as the Hawiya, who control much of the political and economic life of Mogadishu and the rest of the south, see federalism as little more than a ‘veiled attempt’ to rob them of the gains that they have achieved in political equilibrium. Minority groups, such as the Darod and the Dir, often favor federalism to establish parity among the disparate factions of Somali society.

Centralization is still regarded with suspicion throughout most of the country. The revival of a state structure is widely considered a ‘zero-sum game’ with very high stakes. Any attempt at state building in Somalia faces the near-impossible challenge of convincing factionalized elites to give up their positions of power, and has had the inevitable historical impact of producing instability and armed conflict among rival segments of the population.

These suspicions are largely grounded in the final years of the Siad Barre regime. After Somalia’s defeat in the Ethio-Somali war of 1974, the government sought to aggregate more and more power and privilege for affiliated clan groups. In order to do this, the dictator gutted the resources of the state apparatus, compromising the ability of his government to provide political goods, and hastening Somalia’s descent into full collapse and chaos. Furthermore, this deliberate action, and the perception that the government was focused on the needs of an elite few and not the state at large, drastically undermined the legitimacy of the state as a whole.

Somalis fear that the reemergence of the state apparatus would have the same effect of benefitting a narrow group of unscrupulous leaders and ruling elites. A new state could resemble a highly structured extraction racket, designed to exploit its constituents for political and economic gain, resulting in civilians losing their homes, and forcing many into an endless cycle of migration and displacement.

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16 Menkhaus, Somalia, 28.
17 Rotberg, “Breakdown, Prevention, and Repair,” 90.
Downward Trends in Violence

Still, the ‘loose constellation’ of business enterprises, city-states, villages, towns, and pastoral land that constitutes Somalia has enjoyed declining trends in violence since the United Nations intervention in 1993. Though intermittent conflict still occurs throughout the country, some regions, such as Puntland, were almost entirely free of civil war over the course of the last decade. ‘State collapse’ has not led to endemic conflict.

With the exception of attacks staged by terrorist organizations, violence has largely been pushed down to among clan groups. Clan elders have served as successful diplomatic envoys, “working out cooperative relations on policing banditry, smuggling and the spillover of local disputes” across local and international boundaries, utilizing radios and mobile phones to communicate.\(^{18}\)

In many clans, systems of protection and resource agreements based on blood payments have largely been abolished in favor of cooperative relationships. Increasingly, the paradigm of inter-clan relationships has shifted away from conflict and toward cooperation.

VI. War on Terror

Somalia came under scrutiny as a potential safe haven for terrorist activity in a dangerous time. The attacks of September 11, 2001 on the World Trade Center and the Pentagon coincided with a growing fear within the US Department of Defense that ungoverned spaces could offer terrorists lawless sanctuaries, bases, and staging grounds, with little risk of detection.\(^{19}\)

With technology and Wahhabi money driving radical movements globally, places such as Pakistan, Afghanistan, Yemen, and Sudan, where governments often had little or questionable authority, harbored a disproportionate amount of terrorists.\(^{20}\)

Somalia’s inclusion into the grouping of potential host states was not an accident. It met a number of criteria that made it an area for concern: an impoverished society with ample space and a potentially corruptible population that had already spawned indigenous movements of political

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\(^{19}\) Menkhaus, *Somalia*, 71.

This is part of the unfortunate, but inescapable, tendency of the state failure paradigm to aggregate differentiated states. While Somalia’s vast swaths of ungoverned space seem to suggest it would be an inviting host for international terrorists, it has proven surprisingly resistant to militant Islam, as opposed to quasi-states, for two reasons: its lack of capacity and its lack of connectedness.

Quasi-State vs. Collapsed State Hosts

Any long-term safe haven for international terrorists, as a staging base of operations or otherwise, requires a modicum of capacity: uninterrupted open space for training, corruptible government agencies for access to privileged information and monetary resources, and a base of recruitment readily accessible in the local population, such as the education system. Utilizing these resources, terrorists build infrastructure within societies, latching onto institutions already in place. While corruption within Somalia’s business class is certainly endemic, there is no central place for aspiring cells to locate corrupt officials.

The establishment of a successful base of terrorist operations also depends on the connectedness of the area and the local population to the rest of the extremist universe. In that regard, Somalia’s inutility as a terror cell is further compounded by its weak ties to Wahhabi groups on the Arab Peninsula, many of who are major financiers of global terrorism. Somali sheikhs, clan elders, and the bulk of the population have traditionally rejected Wahhabism and its practitioners as foreign, and largely dismiss the objective of Al Qa’eda and its affiliates to establish a global Sunni caliphate. Typically, local structures of governance, including clan groups, have frustrated the ability of puritanical Islamists to control any substantial pocket of Somali society.

The education system, usually a prime target for terrorists in quasi-states such as Pakistan, is much more difficult to locate and penetrate in Somalia. The country has an 83% illiteracy rate, and its primary avenues of education, television and radio networks, are already controlled by business elites resistant to puritanical Islam. Radical movements appear to face a difficult task with a resistant population.

21 Menkhaus, Somalia, 67.
VII. Conclusion

State failure intends to diagnose a particular reality. A fledgling government overwhelmed by internal violence begins to prey on its own people by using brute force, group favoritism, and other predatory tactics. But a state must first exist in order for it to fail. Throughout Somalia’s history, powerful sub-state structures have successfully resisted the imposition of the state, imposing monopolies of violence and delivering political goods on their own. Even during the rule of Mohamed Siad Barre, these structures prevailed throughout most of the country, as the dictator struggled to unify Somalia around a singular national identity. Today, most Somalis remain fiercely loyal to their tribes, families, and local communities, identifying primarily with those groups. Therefore, the failed state diagnosis is not helpful in Somalia. The country’s development has constantly been interrupted by colonialism, Cold War politics, and outside intervention, yet it is expected to function like a well-established constitutional democracy.

The diagnosis of state failure in Somalia is also based on an inability to understand how it really operates. Because of its unique history, geography, economics, and politics, it will probably never resemble a Westphalian state. Its mistaken inclusion into the universe of countries associated with the War on Terror made the state failure label and top-down curatives highly attractive to US policymakers. In Somalia, state builders “will need to get some idea of the nature of the disease before rushing to the medicine cabinet,” to reach for a remedy.\(^\text{22}\) That is the essence of why Somalia has consistently been given the wrong, top-down style antidote. The international community has little, if any, understanding of the nature of the disease.

America’s experience in attempting to establish a democratic state in Afghanistan, an objective constantly set back by a proactive Taliban insurgency, external pressures from Pakistan, and a rigid tribal structure, should be instructive for the future of a Somali state. Any lasting state system in Somalia will still face the issues of ongoing piracy, and endemic corruption within factionalized elite parties and clan groups. To remove the label of state failure from Somalia is not to forgive it for its ills. On an objective level, it faces real problems of internal violence, civil strife,

\(^\text{22}\) Menkhaus, Somalia, 77.
internal displacement, and crime. But since 1991, there has been almost no international presence outside of Mogadishu to witness it, other than UN and African Union-led peacekeepers. For any real change to occur in Somalia, an effective non-military presence will be needed.

Governance has a natural ebb and flow in all countries, and Somalia is no exception. Establishing it as patient zero for state failure betrays the way in which states really work. Lifting the label will allow us to arrive at the policy remedies Somalia actually needs.

VI. Recommendations

The task that the international community faces in Somalia is enormous. It is a costly, dangerous, and complicated foreign policy project with little hope of significant short-term payoff. The question the international community will have to answer in stabilizing Somalia is delicate: How does it approach sub-state actors, including clans, militias, and businesspeople that dictate politics in Somalia through the prism of nation-state relations?

Succeeding in the project of state building in Somalia will require more than just changing the failed state paradigm. The units, tools, and rules that have governed the international response to Somalia also need to be changed.

Changing the Units of Measurement for State Strength

Changing the units by which state strength is measured in Somalia will be vital to its future. Metrics such as The Failed States Index erroneously compare Somalia against the most developed countries of the world, including Japan, the UK, and the US, on the basis of Westphalian parameters for success. But Somalia is a place where the state has not worked. It does not make sense in policy terms to evaluate Somalia, a society of nomadic clans and sub-state structures, in terms of internal displacement and government legitimacy.

Any experiment based on partition is a tough pill to swallow. But in Somalia, partitioned areas have proven reasonably stable. Somaliland and Puntland, mostly drawn on clan lines, have each seen declining violence since the end of the Somali Civil War in 1993, proving that the federalist approach can be successful, despite abject fears of government throughout
society. In attempting to administer the entire country, the federalist approach must be extrapolated to the south.

Federalism is not an attractive solution. It is necessarily piecemeal and patchwork, and invites uneven development and security conditions. But the margin for error in a centrally governed system is much greater, contested at higher stakes, and faces serious peril. Election violence emanating from experiments with democracy in Iraq and Afghanistan served to undermine the legitimacy of the entire system. The same mistakes could set Somalia back even further.

Utilizing Diplomatic Tools of State Building

Any project of nation building is delicate, requiring trained human capital that is learned in the culture, history, and politics of the study population, and that has the flexibility to operate throughout the country. The tools that have been utilized by the international community in state building operations in Somalia are insufficient to the task. The United States has recently been committed to a ‘light-footprint’ approach, utilizing Predator drones, flying from nearby Camp Lemmonier in Djibouti, to fire upon Somali jihadists, and pairing with AMISOM peacekeeping operations.

Drones and peacekeeping troops are well suited to counterterrorism operations, but they are inadequate resources to commit to the task of state building in Somalia. The reluctance of the international community to utilize highly trained and expensive human capital in places like Somalia is understandable; the security risks are particularly damning. But Somalia, and other state building projects like it, requires seasoned professionals who understand the terrain, the people, and the politics.

Rethinking Rules of Communication with Sub-State Actors

For state building to be successful in Somalia, the United States and the international community must retool their diplomatic rules to enable greater communication with sub-state actors within the law. Fundamentally, the international community must change the way in which states are recognized to reflect the reality of Somalia.

Although this would represent a drastic doctrinal change, the US has attempted to deal with sub-state actors within the parameters of the law before. The Al-Anbar Awakening in Iraq and the Transnational Council in
Libya have proven that lines of communication between American diplomats and their sub-state counterparts can be reasonably fluid. Talks between the State Department and the Syrian National Coalition to negotiate the delivery of non-lethal aid into Syria, are currently ongoing. After the expiration of the TFG’s mandate, this type of assistance and communication needs to occur on a regularized schedule.

Why does it matter that Somalia has been mistaken as patient zero for state failure and why should the international community continue to invest in it? Letting Somalia fail would betray both the proponents and the opponents of the state failure model. State failure is not only a failure to explain places where the state does not work. It is an insufficient answer to the toughest challenge of our age: integrating the periphery into the core of globalization.

Somalia sits at the physical heart of a burgeoning East African region. Stabilizing it will be critical to ensuring long-term economic growth, limiting security competition, and integrating the entire region into the rest of the global core. This is not only a security imperative, but also an economic imperative, reinforcing the need for the realization of a state building project.
Transnational Organized Crime and the Threat to State Capacity: A Case Study of Mexico's Drug Cartels

Carly Nuttall

Transnational organized crime represents one of the most severe threats to state legitimacy. A prime example of this ongoing, destabilizing development in power structures is the rise of the drug cartels in Mexico, which this project uses as a case study to investigate the extent of this threat. It is important to examine this issue of transnational organized crime's impact on state legitimacy now, as it will have long-term implications for both personal and state security. Scholarly literature on this interplay between transnational organized crime and the state as an institution has largely been lacking in recent years, especially in regard to the drug cartels and the Mexican government. This project draws from books, journal articles, interviews with experts, social media, and government sources. The drug cartels retain control over large swaths of territory in Mexico to the extent that many Mexican citizens view the cartels as a more legitimate ruling power than the formal, elected government. The findings of this project support the assertion that reforms within the Mexican justice system, within the education system, and the legalization of marijuana provide the most effective methods through which to combat the influence of the cartels.
I. Introduction

This research investigates how best to combat the effects of transnational organized crime on state capacity in Mexico. The Mexican government needs to define how it can and should proceed in official dealings with the cartels. It is important to examine this issue of transnational organized crime's impact on state capacity now, as it will have long-term implications for both civilian and state security. Transnational organized crime fuels corruption, permeates business and politics, and hampers development. It spreads violence, facilitates human trafficking and modern day slavery, corrupts the banking sector through money laundering, and instills terror among citizens. Scholarly literature on this interplay between transnational organized crime and the state has focused primarily on issues of global governance and terrorism, instead of groups like cartels.

The primary challenge to state capacity is the very fact that the cartels are able to exist in their present form, but three underlying factors together facilitate and promote the continuing existence and influence of the drug cartels: unfulfilled economic expectations, significant growth among the youth demographic, and pervasive corruption among Mexican government and law enforcement officials. Three significant policy changes would combat these factors: education reforms, an overhaul of the criminal justice system, and the legalization of marijuana in the United States.

II. Defining Terms

In analyzing this question of how best to combat the effects of the cartels on Mexico's state capacity, it is first important to clearly define the basic terms of analysis. For the purposes of this work, the definition of 'state capacity' will be determined by the following criteria: the Mexican government's monopoly of legal coercion, administration of justice, administrative capacity, provision of minimum public goods, and conflict management. Applying these five criteria shows that the Mexican government has a high degree of control over the provision of minimum public goods and administrative capacity, very little control in terms of its monopoly of legal coercion and its administration of justice, and is very much at a tipping point in terms of its influence over conflict management.
Monopoly of Legal Coercion

A monopoly of legal coercion refers to the ability of state authorities to exercise ultimate physical control over a territory. Since the 1990s, the government has struggled to maintain decisive territorial control over its 31 states and the federal district of Mexico City. Although the exact territorial distinctions of cartel control within the country are difficult to track, conservative estimates suggest that, "...the Juarez Cartel maintains a presence in 21 Mexican states; the Gulf Cartel is found in 13 states; the Sinaloa Cartel has located itself in 17 states; and remnants of the reportedly disintegrating Tijuana Cartel are present in 15 states."¹ According to Mexico's Attorney General, violent drug trafficking organizations (VDTOs) controlled at least 80 municipalities in 2009.² This expansive territorial control has led to a significant number of deaths related to drug war violence. Increased proliferation of arms, especially between the United States and Mexico, has allowed the VDTOs to mount increasingly effective offenses against law enforcement and members of the Mexican military. As of November 2012, 26,121 people had been reported missing since President Felipe Calderón assumed the presidency in 2006 and launched the drug war.³ Under new President Enrique Peña Nieto, the Mexican government will no longer provide statistics related to the drug war.⁴

Administration of Justice

As a metric of state capacity, administration of justice calls for law enforcement to be meted out by public over private officials and tribunals, and for state authorities themselves to operate according to an established set of rules. The more cartel members that are able to penetrate and corrupt the judicial process, the more of a threat they become to Mexico's state capacity.

⁴ CBS News, “Mexico.”
Criminals in Mexico enjoy an alarming level of impunity in terms of overall crimes committed. According to the Comisión Nacional de los Derechos Humanos (National Human Rights Commission), only one out of every ten crimes committed in Mexico is reported to the authorities, and only one out of every 100 reported crimes eventually proceeds to sentencing. This translates into only approximately one out of every 1,000, or 0.1% of crimes committed in Mexico resulting in punishment.\(^5\)

Mexican police officers are chronically undertrained and underpaid. The average monthly wage of a police officer in Mexico is approximately US$350.\(^6\) In contrast, a low-ranking drug dealer pushing drugs on a street corner earns an average of US$608 per month.\(^7\) As a result, many police officers supplement their salary with bribes from the cartels. In Tamaulipas, a Mexican state on the northern border with a particularly high rate of violence related to the cartels,\(^8\) the average state police officer makes just over US$250 per month.\(^9\) Per every 100,000 citizens, there are approximately 366 police officers in Mexico.\(^10\) This number is actually above the world median of 300 police officers per 100,000 inhabitants.\(^11\) In light of the extremely low rates of crime successfully proceeding to sentencing, this higher ratio of police officers indicates a significant degree of policing ineffectiveness.

Authorities have made strides in combating corruption, as evidenced by the firing of approximately 3,200 federal officers in 2010, about 10% of the entire federal Mexican police force, for cooperating with

the cartels. However, although members of the Mexican military are perceived as less susceptible to bribes or threats from the cartels, there is a continuing worry that the corruption will permeate throughout the military as well, as members of the cartels increasingly penetrate their ranks. Additionally, corruption among Mexican law enforcement is so pervasive that former President Felipe Calderón mandated in 2006 that the military would spearhead the majority of direct interventions against the VDTOs.

**Administrative Capacity**

Administrative capacity refers to the government's ability to implement laws and regulations that correlate to the expressed intentions of policymakers. In essence, it begs the question of whether pervasive administrative incompetence, a lack of resources, and corruption inhibit the government's ability to implement its stated policy intentions. In previous decades, the extensive corruption of the *Partido Revolucionario Institucional* (PRI) prohibited any effective implementation of anti-drug policy, as many party officials followed a practice of appeasement, allowing the cartels to continue their illicit operations in exchange for a cut of profits and relative peace. However, the inefficiency of Mexican administrative capacity is demonstrated through the inefficacy of former President Calderón's military surge. In an effort to crack down on violence perpetrated by the cartels, Calderón (a member of the *Partido Acción Nacional*, or PAN) deployed members of the Mexican Army throughout the country in 2006. In spite of this surge (or as some argue, in response to it), after a brief initial decline in overall homicides, the murder rate within Mexico has increased significantly. It remains to be seen how the newly inaugurated President Enrique Peña Nieto will attempt to combat the control the cartels exert over the country. As a member of the PRI, many fear that Peña Nieto will return to the prior appeasement strategy of his party,

allowing the cartels to operate with relative impunity in exchange for a cut of the profits.\textsuperscript{15}

\textit{Provision of Minimum Public Goods}

Mexico's level of state capacity can be further assessed by examining its ability to provide minimum public goods to its citizens. Public goods include, but are not limited to, adequate infrastructure like roads and schools, health care, potable water, public sanitation, and basic nutrition. In countries in which the government is not able to provide these minimum goods and services, criminal organizations have the ability to do so, thus securing a degree of legitimacy and public support, at least in local communities. Although the VDTOs have not yet gained sufficient traction to be able to provide these minimum public goods and services in a consistent manner, the lack of economic growth and administrative inefficiency of previous governments continues to provide potential openings for the cartels to exploit in their effort to gain power within the country.

\textit{Conflict Management}

The conflict management metric analyzes government ability to effectively combat and contain threats to the political process. Mexico has been quite adept at ensuring fair and legitimate elections. However, a legitimate political process does not guarantee that the victorious political party will be free from corruption. Additionally, many Mexican politicians who speak out against the cartels are often killed.\textsuperscript{16} Journalists are also not immune from the violence perpetrated by the cartels; in fact, they are popular targets.\textsuperscript{17} The Committee to Protect Journalists cites Mexico as the eighth deadliest country for reporters in the world.\textsuperscript{18} As a result, journalists in Mexico often censor themselves when it comes to writing about the


activities of the VDTOs within their country. As an anonymous journalist stated, "We know what organized crime does to reporters who don't follow orders in other states. They kill them." Another journalist cited a particular story he had chosen not to write involving the murder of a poor person in a rural community that had not paid extortion money to the ruling cartel. He states: “They'll kill you, and I have children. So, I guess even if you don't think about it every time you write a story, you never forget about it, either. It must be there all the time, somewhere, always. Because you automatically know the things you can write about and the things you can't say.”

If journalists write at the subconscious will of the cartels, then it is difficult to maintain legitimacy within Mexico's political processes. A press that, officially or otherwise, censors itself hinders the legitimacy of the political process.

III. The Mexican Reality: Extent of the Problem

Unfulfilled Economic Expectations

Mexico is facing a crisis of both unemployment and underemployment. Some estimates suggest that Mexican underemployment may be as high as 25%. Approximately 57 million Mexican citizens live in poverty, while 11.7 million live in extreme poverty, approximately 50% and 10% of the total population, respectively. Between 2000 and 2012, the Mexican economy only grew by 1.8% annually, exacerbating poverty within the country.

20 O'Connor, “The Zacatecas Rules.”
With few jobs available in the legal economy with which to support themselves, it is not surprising that working for, or joining, a VDTO appears to be one of the few economically viable alternatives for citizens, especially Mexican youths.

**Growth in Youth Demographic**

Mexico is currently in the midst of what has been termed a significant ‘youth bulge,’ meaning that a large proportion of the population is at or reaching an age when they should be joining the labor force.\(^{24}\) The median age in Mexico is between 25 and 30 years old, furthering the effects of the ‘bulge.’\(^{25}\)

As such, these youths often turn to the VDTOs for employment opportunities. According to the Mexican Attorney General, there were 482 young people detained for drug-related crimes in 2006, 810 in 2009, and 562 as of August 2010.\(^{26}\) Of course, these figures reflect only the number of

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youths who were successfully captured and detained, and do not represent the actual scale of youth involvement.27

The unemployment level among young people in Mexico is almost twice the national average. Over eight million citizens between 18 and 30 years old are out of work, over 20% of the entire age group.28 Since former President Calderón formally initiated war on the cartels in 2006, the cartels have recruited approximately 30,000 minors, and around 1,300 have been killed.29 This ‘lost generation’ is so prevalent that they have been called Los Nini, from ni trabajan, ni estudian (neither work nor study). Instead, these youths are caught in a type of economic limbo.

_Pervasive Corruption_

The fourth issue factoring into Mexico's heightened susceptibility to unrest is the deeply entrenched corruption endemic to the Mexican government and law enforcement officials. Citizens can never be entirely sure whether the police officers patrolling their streets are actually working to keep them safe or are working for the drug cartels. This pervasive fear has allowed the cartels to act with a great deal of impunity, especially within the areas they indisputably control which are in fact referred to as ‘Zones of Impunity.’30 Corruption within law enforcement does not always imply direct cooperation with the cartels; it is more often exhibited when efforts to counter VDTOs are not executed with a proper level of enthusiasm or when informants tip off VDTOs regarding upcoming law enforcement action.31 For example, between 2007 and 2012, nearly 2,600 police officers operating in Baja California were fired, the vast majority of who were let go because of their ties to the drug cartels.32 In August 2012, 38,699 Mexican

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31 Paul et al., _Drug-Trafficking Organizations_, xi.
municipal, state, and federal law enforcement officers failed evaluations as a result of links with organized crime, drug use, or lack of physical or psychological fitness. In one state alone, the cartels were shown to have paid US$4.5 million in bribes to buy protection and political favors.

IV. What Is the Solution?

Legalization of Marijuana in the United States

The United States has long provided significant demand for the marijuana trafficked by Mexican drug cartels. Though estimates vary as to the percentage of marijuana in the United States that originates in Mexico, a 2010 Rand Corporation report places the number anywhere from 40% to 67%. Annually, American drug consumers contribute between US$19 billion to US$29 billion to Mexican drug cartels, with an estimated total of US$1 trillion since 1980. Though the cartels do not traffic marijuana exclusively (a sizeable amount of their profits stem from the sale of methamphetamine, cocaine, and brown-powder and black-tar heroin), its legalization in the United States would make a significant impact on the cartels' profits.

According to the Instituto Mexicano para la Competitividad (Mexican Institute of Competitiveness), the cartels in Mexico are expected to suffer a significant drop in revenue as a result of the recent legalization of marijuana in Colorado, Oregon, and Washington, to the tune of US$1.425 billion in Colorado, US$1.327 billion in Washington, and in Oregon, US$1.839 billion. Depriving the cartels of these funds will make it that much more difficult for them to conduct their day-to-day operations and reduce their ability to commit such high rates of drug-related

homicides. By legalizing marijuana throughout the United States and shifting to in-country cultivation, American consumers will be taking substantial profits away from the cartels and instead placing them into the hands of the US government.

**Education Reform**

Another important method of reducing the threat posed by the cartels to Mexico's state capacity is an emphasis on education reform. Since former President Felipe Calderón formally initiated a war on the drug cartels in 2006, approximately 30,000 minors have been recruited by drug cartels and approximately 1,300 have been killed. Faced with a poor education system and limited prospects, many Mexican youths view the cartels as an easy way of making money. While economic policies within the country must be revamped, equally important will be reforming the education system and providing youths with activities to occupy their time. In Ciudad Juárez, one of the most violent cities in Mexico, one out of every three children does not attend middle school, and high school enrollment is approximately half the national average. Of the 41 countries that participate in the Organisation for Economic Co-operation and Development's (OECD) Program for International Student Assessment, Mexican students rank last.

President Enrique Peña Nieto has mandated that education reform will be a major priority of his administration. Currently, Mexico allocates 24.3% of its federal budget for education. He has already enacted legislation that places the responsibility for hiring and firing teachers in the hands of the federal government, as opposed to the National Union of Education Workers, whose leader, Elba Esther Gordillo, has been repeatedly accused of using union funds for personal expenses. While this latest reform indicates a step in the right direction, it is only the first step in what will need to amount to sweeping reforms and investments. The president

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39 PBS, “Mexico’s Youth.”
also needs to focus on extending the school day, increasing enrollment, and improving the allocation of adequate resources needed to provide effective teaching. Furthermore, the president must also work to align the goals and priorities of local, state, and federal education officials.\textsuperscript{44}

Many teaching positions in Mexico have long been assigned based on nepotism and ability to ‘buy’ the job.\textsuperscript{45} The new government needs to review all teachers and create a competitive employment environment. Teachers who are already performing well will have increased incentive to continue providing a quality education to their students, while ineffective teachers will slowly be weeded out. In order to facilitate these evaluations, an Implementation Working Committee of government, community, and education officials should be formed.

Probationary periods should also be introduced for new teachers before they are appointed to permanent teaching posts. This probationary period should provide these new teachers with intensive mentoring, professional development, and support from experienced and successful teachers. An evaluation, created by the same Implementation Working Committee, should be given to the new teachers at the end of this probationary period in order to ascertain whether or not they should be appointed to permanent positions.\textsuperscript{46}

Additionally, the Mexican government should provide a grant program for school systems, specifically targeted at funding innovative programs and curriculums. This would increase individual schools' autonomy and ability to tailor their curriculum and programs to their students, but also incentivize continuing progress and innovation.\textsuperscript{47} It is also important to have a reliable source of information in regard to student development and progress. President Peña Nieto should strongly consider using widely accepted standards of evaluation and improvement in schools, such as the OECD’s Programme for International Student Assessment (PISA).

\textsuperscript{44} OECD. \textit{Improving Schools: Strategies for Action in Mexico}. 2010. 4. http://bit.ly/15nKmSi
\textsuperscript{46} OECD, \textit{Improving Schools}. 
\textsuperscript{47} OECD, \textit{Improving Schools}. 
Justice System Reform

One of the more critical methods of combating the effects of the cartels on Mexico's democratic governability will be the institution of sweeping justice system reforms. Corruption within Mexican law enforcement is rampant, leading to a dearth of faith among Mexican citizens in the ability of their government to keep them safe. A 2012 Gallup poll indicated that Mexican citizens felt less safe walking alone at night in their city or area where they lived in 2011 than they did in 2007, and indicated sharp declines in their confidence in the police, military, and national government. 48 Furthermore, a study conducted by the Mexico City think tank Fundar found that of 744 Mexico City residents who had contact with the police, 385 (51.7%) reported varying forms of abuse or mistreatment.49

It is clear that a top priority of the Peña Nieto administration must be effective reforms of the justice system. First, law enforcement officials have suffered from a lack of training. A study documented more than 2,000 police departments across the country, but only 41 police academies, with many members of the force never having received formal training. Additionally, of the 41 academies, only 14 required at least an eighth grade education in order to enter. In fact, until recent reforms were implemented, the majority of preventive police in Mexico (55.6%) had only a primary school education, or none at all.50 Although there are higher minimum education requirements in many states, there is still a wide discrepancy from state to state in terms of education required and length of time devoted to training cadets.51 Thus, the government must reinvest some of its resources into improving the training offered to police officers, as well as retraining much of the existing police force. Police officers are also particularly susceptible to bribery from cartels, as their salaries are comparable to a laborer's. It will be important for the government to incentivize transparent police work by providing higher salaries.

Second, there should be a significant reduction in military involvement in combating the cartels. While there are a number of benefits to using the military for this purpose (superior numbers and firepower, a single entity as opposed to the over 2,200 separate Mexican police forces, and proven success in tacking drug kingpins), there are also drawbacks. For example, the dictated purpose of the Mexican military is not to be a fighting force, but rather to participate in rescue efforts if and when a natural disaster strikes the country. Additionally, the army's power has been kept constitutionally limited to ensure that it cannot aid in overthrowing the government.

There has also been a significant history of members of the Mexican military using their power to commit human rights abuses. Human Rights Watch has found evidence that soldiers or police were directly involved in over half of the forced disappearances of Mexican citizens since the beginning of the Calderón administration. In light of Mexico's inability to successfully prosecute the vast majority of crimes committed, it is not surprising to learn that members of the military who commit these human rights abuses are able to act with a similar degree of impunity.

As Jose Miguel Vivanco, director of the Americas program for Human Rights Watch, states: "The bottom line is that the Mexican military is not producing credible results, and you cannot do business with a military that refuses to be accountable." Complaints from victims of torture at the hands of the Mexican military testified that soldiers "...beat them; pulled out fingernails; applied electric shocks to their genitals; and poured water over their mouths and nostrils or submerged their heads in buckets of water. The alleged victims testified that the torture sessions took place on military bases." Although utilizing the military is currently a more effective means

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56 Booth and Fainaru, “Mexican data contradict.”
of combating the cartels than local law enforcement, the increasing number of human rights abuses coming to light will not garner a high degree of confidence among Mexican citizens. The degree of public support for the military is hardly overwhelming at present, and continued drops in support will make it increasingly difficult for the military to perform their jobs. It will not improve citizens' confidence in their government to foster a culture of impunity for members of the military who commit human rights abuses while attempting to combat the cartels. It is worth noting as well that although members of the Mexican military are paid better wages than members of Mexican law enforcement, therefore making them less susceptible to bribery from the cartels, it does not guarantee their immunity from the practice.

As such, it will be important for the new Peña Nieto administration to invest in rehabilitating its police force. For example, the government should begin by providing higher salaries to police officers to incentivize clean police work and prevent their susceptibility to bribes from the cartels. Additionally, it is important to reduce the role of the Mexican military in law enforcement. A significant number of soldiers have perpetrated human rights abuses against the citizens they are presently charged with protecting. Specifically in Juárez and Chihuahua City, there have been a number of reports of torture, forced disappearances, and sexual abuse.\(^57\)

V. Reality Check: Is it Doable?

Some of the policy recommendations suggested here are clearly more viable than others. While they are all imperative, some may be harder to implement, given the aforementioned challenges facing the state.

**Education Reform**

Over the course of his campaign, now-President Peña Nieto reiterated many times over that one of his administration's priorities would be education reform. In recent months, he has taken initial steps to see that promise through by disbanding the Teacher's Union. Instead of coveted teaching positions being assigned based on hereditary connections or ability

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to buy the position, teachers will now be vetted according to merit. While this has been a significant political victory for Peña Nieto, there has been considerable practical fallout as a result of this legislation.

Since its passage, many teachers have taken to the streets in violent protest. Although many of the reforms issued in the legislation are relatively modest in scope, Mexican teachers have, by far, the largest union in Latin America. In order to voice their protest against the reforms in recent months, teachers have been breaking into, spray-painting, and setting fire to a number of PRI government offices. The protests are being held in an effort to force legislators to amend parts of the legislation, especially the aspect that calls for teachers to lose their jobs in the event that they fail a performance evaluation. However, there is an obvious security threat to the individual states in Mexico in which the protests have broken out. As Chilpancingo Mayor Mario Moreno says, "We as a municipality do not have the ability to face a mob of 4,000 or 5,000 people." Given that President Peña Nieto has only recently assumed power, these protests will serve as a clear test of his resolve. It will be important for the president to maintain his position on education reform.

Legalization of Marijuana

The legalization of marijuana poses perhaps the least viable option. Although approximately 50% of Americans nationwide favor the legalization of marijuana, and many states (18, in addition to the District of Columbia) have allowed for the legalization, decriminalization, or use of medical marijuana, the likelihood of national legalization in the coming years is remote. Part of the problem is that according to the Controlled Substances Act, marijuana is classified as a ‘Schedule I Drug,’ meaning that it 1) has a high potential for abuse, 2) has no currently accepted medical use

60 Al Jazeera, “Mexico teachers.”
61 Al Jazeera, “Mexico teachers.”
in treatment in the United States, and 3) that there is a lack of accepted safety for use of the drug or other substance under medical supervision.  \(^{63}\)

What is more feasible, therefore, is the reclassification of marijuana as a ‘Schedule III Drug,’ which would greatly reduce the penalties associated with its cultivation and use.  \(^{64}\)

Any increase in domestic cultivation of marijuana will cut into the cartels' profits, but legalization is still the ideal to which the US government must strive.

*Justice System Reform*

The most feasible and immediate reform is that concerning the criminal justice system, since it is primarily an issue of raising the wages of police officers. Reshuffling the federal budget to accommodate these salary increases will be a burden, but it is a worthwhile investment. The Mérida Initiative, passed by the United States Congress in 2007, authorized US$1.6 billion in funding to be given to Mexico, US$400 million of which was earmarked for judicial reform, institution-building, human rights, and rule-of-law issues.  \(^{65}\)

As of November 2009, the United States had only delivered approximately US$214 million of the pledged US$1.6 billion.  \(^{66}\)

Assuming that the United States honors its commitment to provide this funding for Mexico, a significant portion of the allocation earmarked for judicial reform can and should be used for raising wages and conducting more thorough background checks of officers.

Additionally, moving the Mexican Army out of the realm of law enforcement and back into its original role of traditional military is a very feasible option. However, this movement must occur in conjunction with the rehabilitation of law enforcement officials. Reassigning the military will not prove effective if it results in a power vacuum at the local and state law enforcement levels that will then be filled by corrupt officials. This proposed solution will require long-term planning and financial

\(^{63}\) United States Drug Enforcement Administration. "Drug Scheduling." United States Department of Justice. [http://1.usa.gov/Vi75v5](http://1.usa.gov/Vi75v5)

\(^{64}\) United States Drug Enforcement Administration. “Drug Scheduling.”


commitments, but would ultimately result in a safer and more governable state.

VI. Conclusion

Although the solutions proposed in this paper will go a long way toward mitigating the effects and influence of the VDTOs in Mexico, they do not provide a comprehensive solution. In the coming decades, the Mexican government will need to enact sweeping reforms in order to slowly chip away at the significant hold the VDTOs have gained within the country. These reforms will not be met with universal support, as recently demonstrated by the violent protests initiated by Mexican teachers in response to the new education reform, and will need to be supported by a steadfast government. The Mexican government only received passing grades in two of the five metrics used here to measure state capacity. It will be important for the government to ensure that it does not surrender control of its provision of minimum public goods or administrative capacity and to increase its control over its monopoly of legal coercion, administration of justice, and conflict management. If the VDTOs are allowed to gain more control over these aspects of state capacity, there will be a strong possibility that Mexico could become the world's next failed state.
Returning to Normal: Reintegrating Tatmadaw Child Soldiers

Vriddhi Sujan

The issue of child soldier recruitment has been a growing phenomenon in a number of developing countries including Myanmar, where approximately 5,000 child soldiers currently serve in the Myanmar Armed Forces, the Tatmadaw Kyi. On June 28, 2012, the Government of Myanmar signed the Joint Action Plan with the United Nations (UN), pledging to identify and release all children serving in the Tatmadaw, and to prevent any further recruitment of people under the age of 18. The Joint Action Plan, while providing a legal basis for the release of child soldiers, does not address how the government intends to reintegrate them. This paper draws on existing literature on Disarmament, Demobilization and Reintegration (DDR) to evaluate the effects of being a child soldier to identify some of the specific needs of Tatmadaw child soldiers as they demobilize and reenter civilian life. Through interviews with NGO workers, former Tatmadaw child soldiers, and a comparison with the existing best practices in reintegration, this work argues that while governments should apply components of a community integration framework when addressing the question of reintegration, they should not ignore the cultural and societal nuances that exist between countries. The ability to assess and work with these differences will be crucial for the implementation of a successful reintegration program for child soldiers.

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I. Definitions

The Cape Town principles defines a child soldier as:

…any person under eighteen years of age who is part of any, regular or irregular, armed force or group. This includes all child or adolescent participants regardless of function. Cooks, porters, messengers, girls recruited for sexual purposes, and other support functions are included as well as those considered combatants. This includes those forcibly recruited as well as those who join voluntarily.¹

In this paper, the term ‘child soldiers’ refers to any person under the age of 18 in the Tatmadaw (Myanmar army) associated with the fighting in any capacity.

Disarmament, Demobilization and Reintegration (DDR):

Disarmament is defined as the collection, control, and disposal of small arms, ammunition, explosives, and light and heavy weapons from combatants.

Demobilization is defined as the formal disbanding of military formations and the process of releasing combatants from a mobilized state. The purpose of demobilization is to register, count, and monitor the combatants, and to prepare them for their discharge with identification documents, while at the same time gathering information necessary for their integration into the community.

Reintegration is a social and economic process with an open time frame, by which ex-combatants acquire civilian status.² This paper focuses primarily on the Reintegration component of DDR.

II. Introduction

The use of child soldiers has been a growing phenomenon in a number of developing countries. According to the International Labor Organization (ILO), there are approximately 5,000 child soldiers serving in Myanmar’s national army, the Tatmadaw Kyi, out of between 350,000 and

400,000 soldiers in total. Since the end of British colonial rule in 1948, the persistent conflict between the Tatmadaw and various ethnic armed groups has made Myanmar home to one of the longest and most complex civil wars in history. The extensive combat with the ethnic groups has increased the military’s overall demand for soldiers and the army began recruiting child soldiers as one of the ways to meet this demand.

Until the recent 2010 elections in Myanmar, the United States and the European Union imposed sanctions on Myanmar to condemn its human rights abuses, including the use of child soldiers in the national army. Over the past couple of years, however, Myanmar has made significant strides towards addressing these concerns and improving its relations with the West. On June 28, 2012, the Government of Myanmar signed the Joint Action Plan with the United Nations, pledging to identify and release all children serving in the Tatmadaw and to prevent any further recruitment of people under the age of 18.

In August 2012, following the signing of the agreement, the army released 42 of its child soldiers, and in January 2013 it released an additional 26. While this marks a significant achievement for the country, Myanmar’s army and government have made little progress in fully prioritizing and executing the plan. In fact, there is evidence that the Tatmadaw has continued its recruitment of children, though on a reduced scale. In addition to such limited progress, the most striking drawback to the Joint Action Plan is that while it provides a legal basis for the release of child soldiers, it does not address how the government intends to reintegrate them into society.

Through a discussion of the effects of child soldiering, this paper demonstrates that reintegration is the most crucial component in the Disarmament, Demobilization and Reintegration (DDR) process and how a successful reintegration program can determine the well-being of child soldiers when they leave the army. This paper is based on field research in

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3 These figures are estimates as the Government has thus far declined to release the exact figures of military personnel to the public.
the Thai-Myanmar border, which consisted of a variety of interviews focused on the specific challenges that Tatmadaw child soldiers experience when they demobilize and reenter a civilian setting. Findings from these interviews suggest that reintegration programs for child soldiers from the Tatmadaw should implement a community-based reintegration model that emphasizes the role of the former soldiers’ families and communities in the reintegration process.

In order to construct a successful reintegration program for anyone, it is important to take into account a number of different factors that will affect the process. Reintegration is not an isolated process that occurs in an ex-combatant’s life independent or unrelated to his experiences of recruitment and active combat. In fact, these events are very much related and should be considered and linked into reintegration.6

There are a number of reintegration models for child soldiers from other armies that can be used as a basis to structure a program for Tatmadaw child soldiers. First, this project discusses the overarching issues that all of these reintegration models seek to address, however, as demonstrated, the Myanmar government should adapt a program that meets the specific needs of Tatmadaw child soldiers, taking into careful consideration their circumstances. It should be noted that the method for successful reintegration is difficult to prescribe in a generalized manner and does not encompass the full spectrum of experiences. Given such limitations, this paper draws on the field research to construct an approach to reintegration that would be effective for child soldiers demobilizing from the Tatmadaw. As child soldiers from the ethnic armed groups of Myanmar are likely to have a different set of experiences than those from the Tatmadaw because of a variety of cultural and institutional divergences, this paper does not address the reintegration of child soldiers from those armies.

III. Methodology

The policy recommendations put forth in this paper draw on both primary and secondary sources. Prior to the interviews, theoretical research was conducted on the effects of child soldiering and various models of

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reintegration. Then, the author conducted primary research to apply the concepts to the case of Tatmadaw child soldiers. The primary research consists of interviews conducted in Mae Sot, Thailand in January 2013 with three former child soldiers from the Tatmadaw who escaped from the army and were then living in Mae Sot. The author also interviewed nine program staff members from human rights advocacy groups based in Chiang Mai and Mae Sot, and a journalist in Mae Sot who has written extensively about the phenomenon of child soldiering in the Tatmadaw.

The interviews conducted for this paper provide a large portion of the information regarding the reintegration needs of Tatmadaw child soldiers. The current literature is limited on this topic, as the process of demobilizing and reintegrating them is still in its early stages. The small sample size limits the extent to which one can generalize the findings of this research for all Tatmadaw child soldiers, but it establishes a basis for further research on their reintegration.

IV. The Tatmadaw

The Tatmadaw’s popularity has significantly declined among Myanmar’s civilian population over the past couple of decades as the ruling military junta became increasingly more oppressive. In particular, the army’s brutal suppression of the 1988 uprising lowered the Tatmadaw’s reputation and the number of volunteers in the army. This, coupled with the need to expand its personnel, pushed the army to force adults and children to enlist.

Life for all soldiers in the Tatmadaw is difficult, due to its high levels of corruption and poor everyday living and working conditions. Hierarchy is an important feature in the Tatmadaw and low-ranking soldiers are generally underpaid and exploited, making the general morale of the army quite low. Once in the army, soldiers live under harsh conditions and are often forced to act against their will. Furthermore, the army withholds salaries from soldiers and limits the amount of leave they can take. While life as a soldier in the Tatmadaw used to be an attractive position for men in

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7 Deserter in order of date interviewed: Win Oo, age 35; Zaw Min, age 21; Naing Thet, age 26. Note: these are pseudonyms.
8 Human Rights Watch. My Gun was as Tall as me: Child Soldiers in Burma. New York: HRW, 2002. 18.
Myanmar, the current conditions greatly deter men from volunteering today.  

The number of Tatmadaw child soldiers figures among the highest in the world, but as the government has only recently admitted their existence, the exact number of child soldiers in it remains unknown. According to the ILO there are approximately 5,000 child soldiers in the Tatmadaw, with more in ethnic armed groups. The 2012 UN Secretary-General report announced 243 complaints of underage recruitment for 2011, however, according to a report by Child Soldiers International, this number does not reflect the full extent of the problem.

**Child soldier experiences in the Tatmadaw**

This section outlines experiences of Tatmadaw child soldiers, from stages of recruitment to their time serving in the army, forming a foundation for the poor circumstances during their post-combat life and their subsequent difficulties during the reintegration process.

The most common locations to recruit new soldiers are public places, such as markets or bus and train stations. Methods of coercion and intimidation are usually used against vulnerable men and boys. Recruiters often ask unaccompanied adolescents to show their national registration card (NRC), as they know that most children do not carry their NRC on their daily commutes. If the adolescent is only carrying a student identity card or nothing at all, the recruiter gives the adolescent the option of joining the army or going to prison. While this is one of the most frequently used tactics, army members also use other forms of coercion, trickery, and often violence, to forcibly recruit new soldiers. Once at the army base, anyone under the age of 18 is given a fake identification card and told to henceforth lie about his age. Below is Zaw Min’s account of his recruitment experience at the age of 15:

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11 CSI, *Chance for Change*, 16.
12 The Tatmadaw is dominantly a male army.
One night I was watching a football match with two of my friends. After we finished the match, I was on my way home when a police officer and two soldiers stopped me and asked me where I was going. I told them I was going back home, but they said it was late and due to the curfew I needed to follow them or I would go to jail. I wanted to go home to ask my mother what I should do but they did not let me. They told me if I followed them, I would be able to play football, so believing them, that is what I did. They took me to the recruitment center where they told me to tell the person in charge that I was 18 years old, that I wanted to join the army myself, and that I was healthy. I was confused about why they wanted me to say all these things, as they had not yet told me I would be joining the army – I was still under the impression I would be playing football. When I asked them, they just beat me. They then made me do push-ups and started doing a medical examination on me. I was not sure why they were asking me all these questions about what I could do with my hands when all I thought I would be doing was playing football. After my physical examination, we went to the camp and had a meeting where one of the leaders told us we could not leave and would have to eat and sleep there. He pointed to someone with shackles on his legs who had visibly been beat up and said if we were to run away, this would be what would happen to us. He then asked if any of us wanted to leave but nobody said anything. My face gave away my real age and so they also made me smoke to look older.14

The stages of recruitment do not follow a rigid pattern, but recruited children are usually held as prisoners until they are sent for an 18-week basic military training course.15 After this, they are deployed to battalions and, depending on the location and role of the battalion, they can either be forced to participate in active combat or made to assist in other ways, such as gathering wood for fire for the army’s camp.16 All soldiers are punished severely by higher-ranking officers if they cannot complete an order. Naing Thet, a former Tatmadaw child soldier, stated that he is still haunted by the fear and discipline that the army officers inflicted upon him.17

According to a worker in a human rights group based in Mae Sot, due to the traumatic conditions to which soldiers in the Tatmadaw are subjected, all soldiers coming out are bound to have psychological issues. He shared an experience of a Tatmadaw child soldier, Ba Kaung, who had deserted from the army to Thailand and suffered from severe psychological

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15 HRW, Sold to be Soldiers, 8.  
16 CSI, Chance for Change, 13.  
trauma due to his experiences in the army. The worker explained that Ba Kaung had been involved in an incident, in which his friend in the army was shot for not complying with an order on the battlefield. Three years after leaving the army, Ba Kaung suffered from insomnia due to nightmares about the incident. The worker emphasized that anyone who has witnessed such a high level of trauma would need serious psychological help, saying that, “We usually see that child soldiers, especially deserters have similar issues.” Thus, soldiers are often forced to act against their will and exposed to brutal violence that can have negative effects on the reintegration process into civilian life.

V. The Effects of Child Soldiering and Reintegration Structures

**Personality Development**

When evaluating reintegration programs, it is important to address the impact that the experiences of being a child soldier have on the development of a young person’s personality. According to Erikson and McAdams, adolescence is a crucial phase in the development of a person’s identity, during which a person consolidates his/her beliefs and values into a personal ideology and accordingly formulates an identity. The cultural relativist school of thought argues that childhood is a social construction and cultural, legal, and moral dimensions of a person’s childhood are a product of the situation and culture in which he/she grew up. Children that participated in war are influenced by their individual experiences from active combat because they did not grow up in a ‘normal’ setting.

Building on the claims above, Denov states that it is logical that child soldiery would disrupt the conventional development process, “as a result of indoctrination into a world of violence and terror.” Similarly to Denov, Betancourt believes that “for children, war represents a fundamental alteration of the social ecology and infrastructure which supports child

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20 Özerdem and Podder, *Child Soldiers*, 143.
21 Özerdem and Podder, *Child Soldiers*, 143.
development in addition to risk of personal physical endangerment.” Both of these claims seemingly assume that child soldiers are deprived of an alternate world to which ‘normal’ children have exposure and in which they are able to go through the conventional development process.

The importance of such an alternate world can be explained with Bronfenbrenner’s Classical Ecological Model, which emphasizes the interactions between a child’s microsystems, mesosystems, exosystems, and macrosystems. This model states that the interactions between a child’s immediate, informal environment such as his/her family, friends, and school, with formal structures in society, such as government structures and major economic and cultural societal institutions, will play a prominent role in his/her development.

The insecure and violent environment of child soldiers, as Denov and Betancourt state, can in fact be destructive to the development of a child’s personality. Child soldiers are deprived of ‘normalcy’ for an extended period of their adolescence while also exposed to war and violence. For this reason, some aspects of their personalities can be underdeveloped or unrefined when they leave the army.

Difficulties in Adjusting to a Civilian Setting

One psychosocial consequence that is particular to cases of child soldiers when returning to civilian life is confusion about their identities. This is especially common when the soldier was recruited at a young age, because in such cases he/she was deprived of a portion of his/her childhood that was crucial to the development of his/her personality. As soldiers are in an isolated environment, where they interact solely with other members of the army, child soldiers start to rely on the army as a protector and provider. This can create difficulties for them when they are reacquainted with civilian life. According to Katy, who runs an informal reintegration program for

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child soldiers who escape from the Tatmadaw to Mae Sot, confusion about how to act when reentering society is very common among child soldiers:

They can’t think. They have no responsibility for their own actions. They don’t know what responsibility for your actions is. I always say to them, now you’re free but freedom does not mean you are completely free. With freedom comes responsibility, you have to live under the law of the country you are in and you have to take responsibility for your own actions. What you do is going to have consequences at every stage which is something they are not used to.25

It is also common for Tatmadaw soldiers to exhibit arrogant attitudes after leaving the army. Katy touched upon arrogance in child soldiers and noted that the child soldiers she has encountered “are often quite arrogant because they believe they have been through a crazy experience that nobody else has and they think themselves to be superior because of it.”26 This stems from the institutional importance of the Tatmadaw in Myanmar’s society that has resulted in a superiority complex in many of its officers. As children who served as a part of the Tatmadaw and interacted with such attitudes on a daily basis, Tatmadaw child soldiers are likely to have also developed similar ideas about themselves. The complication for the reintegration component lies in the common misconception of child soldiers as part of the vulnerable population that can easily be helped. Katy explains, “People tend to think cute and cuddly when they think of child soldiers. They often forget however, that when child soldiers return, they are no longer children…the things they do are not cute and cuddly.”27 When it becomes evident to the general population that child soldiers from the Tatmadaw think they are superior and continue to act as if they were still part of an armed group, people may not be as willing to reintegrate them into society.28

Reconstructing a Civilian Identity

One of the difficulties in reintegrating child soldiers is determining how to approach the acts of violence that they committed while in combat. Brett and McCallin believe that in order to overcome some of these

26 Katy, interview.
27 Katy, interview.
28 Katy, interview.
difficulties, programs should not overly emphasize the atrocities that child soldiers commit during combat, but rather should focus on identifying what types of deficiencies they have developed in their personalities. Successful reintegration of child soldiers should give them the ability to function normally within society. In order to do this, it is vital that the program addresses the psychosocial impacts of child soldiering on ex-combatants.

An example of gradually reintroducing everyday activities to former child soldiers was successfully implemented in a reintegration program in Sierra Leone. In this program, reintegration experts from United Nations Children’s Fund (UNICEF) were challenged with arrogance issues similar to those Katy discussed among Tatmadaw child soldiers. In Sierra Leone, former soldiers found it humiliating to be commanded by civilians. The experts overcame this by engaging the former soldiers in activities that promoted their civilian rights and responsibilities. They found that the skills of leadership that the child soldiers had learned in the army could be re-deployed and geared towards activities such as radio broadcasts for peace education and children’s rights. These were particularly effective because they dealt with issues that resonated deeply with them, but in a civilian setting.

While it could be an inherent human instinct to grant child soldiers some level of leniency because they have experienced such trauma, Katy strongly believes that it is important to impose some level of discipline on the child soldiers in a reintegration program. Failing to do so could be destructive to the individual. She further argues that Tatmadaw child soldiers need to be shown how to act appropriately in a civilian context. Giving them ‘free passes’ because they had a horrible experience of being forced to serve in the army gives them the wrong message and in the long run does not help them in reestablishing civilian identities.

The role of support structures in ex-combatants’ lives is important in the reintegration process. Cohn and Goodwin-Gill recommend that child soldier reintegration programs should reinforce existing support structures

29 Katy, interview.
31 UNICEF. The Disarmament, Demobilisation, and Reintegration of Children associated with the Fighting Forces. 2005. 22.
32 Katy, interview.
for the child, such as mothers or other significant caregivers. While doing this cannot reproduce soldiers’ adolescences, it can serve as a preventative measure that can keep children from turning to attractive, but self-destructive, alternatives such as substance abuse or criminal activity. Ex-combatants should live in a secure environment when they return as this will help to keep them on a positive track throughout the reintegration process.

Issues with Morality

One specific challenge that child soldiers encounter regards their sense of morality. The research on the specific effects of child soldiering on the moral development of children is limited as it fails to examine how children reconcile with their own actions and view themselves as moral people when they are reacquainted with civilian life. In recent years, though there has been an increase in this literature, more importance is usually given to the psychosocial impact of war on children, such as the level of trauma they experience.

Cecilia Wainryb reviews the literature on the effects of war and violence on children’s moral capacities by examining two conceptual models of their effects on the future development of perpetrators. The first model, based on moral disengagement, is generally used to explain how people can commit crimes of violence. The model explains that individuals rely on strategies such as rationalization and diffusion of responsibility to justify immoral behavior. To rationalize behavior, individuals cognitively restructure the meaning of harmful behavior or the nature of its target, so that the perpetrator no longer perceives their behavior as ‘bad.’ This is one of the most impactful sets of mechanisms that individuals can use to disengage moral controls, as it overrides self-deterrents and brings about self-approval for immoral behavior. The other strategy that individuals use in this model is minimizing their involvement in immoral behavior and attributing it to an adherence to authority. Accordingly, they can pardon their behavior if they can think they were obligated to act in a certain way.

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34 Cohn and Goodwin-Gill, Child Soldiers, 132.
35 Cohn and Goodwin-Gill, Child Soldiers, 132.
Interviews indicated that soldiers in the Tatmadaw use the construct of moral disengagement to justify their actions. Naing Thet demonstrated this when he revealed that when he ran away for the second time from the Tatmadaw, he did not have any form of transportation, so he beat up a man to steal his motorcycle and money. This is an example of moral disengagement, as it was clear that Naing Thet did not perceive his actions to be punishable or immoral, but rather necessary for his survival. When this is the case, or as long as one perceives this to be the case, it is easy to justify an action as moral.

In the second model, that of moral disengagement, agents sustain themselves as moral beings because they can justify to themselves why they are acting in a certain way. Moral disengagement strategies are hence assumed to “interrupt moral development, thereby leading to further disengagement and, in a sort of moral slippery slope, to moral deterioration.”36 This process is easy to identify in child soldiers as they are repeatedly forced to perpetrate crimes, and after a while they likely find it easier to numb their senses of moral agency.

Wainryb, however, concludes that the model of moral disengagement is flawed because it does not address the “…ways in which individuals might grapple, perhaps at some later time, with the aftermath of their wrongdoing. Instead, we are left with an expectation of individuals who become inexorably more and more able to harm others without feeling guilt or distress.”37 Wainryb recognizes that moral disengagement allows individuals to justify their actions for a definite period of time, but discards it for its inability to completely eradicate moral awareness in an individual and to provide explanation for how some people can be ‘less disengaged’ than others.38

Another model, Post Traumatic Stress Disorder (PTSD), only focuses on individuals’ lingering distress and therefore is not comprehensive enough to capture the moral implications that such violence has for perpetrators. Furthermore, perpetrators of violence are automatically

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assumed to exhibit symptoms of trauma and distress. While this is a logical outcome for perpetrators, this model merely explains how child soldiers who have committed crimes of violence are more likely to have PTSD over those who have not. It “emphasizes symptoms and outcomes, but gives relatively short shrift to people’s agency and to the centrality of meaning making.” It does not explain the impact of these crimes on the perpetrators’ moral development, and moreover does not emphasize enough the process through which ex-combatants grapple with their immoral acts.

Wainryb conducted a study with former Columbian child soldiers and concluded that child soldiers do not avoid dealing with how their actions affect their senses of moral agency, as the moral disengagement paradigm suggests. Instead, they construct and reconstruct their senses of moral agency in problematic ways. She argues that after committing any sort of wrongdoing, harmless or harmful, a child is subsequently prompted to grapple with his actions through a constructive process of accounting for his wrongdoing. Through this process, children recognize that their one-time harmful act towards another is not indicative that they will always be immoral. They then “draw lessons about reparative actions and future behaviors, thereby transforming what might have been solely a negative experience into a source of growth.” This provides a more optimistic outlook on the moral implications for child soldiers, as it gives us a framework to understand the impact perpetration has on their moral development.

It is important to note that while adult combatants are also at risk for developing problematic ways to deal with their acts of perpetration, children and adolescents are more vulnerable to it because children have not yet fully developed their cognitive and social-cognitive capabilities to accurately construct themselves as moral agents. Child combatants will therefore have different needs than adult combatants when demobilizing and reentering civilian life. Reintegration programs should take this into account.

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and not assume that a program for adults will prove to be equally successful for children, or vice versa.

Efforts to Address Concerns in Moral Development

Similarly to Wainryb’s argument, Katy stresses that she has difficulty restructuring child soldiers’ senses of morality in her reintegration program for Tatmadaw child soldiers. She believes that this is a common reintegration issue program workers face:

Part of the problem with them going home immediately is that they are just not normal. A lot of them steal and their behavior is really disgusting especially towards women… when they come out, they behave like the Burma Army behaves: raping and looting, because that’s all they know… One time I found two of them having sex with a lady boy in a bush – one other guy tried to rape a girl who lives close by.44

Eventually, child soldiers start to think and reconnect with what their moral basis was before becoming a child soldier. According to Katy, re-instilling moral values in child soldiers is easier if they were brought up in an environment that taught them good moral values and if they return to one that also reinforces these values.45

Given Wainryb’s research on the construction of moral agency in child soldiers, reintegration programs should give former child soldiers the opportunity to discuss their experiences in the army. This procedure enables child soldiers to properly process their wrongdoings, as they would have likely suppressed them up until this point. Along with this, it is important to reinforce moral values that they were taught prior to joining the army. According to Katy, this will help former soldiers reconnect with their ‘true’ sense of morality.46 Finally, when former soldiers recount events in which they acted immorally, they should attempt to convince themselves that regardless of the circumstances, the act itself was immoral. This will not only help them come to terms with what they were forced to do in the army, but also prevent them from committing similar acts of violence in the future.

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44 Katy, interview.
45 Katy, interview.
46 Katy, interview.
The strategy of incorporating child soldiers’ experiences as part of the healing process seems to be an effective way to address issues of moral development that arise in ex-combatants. Nevertheless, this strategy originated and has primarily been practiced in the West and could have different effects when applied to other cultures. For example, in a study of a Ugandan reintegration program, the community was more accepting of the soldiers when they did not talk about their experiences in the army. This contradicts the Western perception regarding trauma healing that focuses on decreasing an individual’s symptoms by psychologically integrating a trauma event into his/her consciousness.\textsuperscript{47} As reintegration programs for Tatmadaw child soldiers are still in their early stages, there is no documented research on the best practices for former soldiers to openly discuss their experiences with the army.

\textit{Social Stigma}

Child soldiers often face difficulties when they return to their communities due to the social stigma surrounding the practice of child soldiering. Most adult and child soldiers from the Tatmadaw encounter this stigma due to the notoriously negative reputation that the army has in society. Many researchers believe that acceptance by their families and communities plays a large role in the successful reintegration and rehabilitation of child soldiers.\textsuperscript{48} The social stress theory can be used as a basis for explaining this.

According to this theory, health outcomes are determined by the amount of stress an individual is exposed to and the resources, such as access to a reintegration program, available to him/her. The figure below summarizes how the social stress theory can be adapted for ex-combatants. The availability of resources to ex-combatants in the reintegration phase affects their subsequent mental health. Furthermore, their health is also affected by the level of trauma they were exposed to while in combat. In the


adapted version of the model, child soldiers experience a lower social status
due to the trauma inflicted upon them during war, which in turn leads to
stress and eventually diminished mental health. This is relevant to
reintegration programs as it demonstrates how the environment to which
child soldiers return can affect their well-being.

A study conducted by Betancourt et al. with former child soldiers in
Sierra Leone reinforced the social stress theory. Among their findings, they
concluded that when child soldiers faced stigmatization in their societies,
they were more likely to develop depression or anxiety disorders.
Conversely, when there were higher levels of community acceptance, there
were more positive health outcomes among child soldiers and they had
better attitudes about their reintegration. Betancourt et al. concluded from
their findings that post-conflict stigma might in fact perpetuate or reinforce
negative war experiences for child soldiers.

Social stigma surrounding the practice of child soldiering is
culturally sensitive and different in each society. Human rights workers in
Mae Sot expressed that child soldier stigmatization is non-existent in
Myanmar because their society is well aware that the children were coerced
to join the army and that it was beyond their control. On the other hand,
according to Katy, social stigma is indeed an issue for child soldiers who
return to Myanmar.

51 Katy, interview.
Zaw Min recounted how he experienced social stigma when he returned to Myanmar. He said that during the week that he was home, the police harassed him several times and tried to accuse him of various criminal activities. Eventually, Zaw Min left after getting into an argument with a police officer. He explained, “...yes, it was very difficult to stay there. My friends were all afraid of me and they didn’t want to talk to me. I didn’t know why. I ended up just staying at home and sleeping, eating, thinking, and talking to my mother...” Zaw Min said that being a child soldier completely ruined his reputation and drove him to leave again. It is clear from the conversation that the change in Zaw Min’s peers’ attitudes bothered and moreover baffled him. While he believed nothing had changed in the short time he was away, others viewed him differently when he returned.

Zaw Min’s discussion about his experiences, which according to Katy and him are quite common reactions towards child soldiers (especially Tatmadaw child soldiers), provides a strong case for why community-based reintegration should be implemented. As Katy stated, “They cannot hide their identities as the whole village and community know what happened. All they can do is sort of prove themselves.”

The next section explains how CBR aims to minimize social stigma in communities in the next section.

VI. The Community-Based Reintegration Model (CBR)

The discussion above on the issues that Tatmadaw child soldiers face and the methods to overcome them all reinforce values outlined in the community-based reintegration (CBR) model. The CBR model has recently become popular in DDR, as the focus of reintegration shifted away from an economic emphasis and towards a social emphasis. CBR emphasizes family and communal support, and it bases its success on giving ex-combatants the

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52 Zaw Min deserted from the Burmese Army a few months after being forced to join and is now living in Mae Sot, Thailand. After leaving the army, he went home for two days, after which he had to continue moving due to the high risk he faced of being arrested. He eventually turned himself in to the authorities and served a six month sentence in prison followed by six months at a forced labor camp. This is the usual ruling given to deserters from the Burmese army. After serving his time at the forced labor camp, Zaw Min returned home but only stayed a week before running away to Thailand.

53 Min, interview.

54 Katy, interview.
opportunity to feel comfortable with reengaging and participating as a member of civilian society.\textsuperscript{55}

CBR draws on conceptual elements introduced by the classical ecological model and the cultural relativist school of thought, which explain the importance of an adolescent’s family and community in his/her upbringing. They reiterate the notion that child soldiers have difficulty reconciling with civil life when they return because they were deprived of certain interactions that should have occurred during their adolescence. For these reasons, former child soldiers who have family and community support are likely to experience fewer difficulties than those without such support.\textsuperscript{56} CBR aims to reproduce such interactions for ex-combatants while also minimizing social stigma and its negative implications. As Gislesen accurately stated, neglecting to include the former soldiers’ communities in the reintegration process increases the risk of marginalizing the ex-combatants.\textsuperscript{57} Denov concluded from her study of a reintegration program for Sierra Leone’s Revolutionary United Front (RUF) child soldiers that support from former soldiers’ family and community members was important. The level of support they received was positively correlated with how they viewed their overall reintegration experience.

Joanne N. Corbin also advocated a CBR approach through her study on the reintegration of child soldiers in Northern Uganda. In this study, formerly abducted children reconnected with their communities by doing productive work, such as farming or going to school, reinforcing their roles within mainstream society.\textsuperscript{58} The program for RUF child soldiers in Sierra Leone also aimed to do something similar. Former RUF child soldiers who participated in this program expressed anxiety about community acceptance upon returning home. This particular program was based around values specific to Sierra Leone’s culture and included purification ceremonies and rituals to facilitate the process of demilitarization and community reintegration. As rituals are an important part of life in many cultures across Africa, the rituals had positive psychosocial effects for the participants.\textsuperscript{59}

\textsuperscript{55} Özerdem and Podder, \textit{Child Soldiers}, 148.
\textsuperscript{56} Denov, \textit{Child Soldiers}, 164.
\textsuperscript{57} Gislesen, “A Childhood Lost?” 43.
\textsuperscript{58} Corbin, “Returning Home,” 43.
\textsuperscript{59} Corbin, “Returning Home,” 168.
Given the high levels of social stigmatization around *Tatmadaw* soldiers as seen in Zaw Min’s account, a process that reengages them with their communities could be beneficial for former child soldiers in Myanmar. One way to do this would be to give ex-combatants the opportunity to participate in community events that involve other members of the society. These do not necessarily need to be inclusive of everyone at once, but could be structured so that ex-combatants and non ex-combatants with similar interests could interact with one another. For example, Zaw Min explained that when he started playing football with other boys his age that lived nearby, their levels of apprehension towards him immediately reduced.\(^{60}\) By interacting with each other during an activity that both parties mutually enjoy, the barricade that separates former child soldiers from others in the community becomes less rigid. In this case, Zaw Min felt more comfortable with his civilian identity, while others in the community could see that he was still like them in some ways regardless of his past.

CBR targets the needs of ex-combatants particularly well and addresses them with family reunification and immersion strategies. In addition to this, it is important that reintegration programs also include aspects of individual counseling that could help former soldiers overcome psychological trauma or other experiences that CBR does not have the capacity to address. For instance, counseling could be useful for *Tatmadaw* child soldiers that experience severe psychological trauma after leaving the army, such as Ba Kaung, who was previously mentioned. Individual counseling is also beneficial to address Wainryb’s concerns regarding moral development. She recommended giving the former child soldiers the opportunity to discuss their experiences in which they perpetrated violence as a method to come to terms with their wrongdoings. Reintegration program staff should be able to identify when returning soldiers need counseling and counselors should be available in the villages to which former *Tatmadaw* soldiers return. Individual therapy coupled with overall CBR initiatives could be particularly helpful to ex-combatants dealing with psychological trauma or moral difficulties, as it gives ex-combatants social support that reinforces moral values, while also providing them with professional psychological help.

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\(^{60}\) Min, interview.
VII. Conclusion

The process to reintegrate child soldiers is highly complex and it must take into account a number of variables in order to succeed. While demobilization through the Joint Action Plan should aim to include as many ex-combatants as possible, it should also take into account the complex implications demobilization will have for these individuals. This paper has explained the key issues that Myanmar’s government and army need to consider when reintegrating Tatmadaw child soldiers, and analyzed the effects child soldiering has on ex-combatants’ development and the issues it creates for them when they return to a civilian setting. The extent to which each child soldier overcomes such challenges also depends highly on his/her individual experiences in the Tatmadaw.

This paper also addresses the deficiencies in personality development that Tatmadaw child soldiers face. These stem from being abducted and forced into the military at a critical point in their childhood, which interferes with the way they subsequently identify themselves as civilians. The obstruction in the development of ex-combatants’ personalities is further affected when child soldiers experience social stigmatization in the communities to which they return.

The main policy recommendation discussed in this paper is for Myanmar’s government to address the outlined challenges for Tatmadaw child soldiers as they demobilize. The recommendations in this paper for such a reintegration program build upon the community-based reintegration model that aims to include as many members of the ex-combatants’ families and surrounding communities in the reintegration process as possible. CBR strategies attempt to normalize life for ex-combatants quickly and emphasize active youth participation and engagement in the former soldiers’ communities.

This work also addressed how ex-combatants reestablish their civilian identities and reconstruct their senses of morality. Through a discussion of Wainryb’s research on the effects of child soldiering on moral development, several implications for reintegration programs were presented. Wainryb’s findings provide a compelling explanation for including individual counseling as part of a reintegration program for child soldiers.
This essay argues and demonstrates with examples why reintegration is the most important part of the DDR process and one that cannot be taken lightly. As Myanmar continues to take further steps in implementing the Joint Action Plan, addressing reintegration for demobilizing Tatmadaw child soldiers will be critical. Failing to do so could have severely negative effects on the returning combatants and potentially worsen their circumstances rather than alleviate them. Thus, while Myanmar’s government should be highly commended for signing the Joint Action Plan, its real test lies in the success of this next step.
Section Three

TWO YEARS LATER:
CHALLENGES AND SUCCESSES OF THE ARAB SPRING
Facebook and the Tunisian Revolution: A Passing Fad or a Routinized Tool of Sociopolitical Discourse and Youth Advancement?

Courtney Joline

Two years since the Tunisian revolution, young people feel excluded from the official democratic process. Through their use of Facebook, however, youth have developed a stronger political consciousness and have grown as a relatively unified constituency that is prepared to translate their online activity into public political movements. This work is centered upon a 97-person survey with Tunisians between the ages of 15 and 30 in the three most politically active cities in the country. The paper explores how youth are taking advantage of this newly emerging sociopolitical sphere to create their own new ways of ‘politicking,’ centered on open discussion, inclusiveness, recognition of diversity, and creating new skills and tools to bypass the transitional issues currently plaguing the upper echelon of Tunisian leadership. In Tunisia, Facebook, and social media more generally, are not passing fads. Instead, they are the political tools of the future. They will have a significant impact on the transition’s trajectory and support the development of a new class of leaders, serving as a source of optimism for Tunisia’s long-term future.
I. Introduction

More than two years after the 2011 Tunisian Revolution, the interim government leaders seek to consolidate a post-Ben Ali political framework by eradicating any vestiges of the former autocratic regime. They aim to create a new polity that reflects the revolutionary ideals of economic and social opportunity, political dignity, and equality for all. However, Tunisia not only has to reform institutions; it has to contend with a population that will no longer remain quietist. Tunisian youth especially are now aware of their power in creating and promoting social and political change. Newly empowered, they are cognizant of their civic responsibility in the aftermath of the revolution.

It is in this context that this paper explores one of the most significant consequences of the revolution: the interconnectedness of youth and Facebook. This research focuses on Facebook specifically because at present, it is the most popular, widespread, and dominant form of social media. While Twitter is slowly becoming more popular, Facebook retains the most mass appeal, as roughly three million Tunisians, out of a population of ten million, have a Facebook account. This paper explores how revolutionary tools are transformed into transitional devices by analyzing the intersection between Facebook, youth political activity, and decision-making, to discover how Facebook has become routinized as a political and social tool for Tunisian youth, and to determine the short- and long-term effects of this emerging relationship. Ultimately, this paper answers the questions: How has Facebook impacted, created, and/or strengthened youth political activity two years after the Tunisian revolution? Furthermore, has Facebook become a routinized tool for youth sociopolitical discourse and advancement, or will it lose its centrality in the midst of transitional tensions?

This research shows that while Facebook is extremely vital to youth political activity, many observers have become more critical of Facebook, recognizing its limitations. For many youth, the abundance of online information desensitizes them to political messaging and branding. Despite some negative consequences, ultimately Facebook is not a destabilizing

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force, and instead fosters acceptance of diverse political beliefs and friendly debate. The role of a newly politicized Facebook is developing alongside an emerging youth political consciousness, and there is opportunity to create a new means of political outreach and campaigning. Social media and youth have become intertwined and will affect each other’s political developments and inclusion into mainstream political society.

II. Social Media and Politics and Tunisia

With the rise of a popular movement that deposed former President Ben Ali on January 15, 2011, Facebook emerged as a critical tool for mass mobilization, sharing news, and organizing protests and strikes. Scholars Phillip Howard and Muzammil Hussain discuss the rise in Facebook use following the news of Mohamad Bouzizzi’s self-immolation and how that event sparked the mass movement that ultimately led to the ousting of Ben Ali. Unlike traditional media, social media covered much of the regional news, ensuring that updates spread like wildfire through the mass proliferation of pictures and videos throughout the country, enhancing the feelings of massive public discontent. Facebook and Twitter made inroads faster than traditional media and became a seat of citizen journalism that gave control of the revolutionary narrative to the people. As such, many members of the Tunisian population credit Facebook with creating, sustaining, and ensuring the success of the revolution.

Facebook’s rise to prominence has not come without criticism and controversy, however. Despite its strong revolutionary presence, many scholars and activists criticize its effect on the political transition. John Alterman stated that social media are not helpful in “facilitating political bargaining… with a limited role in forming new political parties,” stressing that the traditional forms of politicking and grassroots organization are key to ensuring a political transition. While it is easy to enable public action against a regime, it is much harder to instill the same pressures on quick and

3 Howard and Hussain, “Role of Digital Media,” 42.
4 Howard and Hussain, “Role of Digital Media,” 104.
sustainable reform that pleases a whole country. A major point of contention for scholars is the unintended consequence of the division that arises from a newly opened sociopolitical system and the massive proliferation of information that can spread rumors and propaganda with ease. Howard and Hussein called this phenomenon “information warfare,” where the various players compete for the dominance over defining the post-revolutionary narrative.

Many bloggers active prior to the revolution complains that the activist role of social media has been weakened by the influx of people creating their own pages and generating ‘diversions.’ For these bloggers, social media make it harder to organize collectively and unify a mass movement, as the population is fractured along various political and religious lines. The autonomy and lack of accountability that was so helpful during the revolution now breeds destabilizing social tensions. Established activists and bloggers say that such divisions take attention away from government transparency and the creation of strong political and civil rights, and refocus the national dialogue on questions of identity instead of political infrastructure. The harsh language and rhetoric has left some bloggers somewhat disenchanted with social media. While they continue to be avid Internet users, they believe that Facebook has taken on an increasingly negative connotation and weakens true political discourse.

While there remains much criticism about how Facebook has affected the revolution’s trajectory and immediate aftermath, continued study begs the question: How have young people, who were the most ardent supporters and users of Facebook and other social media technologies, viewed the impact of the transition and the new role of Facebook in it? Two months after the revolution, The National Democratic Institute (NDI) conducted a study from March 11 to March 24, 2011 to focus on youth perceptions of the revolution and predictions for the transition. According to NDI, many your reported feeling confused about what constituted democracy and political freedom. The participants also stated that it was necessary to develop a political consciousness, as many eligible voters did not have a clear understanding of political parties and civil society

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6 Howard and Hussain, 42.
organizations. Furthermore, they viewed the transition “as a closed, elite-led process,” and they felt that they were excluded from actual decision-making, both in government and within political parties and organizations.

III. Data: Facebook Two Years after the Revolution

This research revealed that Facebook had a strong mobilization effect for Tunisian youth during the revolution, but that its role has changed since that time. Facebook has maintained its primary role as a source of news, discussion, place for analysis, and political posting. However, it has also desensitized youth to political news and information, creating a space where the overabundance and increased access to information may limit future political development in this population. Yet despite some of the challenges, Facebook’s primary role has been to create a space for youth to hone their political ideals, values, and approach to politics.

*Findings*

Facebook is the primary source of information for youth and has begun to replace traditional media as a source of political knowledge. On average, the respondents said that they log onto Facebook at least once per day and that the most popular topic discussed, read about, or viewed, is politics. This is especially important since Tunisia had to recreate its media infrastructure to reform the strong hold the previous regime had over access to information. The failures of traditional media to cover the full spectrum of Tunisian politics and current events make Facebook a strong resource for the most up-to-date news and developments. The variety of sources ensures that youth have multiple viewpoints from which to choose, rather than the official narrative perpetuated by traditional avenues.

After the revolution, the interim government created the Tunisian National Authority for Reformation of Information and Communication (INRIC). This served as a consultant to the government when drafting freedom of information and expression laws, but it was ultimately dissolved,

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9 The following quotations in this section are direct responses from survey participants.
leaving a critical void in the Tunisian information sector.\textsuperscript{10} According to one respondent, as the traditional media sector is in flux, “Facebook is important because general opinion trusts Facebook.” Another respondent said, “I don’t always know what is on the news, but Facebook is the truth.” Formal news sectors are undergoing a crisis of legitimacy, and Facebook has stepped in to fill that void.

The majority of young people have posted a political item on their newsfeed, while many have also engaged in a political discussion. Many respondents (68 out 97) said that they regularly post something of interest on their pages, but the frequency increases during times of political strife or controversial decision-making by the Constituent Assembly or local officials. For many youth, “Facebook is the only place to learn about politics” and in the words of one woman, “I will always post an article on my newsfeed if something arises because everything on Facebook is political.” Since it has become hyper-politicized, many youths feel the need to post on their Facebook pages. Now, it is easy for them to share news and opinions because they have a free space to express themselves, ensuring that people not only want to engage with transitional politics, but also with one another.

Online communication styles have changed to focus more on gaining attention instead of analysis, giving rise to videos and multimedia tools. The proliferation of political content on Facebook has caused many youths to shift the way they promote their political beliefs, opinions, and interests. Previously, avid Facebook users posted long commentaries, their own analysis, and had more discussions based upon pages or links they posted on their pages. Currently, however, pictures, video clips, news articles, petitions, event invitations, or links to other pages are the main means by which youth highlight their political identity. Longer conversations are now relegated to private messaging or Facebook chat, as their Facebook friends are inundated with their peers’ political musings.

In order to garner attention, viewership, or even to start a debate, youth reformulate their Facebook pages to make it easier for users to understand their specific message. Many respondents mentioned that “videos are the most powerful,” while one woman said, “I will watch a video first to decide

\textsuperscript{10} Collins, “Voices of a Revolution.”
if I will investigate [something] further.” Youths’ technological prowess is highlighted by their adaptability to new forums, as multimedia rather than the written word is the more attractive way for them to express themselves. One woman said that she “likes to talk about politics through videos,” which not only taps into new sources of creativity, but also grabs people’s attention. Short sound bites and concise statements or links are popular forms of communication and are the first hint to a specific user’s political orientation. They are now the most useful form of primary engagement with politics.

**Political activity on Facebook is not divisive among youth.** While many scholars and older activists bemoan Facebook and other forms of information communicative technologies as destabilizing, political discussions, debates, and postings do not have the same effect on youth relationships. Young Tunisians are recreating their own positive social media experience and are willing to work across different political and ideological lines in their search for knowledge. The willingness to engage and learn far outweighs political divisions, and while some youth remain sensitive to very extreme positions, Facebook does not tend to create divisive conflicts. In a system waylaid by political posturing and power grabbing, young people handle their differences with maturity. The willingness to be friends with someone of a different political identity has allowed for greater political development; for one young man his “friends have helped [him] learn and shaped [his] political identity,” while another stressed that he “now has more understanding about different groups and parties like the Islamists.” The variety of opinion on Facebook is taken by many as a learning tool and even as a way to engage in future conversation.

This fact is one of the more surprising to come out of this survey. Social media provide an all too rare space where Tunisian youth of different orientations can learn about other ideologies and reinforce how to interact with diversity in a previously closed political sphere. As one male respondent said, “I always comment on a political post if I don’t like it, and sometimes people respond to further the discussion.” The ability to engage in conversation regardless of ideology is a novel experience for many Tunisian youth, since “before you could never debate because you were afraid.” Rather than getting trapped in an endless cycle of infighting, youth are taking advantage of their opportunity to engage in healthy political
debates and discussions to expand their knowledge. Facebook, thus, cannot be blamed for social divisions that play out on the ground; instead, this outlet preempts such partisanship and familiarizes many Facebook users to opposing philosophies.

**Facebook influences political event attendance amongst youth.** Respondents admitted that Facebook is not their only motivation to go out into the streets, but it does have the power to affirm a previous belief and ensure they are more committed in their attendance levels. While Facebook does not necessarily *push* youth to attend events, it does make them aware of more opportunities to engage and attend different activities. For one respondent, she “goes to political reunions [she hears] about on Facebook,” as the ease of inviting large numbers of Facebook friends and the use of the forum’s reminder applications, provide effective marketing strategies. Another respondent said “Facebook is important for political identity because it lets you communicate and the revolution was made by people on Facebook, and because of Facebook you don’t need to wait for someone to tell you about an event because it is just on Facebook.”

**Youth do not take everything to which they have access as accurate, but rather engage in fact checking and discussion, and use a multitude of sources to inform their opinions.** Many respondents believe that Facebook is the best source of news and as two women said, “Facebook is good for the country and politics because it gives you a chance to learn different things.” They also recognized, however, that the government and political parties have the potential to spread lies through media. In order to verify what they read, many youth engage in fact checking online and among their peers. The legitimacy given to images over the written word, which has been weakened by the issues plaguing traditional media outlets, promotes the use of videos, photographs, and clips that cannot be doctored. These trends have made short sound bites and links the main way that youth promote political debate or share news, a move away from direct analysis towards attention-grabbing postings.

Ironically, however, while Facebook is a main source of information, it is also viewed with suspicion by youth who believe that it can be used as not only a source of transparency, but also a propaganda tool. While Facebook is not fully trusted as a completely unbiased source, it does serve as the most significant conduit of information for the younger generations looking to
formulate their political identity and gather information about the Tunisian transition. Many respondents said that would fact check, because “the source is important as are the references because fact checking is critical to confirm things on the outside.” Another respondent said that she “usually believes things on Facebook, but needs to verify the source and the type of information discussed.” A different participant said that he was hesitant to believe popular posts on Facebook and instead tried to confirm with an outside source if something was true or not.

Youth are critical in the way they engage with the information they come across. As one male respondent explained, “I did not know about the political parties the first time and voted first for Ennahda. But then after Facebook videos I stopped believing in them.” Youths’ foresight and open-mindedness help ensure that they are willing to adapt or change their beliefs. They do not yet have cemented political opinions and are learning how to confront and manage the influx of information in a political arena that was previously highly censored and restricted by the government.

**While Facebook is not divisive, it does have the potential to create political apathy and disillusionment.** Despite the popularity of Facebook and its rising role as a learning tool, the constant presence of political discussion, video, and debate turns some youth away from political discourse and learning. Many of the youth respondents said that they were unsure if Facebook was a positive or negative force for the political transition. While it does serve as a focal point for knowledge and discussion, for some youth the overabundance of information, rumors, and positions is too overwhelming. They have become apathetic because of the continuous confrontation with political discourse, and many choose to leave the conversation altogether. In a newly opened political arena, many cannot handle the constant barrage of political messaging. According to one male teenager, “everyone is selfish in political parties and [he] does not trust them,” while another man said that he “has not learned about politics because it is mostly lies and jokes and [he] learned that political life is messed up.”

This growing lack of interest is especially obvious with people who had been extremely active during the revolution and participated in the post-revolutionary fervor. Two men who helped organize protests during the uprisings were also active in the mobilization against police brutality. They
were injured in both instances, yet were unable to get help from the government to pay for their medical care. As such, they “do not use Facebook for political reasons because [they are] not interested and angry at the government.” Another respondent said that he is “getting bored because there is so much, and people are bad, and trying to take over in real life and on Facebook.” People claim to feel disenchanted with the pace of reform and the current leadership, and the constant political conversation thrust upon them. In this process, Facebook risks losing many of the youth that came to rely on it for political purposes.

Facebook and politically active youth who want to create their own brand of political outreach need to recognize these constraints and balance youths’ political ambitions with maintaining interest across the population. While Facebook has been an overwhelmingly positive force for many youth, there are pockets of this age cohort who view Facebook negatively.

**Common Facebook Responses**

- Believe that Facebook is Negative for the Country: 21
- Believe that Facebook is Positive for the Country: 30
- Learned Something Negative About the Government From Facebook: 10
- Learned about Politics From Facebook: 54
- Learned a Skill or Value From Facebook: 31

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IV. Short-Term Consequences

The Tunisian political sphere is decidedly more muted than it was during the revolution. Now, people take to the streets in isolated protests in response to singular incidents, ranging from a specific event or government decision or decree. Regardless, youth are using their revolutionary experiences and carrying them into the ongoing transition. In the short term, Facebook will continue to have a major role in information sharing, serving as a discussion forum, and a mobilizing tool for youth when the occasion arises.

For many respondents, Facebook is “a great tool for young people because they can speak their mind and have more freedom because no political person speaks for [them].” Through invitations to events, meetings, and rallies, youth are pushed to interact with one another and learn more about the issues that matter to their peers. They also have the chance to develop their political skills on a smaller scale, as they organize events among their local and student peer groups, engage in political discourse, create their own platforms, and develop their own definitions of accountability, sound governance, and political identity. Facebook provides a learning opportunity, a chance to engage in politics and reinforce opinions, skill sets, and beliefs, and ultimately make sense of the short-term Tunisian political reality.

Youths’ foray into political activity is helped by the recognition of the need to work together to ensure the transition’s success. Two male respondents said they had learned how to “enter into discussions and how to hear and respect other views and understand the other side.” Through participation in Facebook, they can directly interact with, and learn about, political associations, civil society groups, emerging political parties and leaders, and other ways to get involved. Facebook has become an institutionalized tool, and as such, youth are endowed with the means to remain impactful, albeit on a smaller scale in the short term.

V. Long-Term Consequences

While Facebook is critical in the short term, the true value will be realized in the long term with the ability of youth to define their values and political strategies. Youth are teaching themselves the necessary components of a democratic society and are creating new means of
communication, outreach, and confronting diversity. While the established leadership institutions and key political actors are waylaid by infighting and debates over identity, the way that youth have used Facebook hitherto has helped them overcome these short-term hurdles and focus on larger-scale political development. Youths’ approach to Facebook, and eventually to other social media technologies, will enable them to create a new means of political outreach and campaigning, creating much optimism for the success of the transition.

Facebook is transitioning the youth population into democratic discourse and the emerging political environment, because it “was the first media that can give people a purpose and freedom.” At present, there is no consensus on what constitutes the post-revolutionary transition and youth have the opportunity to develop individualized frameworks for the political process. Furthermore, as NDI highlighted, there is not yet an institution that provides civic education or serves as a forum to teach civic values, the definition of democracy, and political terminology to the public.\textsuperscript{11} In the open political sphere, youth are working to overcome this deficiency, and taking advantage of their use of Facebook and its tools to utilize the emerging political space to redefine their own modes of ‘politicking’ and designations of what constitutes effective post-revolutionary forms of political activity and discourse. Thus, it is from Facebook, and social media in general, that youth have the greatest opportunity to learn about the values of democracy, dealing with diverse political opinions, political rights, and compromise. It is here, in this online forum, where the values promoted by the revolution, dignity and political equality for all, and where an open society will be formulated and sustained.

In a time of immense political and social debate, division marks the prominent discourse in the upper echelon of leadership. For two female respondents, Facebook has helped them overcome such concerns, and they note that, “Facebook is important for building diversity,” while two other women said that they learned “how to accept opposite views and act toward people who do not have the same.” Rather than being distracted by superficial concerns, a significant feature of the current government, youth are focusing on larger issues that require more effort and attention. The

\textsuperscript{11} Collins, “Voices of a Revolution,” 7.
Tunisian political process of the future will consist of leaders that have different ideals and visions for the country, yet can navigate a plurality of opinions.

Another significant benefit of their Facebook use is the opportunity to redefine and reflect upon the values in a uniquely Tunisian context. They are empowered not need to rely on an outside narrative to promote their own initiatives. With control over much of the Facebook narrative, youth have learned “how to organize, get rights and permissions,” transforming themselves into an independent political force. They will be able to work across different segments of the population to create a future political framework led by individuals ready and willing to lead. As two teenagers described, they benefitted from Facebook by learning “about democracy and freedom and peace… [They] learned how to communicate and what [their] rights are.” Recognizing the values of the revolution and framing them in a specific Tunisian mentality will ensure that those values are lasting, appropriate for the cultural, religious, and political Tunisian climate, readily accepted by much of the population.

VI. Conclusion: A Model for Success and Regional Application?

Two years after the Tunisian revolution, many scholars and pundits hail Tunisia as the model for the Arab Spring. The optimism for the revolution has tempered, however, especially with the rise of physical and verbal attacks on politicians and activists, lingering economic issues, and political infighting. When the focus turns to youth, however, there is much for which to be hopeful. Through access to knowledge, Tunisian youth have addressed their civic and political knowledge deficit, and learned lessons that will enable them to participate effectively in elections, civic organizations, and even run for office in the future. In the long term, Facebook will influence how many people learn about democratic values, and provide agency over the developing political narrative.

Despite the prominence of Facebook, the skills that youth can continue to develop are not dependent on Facebook specifically. It is not the medium itself that is important, but rather how youth have decided to use the site. As new social media technologies emerge, youth will adapt accordingly and carry over the skills and networking strategies they developed through their use of Facebook applications. Youth are in the

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prime position to create a framework for political values that define their generation. While their lack of absorption into official governmental structures could be seen as an impediment, youth can focus on long-term change instead of being distracted by political infighting inside official power structures. The skills they develop now will affect future leadership and political decision-making. Youth, through their trial and error with organizing, information sharing, and debating, are already overcoming the issues plaguing members of the older generations currently in power.

Ultimately, social media have changed the way politics on an individual level are internalized. They have especially shaped the way young people approach politics and social activism. The revolution has transformed social media from ‘social’ into a new form of ‘political’ media. While the Middle East, and especially post-Arab Spring states, grapple with the region’s new political economy and the standard issues of the transitional period, one source of optimism is youth and their enduring political ambitions, sense of civic responsibility, and overall passion for systematic change.
“Like Pushing a Mountain”: Increasing Female Representation in the Egyptian Parliament

Elizabeth Marsh

Despite their active participation in the revolution, Egyptian women currently find themselves in a paradoxical political situation. They are emboldened by the revolution and the changes that have occurred, yet they still find themselves living amidst a patriarchal culture and a heavily male-dominated government. This paper analyzes the Egyptian parliament and its recent elections in a gendered context, and suggests ways in which female representation can be increased. By applying prevailing gendered representation theories to the Egyptian political context, it contends that the current electoral system greatly hindered the ability for Egyptian women to be elected as parliamentarians. It also finds that reinstating a women’s quota will help increase future female representation. This case study of post-revolutionary Egypt adds to the broader discussion on the implementation of gender quotas and their effect on women’s political empowerment.

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I. Introduction

During the 2011 Egyptian revolution, Egyptian women poured into the streets of Tahrir Square, joining protests to topple the three-decade authoritarian rule of President Hosni Mubarak. The discrepancy between massive female participation in the revolution and the outcome of the most recent parliamentary elections prompts the question: why does the current Egyptian parliament possess one of the lowest proportions of female representation in the world? This paper analyzes the Egyptian parliament through a gendered lens and prescribes ways to increase female representation in the future.

Greater female legislative presence in Egypt is important for the advancement of democratization and women’s interests, which can be achieved and sustained through structural changes in the electoral system. This paper argues that the current electoral system hinders the ability of Egyptian women to be elected as parliamentarians, and that Egyptians advocating for greater female representation should call for a constitutionally mandated women’s quota. With this special measure, many more Egyptian women will be given the opportunity to influence legislative changes and policy choices, which will confront the gender discrimination and cultural barriers that contribute to the deficiency of female representation in parliament. A systematically inclusive electoral structure will lead to overall women’s political empowerment in Egypt, creating a sustainable solution to the current gender inequality in parliament.

This paper contributes an in-depth case study of Egypt during its democratic transition, building on the current discussion of the implementation of gender quotas and their potential effects on women’s political representation. It also provides policy recommendations for groups advocating for increased female representation, namely the institution of a double quota system. The double quota would reserve parliamentary seats for women and also mandate specific placements of women on closed-party proportional lists.

The methodology for developing Egypt’s case study involved the application of prevailing theories of gendered representation, including descriptive and substantive representation, to Egypt’s current political context. This paper uses these two theories to draw comparisons between the electoral structures of pre- and post-revolutionary Egypt, concluding that
special measures need to be implemented in the current structure. Additionally, data from news sources and personal interviews\(^1\) contribute to the case study. These accounts give a voice to Egyptian women activists and leaders as they comment on their experiences in Egypt.

**II. Female Representation in Parliament**

Underrepresentation of women in electoral office is a global phenomenon, with the world average for female representation in national parliaments hovering around 20\% of seats. Though this figure continues to rise steadily, there is substantial variation among states. The Arab region, for instance, stood at only 13.2\% at the end of 2012 and is the only region that does not include a state with a parliament comprised of at least 30\% women. In comparison to global averages, Egypt ranks one of the lowest with 2\% female representation in its current parliament.\(^2\)

The Inter-Parliamentary Council proclaims this argument for ‘simple justice’ in its Universal Declaration on Democracy, “The achievement of democracy presupposes a genuine partnership between men and women in the conduct of the affairs of society in which they work in equality and complementarity, drawing mutual enrichment from their differences.”\(^3\) When women do not have equal access to political structures and decision-making positions, this genuine partnership disintegrates, resulting in a skewed representation of society and a weakened democracy. An emerging democracy like Egypt needs a genuine partnership between men and women at the outset to establish a government that accurately represents all members of society and reflects their interests.

In addition to strengthening democracy, the political empowerment of women can positively affect the development of communities and the

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1 Personal interviews were conducted in May 2012 with various leaders of Egyptian nongovernmental organizations. They included Nehad Aboul Qomsan, Egyptian Center for Women's Rights; Sandry Azmy, C.A.R.E.; Israa Abdel Fatah, the Egyptian Democratic Academy; Mohamed Zaree, the Cairo Institute for Human Rights; and Salma al-Naqqash, Nazra for Feminist Studies. The questions focused on how the goals and priorities of their respective organizations changed post-revolution.


entire country. International development research has shown that when women are empowered as political leaders, countries tend to increase standards of living and improve education, infrastructure, and health. World Bank President, Robert Zoellick, expressed the importance of women’s political empowerment to a country’s development, “Equality is not just the right thing to do. It’s smart economics. How can an economy achieve full potential if it ignores, sidelines, or fails to invest in half its population?” This concept has served as a mantra for other development organizations.

The idea that women strengthen democracy through a genuine partnership with men is contingent on the idea that women are best able to represent themselves. This theory is known as descriptive representation, and it suggests that a common interest exists between female representatives and female constituents. It does not assume that all women have a collective identity with the same interests, but rather that women differ from men in their socialization and experiences. Women have common interests due to their shared experiences, including their historic positions in society and economic roles, as well as their responsibility for child and elder care. Furthermore, descriptive representation does not mean that ‘women’s interests’ address only political issues that specifically pertain to women, but rather issues that have a more immediate and direct effect on women than men. Male representatives do not share this descriptive representation of women’s interests with female constituents, and therefore cannot accurately represent these interests in parliament.

When discussing women’s interests, it also important to note that women must be recognized as a diverse constituency. Women differ in the roles they play in society as well as through characteristics such as age, urban or rural orientation, education level, religion, and social status.

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8 Haffert, *Challenge of Change*, 45.
has a population of over 40 million women, and they hold a wide range of political views, including their concern for advancing gender equality. A collective, political identity does not exist between every female parliamentarian and female constituent in the country. Moreover, the diversity in Egypt’s female population lends to the importance of increasing female representation in parliament. Just as male parliamentarians cannot accurately represent women’s interests, the 2% female representation in the Egyptian parliament might not encompass the scope of diversity found within Egyptian women. More women in parliament – ideally from a variety of backgrounds, beliefs, and governorates – translates to more female parliamentarians reflecting the shared socialization and experiences of their female constituents. The reserved seats component of the proposed double quota system guarantees that women from all of Egypt’s governorates will be included in parliament and will better reflect the diversity of the female population.

Substantive representation occurs when descriptive representation leads to female representatives legislating with women’s interests in mind; if women in parliament are willing and able to promote women’s issues, then female legislative presence makes a difference. It is not enough to have differing political perceptions than men – women must take the initiative to act on behalf of their female constituents, reflecting their shared socialization and experiences.

In Egypt, women currently do not have descriptive representation in parliament, and are far from realizing substantive representation. In order for Egyptian women to have the potential to achieve substantive representation, a greater number of female representatives need to be in parliament to provide first descriptive representation to their female constituents. With 2% female representation, Egyptian women are currently relying on male representatives to reflect women’s interests. The next section addresses the cultural forces that explain why Egyptian women are lacking descriptive and substantive representation in their parliament.

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III. Cultural Barriers for Egyptian Female Candidates

In Egypt, women have had the right to vote and run for office since 1956, but formal access does not translate to substantive representation. Egyptian women are entrenched in a fundamental patriarchy that impedes their ability to win parliamentary elections. Islamists champion the prevailing patriarchal culture and push for more conservative laws and policies that directly undermine gender equality. Mozn Hassan, director of a prominent women’s organization, Nazra for Feminist Studies, articulated these sexist attitudes in reference to the revolution, “Some people thought the culture-based discrimination we had been raised on would change in 18 days. Now they know it’s a long struggle.”

Patriarchy is ingrained in Egypt’s national media and religious, educational, and political institutions. Egyptian men and women are taught to accept at a young age that gender divides society, and a woman’s primary role is bearing and raising children within the confines of the home. The Freedom and Justice Party (FJP), which at writing controlled 47% of Egypt’s parliament, stated in its 2011 electoral program that FJP representatives will “ensure women’s access to all their rights, consistent with the values of Islamic law, maintaining the balance between their duties and rights.” The qualifier that women’s rights must be consistent with Islamic law echoes the sentiment of patriarchy and the notion that women have duties in the domestic sphere that may dictate different legal rights.

This traditional relegation to the domestic sphere makes it difficult for women to infiltrate the male-dominated public sphere of campaigns and elections. Politicking in Egypt is centered in cafes, mosques, and other public spaces less accessible to women, constraining female candidates from competing on equal footing with male candidates. Nehad Aboul Qomsan, head of the Egyptian Center for Women’s Rights, described female-led campaigns as “sailing against the current.” Amira el-Asar, who ran in the 2010 parliamentary elections under the women’s quota, explained, “For a

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woman to go out and shake hands and say, ‘This is me, vote for me,’ that’s difficult.”

In addition to the cultural division of gendered space, Egyptian female candidates must also contend with the Quranic concept of *wilayah*, which is the idea of guardianship. Islam is one of the most important sources of culture for Egypt, where 90% of the population is Muslim. Some interpretations of *wilayah* negate the need for gender equality in parliament; Many Egyptian men believe that they are “duty-bound to support, protect, and defend women, but women as well have internalized the assumption that men offer them a safe haven.”

When religion is employed to justify male power, it is especially effective because it implies that women are subordinate by divine approval. Dr. Manal Abul-Hassan, a female spokeswoman for the FJP, condemned the thousands of Egyptian women that marched in December 2011 to protest military violence against women, “When a woman marches to defend her rights, this affronts her dignity. Does she not have a husband, brother, or son to march for her?” To secure descriptive representation, female candidates must convince their constituents that *wilayah* does not translate to all male representation in parliament, serving as their guardians and protectors in government.

These traditional and prevailing attitudes towards gender roles in Egypt affect how the public regards women as political leaders. A recent study conducted by the World Values Survey measured support for gender equality in political leadership, asking people around the world the extent to which they agreed or disagreed (on a four-point scale) with the statement, “On the whole, men make better political leaders than women do.” Traditional and less developed countries, including Egypt (along with Jordan, Iran, and Nigeria) ranked as the most likely to affirm this statement. Shifting to a more local study, Dalia Ziada, a female Egyptian

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activist who ran for parliament, traveled to three locations in Cairo asking the simple question, “Is it good for Egypt to have a woman president?” Out of 1,453 people surveyed, including 634 women, all of the responses were negative. Ziadia commented on the outcome of her survey, “This is what people think – that it’s okay to have democracy, but women are not in the equation of the democracy.”

Although these cultural barriers for women exist in Egypt today, many female Egyptian activists and protestors feel optimistic that the transition to democracy will reflect the heightened sense of gender equality and inclusion exhibited in Tahrir Square. Salma El Tarzi, a Cairo resident who participated in the revolution from the outset, observed, “Something changed in the dynamic between men and women in Tahrir. When the men saw that women were fighting in the frontline, that changed their perception of us, and we were all united. We were all Egyptians now.” Like Salma, many women hoped that this unity would help shape the new political and social spheres. Egyptian women’s coalitions went as far as to demand 30% representation in parliament and any governmental committee tasked with changing the constitution. Despite massive female participation in the revolution, Egyptian women did not see an equal degree of female representation in the new government. Dalia Abdel Hamid, a gender officer at the Egyptian Initiative for Human Rights, explained, “I think it’s a disastrous parliament; how can this represent a society? After the revolution, everyone wanted to be represented and to have their voices heard but...women are just being marginalized by all the parties.” While cultural barriers clearly inhibited female candidates’ chances of success, the structural features of the post-revolution electoral system greatly hindered them as well.

Because the cultural barriers in Egypt are centered in a deeply entrenched patriarchal mindset that will be relatively slow to evolve, the law can be utilized as a force for social change. Changing the structure of the

electoral system is the best way to achieve greater female representation in the next parliament. By comparing the pre-revolutionary and post-revolutionary electoral systems, it is clear that the female legislative presence greatly diminished in the latter. The next section compares these two electoral systems in a gendered context, showing the differences that led to the dramatic drop in female representation.

IV. Egypt’s Electoral Structures Through a Gendered Lens

Electoral Structure Under Mubarak: The 2010 Parliament

The Egyptian bicameral parliament is divided into a lower house, the People’s Assembly, and an upper house, the Advisory Council.\textsuperscript{22} President Hosni Mubarak’s three-decade rule concluded with his political party, the National Democratic Party, controlling 83% of the parliament.\textsuperscript{23} The 2010 parliament was in place only three months before the Supreme Council of the Armed Forces (SCAF), the governing body of Egypt’s military, dissolved it and assumed power after President Mubarak’s resignation on February 11, 2011.

In the 2010 parliamentary elections, 444 of the 518 seats in the People’s Assembly (lower house) were contested. The parliamentarians in these contested seats were elected in two-member districts by a two-round, simple majority voting system\textsuperscript{24} that “favored local families in small districts who formed the backbone of the National Democratic Party.”\textsuperscript{25} Additionally, two legislative quotas were in place. Firstly, it was constitutionally mandated that within each two-member district, one of the elected candidates must be considered a worker or a farmer.\textsuperscript{26} Secondly, the

\textsuperscript{22} The People’s Assembly is responsible for day-to-day legislation while the Advisory Council has limited powers. The members of the People’s Assembly serve 5-year terms, and members of the Advisory Council serve 6-year terms. The People’s Assembly will be the focus of discussion.
women’s legislative quota implemented in 2010 guaranteed 64 seats be reserved for women, with each female parliamentarian elected from Egypt’s 29 governorates. Two seats were reserved exclusively for women in 26 governorates, and the remaining three governorates allotted four seats each due to their larger size.27 A special election was held for female candidates running for the reserved seats and the president appointed the remaining ten.

The women’s quota gave an unprecedented number of seats to women in parliament, increasing female representation to 12% in the lower house.28 Female legislative presence had been declining since 1986, when President Mubarak disbanded the 33-seat women’s quota established under President Anwar Sadat. Only four female parliamentarians were elected in the 2005 elections (five others were appointed) without any form of women’s quota in place. With the 2010 quota, female representation in parliament rose 1,500% compared to the previous election.29 In addition to the skyrocketing number of female parliamentarians, there was also a significant increase in the number of women competing for the newly available seats, totaling 380 women compared to 133 in 2008. The women’s legislative quota implemented in 2010 was set to expire after two rounds of elections, as it was claimed to be a temporary measure to stimulate and then sustain female representation in parliament.30

Post-Revolutionary Electoral Structure: The 2011 Parliament

After dissolving the parliament and suspending Egypt’s constitution, the SCAF released its new election laws in May 2011. In the finalized system, two thirds of the People’s Assembly’s 498 elected seats were designated in a closed-list proportional representation system31 in 46 districts, while the remaining 166 seats were elected as individual candidates in 83 two-member/two-round districts similar to the old regime’s structure. Thus, each voter cast his or her vote for one party list and two individual

27 Swelam, “The Landslide.”
29 Hill, “Women Make Leap.”
30 Hill, “Women Make Leap.”
31 Proportional representation is when the number of seats won by each party is proportionate to the number of votes received. A closed-list means that parties produce an ordered list of candidates that cannot be changed by voters, compared to an open-list in which voters can influence the order of the candidates.
candidates. The occupational quota was retained, but the 2010 women’s quota for reserved seats was revoked.\textsuperscript{32}

The only requirement designed to encourage female representation in the new electoral system was that a minimum of one Egyptian woman had to be included in each party’s proportional list for each district. However, the requirement did not specify where the female candidate was placed on the list. As such, many parties consistently put their female candidates on the bottom. The higher the candidate is on a proportional list, the greater the chance that he or she will be elected. In reality, only the first two or three names have a reasonable chance of winning.\textsuperscript{33} Suheir al-Matini, a female candidate in the Aswan governorate, commented on the new structure, “The problem with the proportional list system is that women are just there for decoration, since most of the time they are put at the bottom of the list, even if they are popular candidates. In the end, the votes a female candidate brings in are put at the service of the rest of the names on the list.” The decoration comparison is particularly true of the Salafist political party lists, which often replaced female candidates’ pictures with those of flowers or their husbands.\textsuperscript{34} Political parties treated this requirement as a mere formality rather than as an opportunity to support female candidates, slotting women in uncompetitive rankings that would most likely result in defeat.

By comparing the pre- and post-revolutionary electoral structures, it is clear that these changes directly contributed to the severe lack of female representatives in parliament. Without the women’s quota, female candidates were left to the discretion of party leaders, who deliberately hindered their chances of being elected by placing them low on their proportional lists. Out of the 984 female candidates that ran for parliamentary office, only eight were elected.\textsuperscript{35} With another two women appointed, a meager 2% of the Egyptian parliament was comprised of women, ranking it one of the lowest in the world.

A second concern regarding the lack of female representation in the Egyptian government is that only seven women were appointed (by the 2011

\textsuperscript{32} Carey and Reynolds, “The Impact of Election Systems.”
\textsuperscript{33} Revkin, “Has Egypt’s Revolution Left Women Behind?”
\textsuperscript{35} Report on the Status of Egyptian Women.
parliament) to be part of the initial 100-member Constitutional Assembly\textsuperscript{36} tasked with writing Egypt’s new constitution.\textsuperscript{37} Islamists dominated the Assembly, producing a constitution that qualified women’s rights in religious terms, similar to the Freedom and Justice Party’s plan. In place of a specific clause guaranteeing equal rights for women and nondiscrimination, Article 10 guarantees government funding for maternal and child care in order to benefit the “genuine character of the Egyptian family” and to allow women to balance the “duties of a woman towards her family and her work.” Patriarchy thus infused itself into the new Egyptian constitution through an unrepresentative, male-dominated, Islamist assembly. Instead of explicitly stating women’s rights, the Constitutional Assembly removed the gendered language entirely. If more female representatives had been in the 2011 Parliament, more women might have been appointed to the Assembly and potentially advocated for gender equality.

In post-revolutionary Egypt, the overthrow of President Hosni Mubarak presented the unique opportunity for the new government to include Egyptian women. In order to prevent this democratic transition from being a missed opportunity for women, special measures would help to ensure increased female legislative presence in the next parliamentary elections. The next section discusses the arguments for and against the use of quotas as a special measure to increase female representation.

V. Implementation of a Women’s Quota

A democratic transition is a window of opportunity for reform and new legislation that strives for gender equality. One special measure that has been used to increase female legislative presence is the use of gender quotas, surging in adoption over the past two decades worldwide. According to the Inter-Parliamentary Union’s report, 26 of the 59 states that had elections in 2011 implemented special measures to encourage female

\textsuperscript{36} This number dwindled to 4 women out of 85 members, as others dropped out in protest of the Constitutional Assembly.

legislative presence, including 17 electoral quotas. In those states, female representation averaged 27.4% as opposed to 15.7% in non-quota states.\textsuperscript{38} There are three main types of gender quotas: reserved seats, party quotas, and legislative quotas. Reserved seats require a minimum number of female representatives rather than a minimum percentage of female candidates, guaranteeing that women will be elected. Reserved seats create separate elections for women, delineate separate districts for women, or distribute seats for women based on each party’s proportion of the popular vote.\textsuperscript{39} The 2010 women’s quota under President Mubarak was considered a reserved seats quota, guaranteeing a minimum of 64 female representatives in parliament through separate elections for women in each of Egypt’s governorates. The most common type of quota is the party quota, in which political parties voluntarily include a certain proportion of women among their candidates, usually between 25% and 50%. The third type of quota, the legislative quota, has been used most often in developing countries and post-conflict societies. Similar to party quotas, legislative quotas address the proportion of female candidates in each political party’s electoral slate, but they require parties to nominate rather than implement on a voluntary basis. The 2011 parliamentary elections in Egypt used this form, requiring that all political parties include a minimum of one female candidate on their electoral slate. This can hardly be considered an effective legislative quota, as most others currently in place call for 25% to 50% of female candidates rather than a minimum number of one.\textsuperscript{40} One main criticism of all three quotas is that they are ‘antidemocratic;’ if voters should be able to decide freely who is elected, imposing a specified pool of candidates that must be elected effectively limits the freedom to choose national leaders in a democratic way.\textsuperscript{41} While this argument may hold true in traditional conventions of democracy, many scholars are redefining the democratic representation process through discursive struggles. “Rather than viewing politics as a neutral arena in

\textsuperscript{38} Inter-Parliamentary Union. “Women in Parliaments: World and Regional Averages.” April 1, 2013.


\textsuperscript{41} Paxton and Hughes, Women Politics, and Power, 165.
which all citizens play an equal role... liberal political arrangements create systematic distortions in public policies, as well as the potential for equal political engagement.”

Formal access is not equal access, and challenging the conventional concept of representation can be a strategy to initiate electoral reform.

Another criticism of gender quotas is the concern regarding ‘quota women.’ Public controversies have surrounded who these quota women are and what they are actually capable of once they are in elected office. Some critics express that there are not enough qualified women to fill certain quotas, and that these under-qualified women undermine female candidates that would have been elected regardless of a quota. Furthermore, under-qualified female representatives may also delegitimize future efforts of women’s representation if they establish a precedent that women are incompetent in political affairs. Many people also fear that quota women will act as proxies for their husbands and other male relatives, thereby eliminating the idea of descriptive representation.

These arguments surrounding ‘quota women’ were used against the 2010 Egyptian women’s quota. Many Egyptians saw the quota as a mechanism for President Mubarak to consolidate power in his National Democratic Party, by accumulating female parliamentarians who would promote the status quo and not necessarily advocate on behalf of women. Sowad Abdelhamid, a female quota candidate, detailed her experience running against NDP female quota candidates: “Anyone on the street can feel the difference from the amount of advertising and the way state media focuses on the NDP’s candidates.” Her posters in her district were mostly ripped down and her NDP competition received more speaking time in conferences and media. Nazra for Feminist Studies argued against the women’s quota from its inception, with Mozn Hassan stating, “We’re more concerned with the quality of the candidates rather than the quantity. I’m

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42 Krook, Quotas for Women in Politics, 3.
44 Krook, Quotas for Women in Politics, 4.
45 Paxton and Hughes, Women Politics, and Power, 165.
46 Hill, “Women Make Leap.”
worried about the kind of women that will join parliament. Many of them are women against women.”

There are ways to ensure that well-qualified, female candidates stand a better chance of being elected, even when a women’s quota is in place. One method is to promote extensive candidate training through civil society organizations. After the revolution, women’s rights organizations in Egypt shifted their goals and priorities to focus on female political participation and candidate training, installing new programs that would allow women to put their best foot forward in the elections. Several civil society organizations launched campaign training programs to equip female candidates with skills to overcome the cultural and electoral barriers in Egypt. The National Democratic Institute’s Women Candidates Campaign Schools program covered topics such as “campaign strategies and tactics, message development, voter contact, public speaking, promoting yourself within your party, working with the media, using social media in political campaigns, and mastering the country’s complex electoral code.”

Although these training programs for female candidates did not produce the proportion of female representation in parliament that women’s organizations demanded, they did produce better-trained female candidates with greater leadership potential.

While the debate surrounding the implementation of gender quotas will expand the longer and more frequently quotas are in place, one aspect is certain: quotas around the world are succeeding in increasing the number of female representatives in national parliaments, providing women with more descriptive representation and in many cases, substantive representation as a result.

VI. Policy Recommendations for Egypt

After comparing the pre- and post-revolutionary electoral structures of Egypt, it is clear that Egypt needs to make changes to its current electoral structure to achieve and sustain greater female legislative presence. Egypt should implement a constitutionally mandated double quota system. This quota will combine reserved seats with a legislative quota and placement

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47 Hill, “Women Make Leap.”
mandates, the rules about the order of male and female candidates on political parties’ electoral lists. Specifically, Egypt should reinstate the 64 reserved seats measure that was in place in 2010 in addition to requiring political parties to place a female candidate within the top three slots of all closed-party proportional lists. Women may choose to run in the general elections under the closed-party proportional lists or as independent candidates, or they may run in the special election for the 64 reserved seats. The special election would be held subsequent to the general election; thus if a female candidate is unsuccessful in the general election, she would remain eligible to compete in the special election for reserved seats. The double quota incorporates aspects of the Egyptian pre- and post-revolutionary systems, but allows for women to have a much greater chance of obtaining the closed-party proportional seats. The system also guarantees that women will have 64 seats in parliament (12.5% representation), regardless of whether they are marginalized in the general election.

Retaining the proportional representation component of the electoral system, seen in the post-revolutionary structure, is advantageous for increasing female representation. Quotas tend to have the greatest impact in proportional representation systems with closed-party lists, which is the current law for electing the majority of Egypt’s parliament. In 2007, proportional representation systems had a global average of 20.7% female representation in parliament compared to 13.3% in non-proportional systems. The key feature in proportional representation systems is the multimember district, where several candidates represent a particular district. In the closed-party proportional seats, citizens cast their votes for a published list of candidates. When political parties are required to place a female candidate within a top three slot of their proportional lists, Egyptian women have a much greater chance of being elected in these multimember districts, especially those that send a greater number of representatives to parliament.

If women choose to run in the general election, they have the option to align themselves with a specific political party under the proportional lists or run as independent candidates. In accordance with the placement

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mandates, political parties must include one female candidate in a top three slot of each proportional list, ensuring that the most qualified female candidates would not be downgraded on the basis of gender. Gameela Ismail, the current organizational secretary of the Constitution Party, was placed in a lower position on her former party’s list than she expected in the 2011 elections and explained that “I had to quit and run as an independent because this was humiliating to me. I had thought I would be top of the list but was surprised when I found myself third to other less-known people.” With the placement mandates, strong candidates like Ismail would be able to run under their party’s platform and would likely be placed in a winnable position on the proportional lists.

While the placement mandates encourage female candidates to run under an existing political party, a recent study conducted by TNS, a global market research firm, revealed that approximately 85% of Egyptian women do not feel that an existing party represents their views and opinions. Female candidates that do not align themselves with an existing party would have the option to run as independents or for reserved seats. In the 2011 parliamentary election, 351 out of 984 female candidates ran as independents. This number may increase in the next election if women still feel unrepresented by a party. However, the special election may be a more attractive option for independent female candidates, as they would still be able to run without party affiliation yet on a more equal playing field.

Although the placement mandates would help female candidates in the general election, the reinstated 64 reserved seats quota would guarantee increased female legislative presence in the future parliament. One major problem with the 2010 quota was the size of the districts, as each of Egypt’s governorates elected one female representative. Some of these districts comprised over four million people, making it extremely difficult for female candidates to campaign effectively and marginalizing women of lower socioeconomic statuses. Mozn Hassan of Nazra for Feminist Studies commented on the consequences of large districts, “Having a woman who is running for the whole governorate, you need a woman who is already

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empowered. You need either a wealthy woman or you need a woman from a prominent tribe or family.”

Under the reserved seats component of the proposed double quota, the districts should be redrawn based on population size rather than by governorate. The new districts should be smaller and more manageable; this would allow for stronger descriptive representation, as each female elected would represent a smaller constituency. Women with less financial support would also be able to campaign more effectively in a smaller district, encouraging women of lower socioeconomic statuses to run.

The constitutional mandate for the double quota system would also include a provision to enact sanctions against political parties for non-compliance, serving as an enforcement mechanism. The most effective sanctions are those that disqualify any party list that does not adhere the quota mandate, while monetary penalties are less successful. A further enforcement mechanism is to create an electoral commission with the power to ensure adherence to the quota. Additionally, civil society organizations have conducted independent monitoring of quota implementation and compliance of parties.

While the implementation of the proposed double quota system would expand female legislative presence, Egypt’s current political context limits the feasibility of this option. At the beginning of April 2013, the Advisory Council and the Legislative Committee agreed that each closed-party proportional list must include the name of one woman, but did not require a woman to be placed in a winnable position, and thus did not create substantial reform. The same electoral law that was in place in the 2011 parliamentary elections will remain unchanged. Isis Hafez, a representative of the National Council of Women, proposed that women should be in the top three slots on the proportional lists, but this proposal was rejected by the two major political parties, the Freedom and Justice Party and the Al-Nour Party. Women’s civil society organizations should continue to form coalitions and lobby for this special measure, and also should look to form

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strategic alliances with international organizations and current parliamentarians within the two major parties.

The delayed parliamentary elections may prove beneficial for increasing female representation in the Egyptian parliament. Elections for the People’s Assembly were scheduled to begin in April 2013, but were postponed after a court ruling annulled President Morsi’s decree on election dates. The elections are expected to take place in the middle of September or beginning of October 2013. This will give women’s organizations more time to mobilize, train female candidates, and push for a quota law. Additionally, many Egyptian women are taking advantage of this time to form female-only proportional lists. In Giza, Zenaib Afify, chair of the National Orphans Association, is leading a group of eight women to form Egypt’s first independent, all-female list comprised of doctors, lawyers, and engineers. One of the candidates expressed the sentiment of substantive representation when speaking about the list, “Like many Egyptian women, I am a mother and a wife, who is also working in the social sector. I feel the problems of Egyptian women, who are like me, and also the problems of poor women because of my work.”55 The Giza all-female list is an example of Egyptian women taking matters into their own hands to increase female legislative presence and find a collective voice within parliament.

In a personal interview with Nehad Aboul Qomsan, head of the Egyptian Center for Women’s Rights, she expressed her feelings towards the revolution. “For us, the revolution was amazing. Egyptian people gained their self-confidence. [Before the revolution], we tried hard to work in civic education for more than fifteen years, but we were like pushing a mountain.” Unfortunately for Egyptian women, this metaphorical mountain still exists in the form of cultural and structural barriers, blocking their way to representation in parliament. By adopting a double quota system that enables the descriptive representation of Egyptian women, female representatives would have the chance to form a coalition and influence national policy legislation in favor of women’s issues.

Section Four

DRAGON OR PANDA:
IMPLICATIONS OF CHINA’S RISE ON CHINESE
DOMESTIC AND FOREIGN AFFAIRS
Reconsidering the Economic and Security Implications of Chinese Rare Earths

Nathaniel Austin

*While the international market for rare earths played into the expansion of China’s rare earth mining, the current Chinese monopoly presents risks to the international economy and international security. This is because the contentious Chinese export quota system was designed not only to improve domestic conditions but also to draw international high-tech industries to China. Through a review of the history of rare earth development, government and private sector policies, interviews with professionals, and analysis of trade and financial data, this paper seeks to clarify three areas of the rare earth debate. It first analyzes the historical factors that led to the near Chinese monopoly on rare earth production. Then, it considers the rationale and effect of the export quota system, and finally, it questions whether the international community has adequately managed the economic and security implications of rare earths.*
I. Introduction

China currently controls more than 90% of the world’s supply of rare earth metals. These metals are used in many essential applications, ranging from green technology to electronics manufacturing to military technology. Before 2010, few analysts had heard of rare earths (RE) or considered their importance to the global political economy. However, in the wake of the 2010 Senkaku/Diaoyu island dispute and the de facto embargo on RE exports, analysts, governments, and the media seized upon rare earths as China’s latest political ploy. They concluded that China had used its RE endowment to gain a political settlement from Japan. While this argument cannot be completely discredited, the more accurate explanation is much more nuanced. While geopolitical factors may have shaped Chinese decision-making, there are a number of economic and political goals that have historically affected both the Chinese domestic RE industry and the international supply chain.

One of the most important considerations in studying the global impact of Chinese resource policy is the historical development of the industry. Rare earth production has always been a government targeted development area for the People’s Republic of China (PRC), which means that the government has encouraged and supported state companies in the mining industry throughout their development. Moreover, the price competitiveness of Chinese producers, combined with the downward pressure on prices provided by illegal miners and the comparatively high environmental standards of the West effectively pushed non-Chinese miners out of the industry.

For most of the 2000s, the concentration of mining in China was not a concern to Western companies who continued to receive cheap inputs for their high-tech manufactured goods. By the middle of the decade, the long-term outlook of cheap international rare earths changed with the imposition of the export quota system. This policy change was and is the driving factor in the RE debate, because it is indicative of many levels of Chinese resource management policies.

There are a number of explanations for why the export quota was put into place. There was some concern that the export quota was enacted for purely geopolitical ends as a bargaining chip with Japan, but this argument is easily discredited because the policy was enacted five years
before the 2010 Senkaku/Diaoyu incident. The Chinese claim that the purpose of the quota is environmental protection and resource management. While these are legitimate Chinese concerns, there are other more effective policies to achieve these ends. The third argument is that the export quota has created a price distortion, making rare earths much cheaper in China than abroad, and providing an incentive for high technology industries that use rare earths to relocate to China. This argument is plausible because it is in line with stated Chinese long-term economic modernization strategies and the historical development of the RE industry.

The high prices caused by speculators and the export quota have provided capital for junior miners around the world. The combination of supply diversification and government action should be enough to diffuse the remaining political tension surrounding the rare earths industry. This paper draws on government documents, reports, trade data, media analysis, and expert interviews to answer three questions: How did China gain dominance in the RE industry? What is the reason for the export control policy? How is the world responding to China’s virtual monopoly of the RE industry? Finally, this paper contributes to the rare earth debate by addressing how to mitigate the remaining political and economic risk of the RE industry.

II. History of the Rare Earth Industry in China

To understand the political and economic importance of the RE industry, it is necessary to understand the history and applications of RE elements. They are a group of 17 chemical elements, often found together in the same sub-surface ore deposits. The ore retrieved from these deposits are called RE minerals. Each possesses unique chemical and physical properties that are particularly suitable for high technology applications. They serve as key ingredients in industries from oil refining to glass making and are essential ingredients in military and green technology.¹

Three of the most useful and common rare earth elements are neodymium, dysprosium, and yttrium. Neodymium is considered to be a ‘light’ RE because of its relative atomic weight, and is used primarily in

energy generating applications.² Yttrium and dysprosium, on the other hand, are ‘heavy’ rare earths, and are frequently used in military applications including laser technology. They are considerably more rare and therefore their supply represents a relatively greater strategic concern. An in-depth analysis of each of the REs is beyond the scope of this study, but it is important to consider the varied applications, relative importance, and scarcity of each material. Considering them as a monolithic group could oversimplify analysis. For example, while many rare earth metals are necessary for military applications, the US Department of Defense only considers yttrium to be scarce.³

The importance of RE metals and the environmental damage caused by their extraction was common knowledge, which begs the question: How was China able to so highly concentrate RE production without international reaction? The Chinese government certainly played a role in increasing their own production by designating REs as a strategic industry. The focus given by Chinese planners to this industry not only supported China’s natural comparative advantage, but also proved especially lucrative towards providing inputs for high-tech manufacturing. Additionally, the relative lack of environmental regulations and low mining costs made Chinese minerals more globally competitive, further centralizing RE mining nearly exclusively in China. International consumers seemed content to purchase minerals from China until the 2010 export ‘embargo’ turned REs into a political issue.

Deng Xiaoping, then Chairman of the Chinese Communist Party, noted in 1992, “There is oil in the Middle East; there is rare earth in China.”⁴ Taken literally, Deng’s metaphor could strictly mean that rare earths represent a lucrative resource, but it could also be a subtle reference to the political role played by oil in the Middle East. The Organization of Petroleum Exporting Countries (OPEC) has often used the supply of oil as a political tool, and the same could be true of China’s rare earths. Around the

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time of Deng’s statement, Chinese production skyrocketed to approach 130,000 metric tons in less than 25 years.\textsuperscript{5} This expansion was created in large part by the Bayan Obo Mine, which is located in Inner Mongolia and, together with associated mines, accounts for 50% to 60% of China’s total RE production. From the beginning of the reform period in 1978, China averaged annual output increases of 40%, while the rest of the world’s production decreased considerably. The result of this was that by 2010 China controlled 97% of the world’s supply of RE.\textsuperscript{6}

The resulting environmental damage from Chinese production from the 1980s to the present was the greatest hidden cost of Chinese dominance. To date there has been no publicly released study of the environmental effects of the Chinese RE industry, but statements from Chinese officials have indicated that this has been a serious concern. For example, a government issued white paper on rare earths admitted: “Excessive RE mining has resulted in landslides, clogged rivers, environmental pollution emergencies and even major accidents and disasters, causing great damage to people’s safety and health and the ecological environment.”\textsuperscript{7} The method for mining and refining rare earths is associated with serious environmental problems; for example, the method for separating rare earths from surrounding ore using sulfuric acid also produces 10,000 cubic meters of wastewater and a ton of radioactive slurry.\textsuperscript{8} The pit mines and refineries required to sift through RE ore produce prodigious amounts of dust, wastewater, and tailings, including radioactive compounds of Thorium and other dangerous materials. According to Chinese domestic estimates, every ton of rare earths mined in China produces 8.5 kilograms of fluorine and 13 kilograms of dust, much of which contains thorium.

Under normal circumstances mining can be highly detrimental to the environment, but completely unregulated operations by miners with little to no stake in sustainability or the cooperation of local residents is

\textsuperscript{8} McGregor, Tom. “Environmental Hypocrisy over RE Quotas.” Chinese Society of Rare Earths, July 7, 2011 http://bit.ly/15aJF1A
considerably worse. According to Keith Bradsher, a prominent commentator on China for the New York Times, numerous illegal mines were established in China’s southern region to extract heavy REs. At one time, these mines accounted for a third of the country’s total exports. By some estimates they also produced nearly half of the more valuable heavy REs. Criminal organizations often ran these mines, making their exact production difficult to estimate, but there is reason to believe that the low cost of these illegal mines contributed to lowering the cost of rare earths on the international market.

Chinese producers, including both legal and illegal miners, were able to gain such a large share of the world’s total RE production because over the previous 15 years they had flooded the international market with increasingly cheaper products. Foreign firms were unable to compete with the lower prices, especially when factoring in the high cost of complying with strict Western environmental regulations. The American mine at Mountain Pass was the only other contemporary scaled producer, but Molycorp, the company that owned the mine, almost went bankrupt trying to compete with Chinese prices while maintaining a much higher environmental standard. The end result was that by the 2000s China was the only major source of RE elements, including both primary mining and processing RE capacity.

The world was aware of the concentration of RE production in China, and numerous industry publications drew attention to this fact, but there was little long-term interest in addressing the problem. In the West, there was a relative lack of investment in RE research and technology, which further obscured the long-term outlook of the RE market. Measures did exist to address the distortion such as: value added taxes, World Trade Organization (WTO) proceedings (after 2002), and investment in alternative RE infrastructure or products. It seemed the world was content to exploit China’s low environmental standards as long as it meant low prices for

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12 Hurst, China’s RE Elements Industry, 6.
foreign companies. In many ways this was a win-win situation: international consumers received low input costs and China received much needed revenue.

III. Rare Earths and the Senkaku/Diaoyu Incident

After years of relative obscurity, rare earths became a hot button issue in 2010 during the Senkaku/Diaoyu island incident, in which Japanese authorities held a Chinese fisherman apprehended in disputed waters. The Chinese retaliation was swift and many claim that it included the withholding of RE exports as a geopolitical bargaining chip. Whether this was a national government decision to use economic leverage for political gain, rare earths on the part of customs officials, or the effect of a long-standing policy is a topic of debate.

The truth may be a combination of all three arguments. There is no doubt that there was a nationalist mentality among customs officials, but it is likely that a simultaneous nationwide export ban would require coordination from the national government. Moreover the lack of such an embargo in 2011 or 2012, during similar incidents with arguably greater nationalist fervor, indicates that the government used rare earths for leverage in 2010 and because of the ensuing international uproar has refrained from taking similar action. The official Chinese explanation that they were merely following a long-standing export quota policy might be valid, as the quota system was enacted in the mid 2000s, but the sudden and rapid decrease in quota amounts points to a more politically motivated explanation.

Regardless, Chinese policymakers vehemently denied using rare earths as a weapon and Japanese businessmen just as vehemently asserted that they were no longer receiving their shipments. The Chinese claim may have merit, and the Japanese observation was certainly true, but the end result of the 2010 embargo was a political crisis and a more volatile RE market. The embargo on the international trade of REs may have only lasted

15 Bradsher, “China is Blocking Minerals.”
two months, but the scrutiny applied to the Chinese management of their RE industry has lasted much longer.

IV. Rationale and Effect of the Export Quota

Because China controls such a high volume of the world’s RE production, the PRC’s export restriction policies have a significant impact on the global RE market, and have therefore drawn considerable international interest. Why, then, did China enact an export quota?

An often overlooked fact when considering the quota system, it did not originate with the 2010 incident. As early as 2004, government agencies attempted to control the volume of RE products leaving China. The amounts of these quotas were initially set far above international demand, which is why they went largely unnoticed. In early 2010, however, quotas were reduced by 40%, provoking concern over a lack of availability and steep increases in prices.

### Chinese Export Quota
(Metric Tons of RE Ore)

<table>
<thead>
<tr>
<th>Year</th>
<th>Quota</th>
<th>%Δ</th>
<th>World</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>65,609t</td>
<td>0%</td>
<td>46,000t</td>
</tr>
<tr>
<td>2006</td>
<td>61,821t</td>
<td>-6%</td>
<td>50,000t</td>
</tr>
<tr>
<td>2007</td>
<td>59,643t</td>
<td>-4%</td>
<td>50,000t</td>
</tr>
<tr>
<td>2008</td>
<td>56,939t</td>
<td>-5.5%</td>
<td>50,000t</td>
</tr>
<tr>
<td>2009</td>
<td>50,145t</td>
<td>-12%</td>
<td>25,000t</td>
</tr>
<tr>
<td>2010</td>
<td>30,259t</td>
<td>-40%</td>
<td>55,000t</td>
</tr>
<tr>
<td>2011</td>
<td>30,246t</td>
<td>-0.04%</td>
<td>15,000t</td>
</tr>
<tr>
<td>2009</td>
<td>50,145t</td>
<td>-12%</td>
<td>25,000t</td>
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In the aftermath of the supply and price shocks in 2010, the debate over the reason for export restrictions became crucial as it applied to the

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legal options available for possible dispute settlement cases at the WTO. On the Chinese side, officials cited the need to reduce the environmental impacts of mining and promote better management of domestic resources.\(^{18}\) It is more likely, however, that enticing technological foreign domestic investment (FDI) was the real goal, as evidenced by designating national champion industries; developing research, science, and technology capabilities; reducing domestic competition; providing price incentives for inward high-tech investment; and seeking further resources abroad. This represents a divergence from the comparatively market-oriented operations that gained China its RE monopoly, and also a divergence from the international norms of environmental regulations and reduced non-tariff trade barriers.

Under the 2012 white paper for RE development, the Chinese Information Office of the State Council outlined and defended a series of economic policies. These included specifically the export restriction policy meant to address the environmental and illegal mining problems, and set China on the path to a more sustainable development model. The paper called for stricter environmental regulation, controlling the total amount of production, and monitoring international RE trade.\(^{19}\)

In order to reduce domestic pollution, China is now pushing for an increase in environmental protection legislation and enforcement, despite laws already in place specifically geared at mining pollutants and rare earths.\(^{20}\) There is only marginal evidence that existing regulations and protections have been enforced in China in the past, especially when compared to more stringent Western policies. There have been no reported incidents of China enacting similar fines on domestic companies, possibly because most companies are wholly or partly state-owned and all mineral resources ultimately belong to the state. It makes little sense for the state to fine itself.

Furthermore, there are two main problems with environmental protection as the primary goal of restricting exports and consolidating industry. First, this policy was only implemented recently, despite the fact

\(^{18}\) PRC Information Office, *China’s RE Industry.*
\(^{19}\) PRC Information Office, *China’s RE Industry.*
that the environmental dangers of RE mining have been known for many years. Additionally, the methods chosen to address environmental dangers include consolidation and export restrictions, which may decrease illegal mining activities, but do not directly address environmental problems. There may be a rationale to addressing environmental concerns by increasing environmental standards, especially if the danger is caused by a domestic race to the bottom mentality, or by international exploitation. However, the evidence for these explanations is equally tenuous, since RE mines are controlled by a state-owned industry in a nominally communist country. The Chinese government is ultimately responsible for the environmental standards applied in its territory so the responsibility and blame for environmental problems rests with it.

China has also justified its industrial policies, especially export restrictions, by claiming a need to regulate prices and manage domestic supplies to counter international consumption. The international buyers and producers of downstream RE technologies are implicated in China’s problems, as their demand has led to the environmentally haphazard expansion of Chinese production. While environmental regulations hampered Western mines, Western consumers did not discriminate against less environmentally strict Chinese mines. This argument is supported by the fact that the unregulated illegal mining industry was fueled by international demand, which pushed down prices. These low prices in turn forced legal producers to increase their scale to continue to make a profit.

According to WTO rules, China does have the right to protect its natural resources from over-exploitation, but only when outside influence is to blame for that over-exploitation. In fact, this does not necessarily apply to China because rare earths are designated as a strategic industry, and as such receive very little FDI. Foreign producers’ consumption of RE technology was high because Chinese rare earths were less expensive. The environmental damage and overproduction was fueled by high demand, but that demand was high in large part because the lack of environmental regulation made Chinese products cheaper. Additionally, claims of

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exploitation of Chinese resources are less credible since the state itself owns Baotou Iron and Steel Group, the largest company tasked with mining REs.

Chinese officials were aware of the dangers of over-exploitation of Bayan Obo and other mines at least as early as 2005. Xu Guanxian, the ‘father of Chinese rare earths,’ along with a number of prominent scientists, urged President Hu Jintao to address the issue of RE over-exploitation for both environmental and security reasons. According to Xu, the Bayan Obo mine possessed only 28 million tons of its original 43 million ton endowment. Unless drastic measures were taken, the remaining resources would be completely depleted within 30 years.22

Cognizant of this information, China began imposing export restrictions and taxes on rare earths as early as 2004. Initially, these policies operated more as market signals than as effective barriers to trade. The quotas for most of the 2000s were high enough that there was no international lack of materials, but in 2010 the quota dropped low enough, quickly enough, that the international community began to worry, even though there was no actual shortage.23 In reality, even this quota was significantly higher than was needed for non-Chinese production, because the majority of RE consumption took place inside of China. In 2010 China consumed about 60% of the world’s total of rare earths. Unless there is a major change in the RE supply chain, this total is only expected to increase.24

Despite the air of exoticism often given to rare earths, China has managed its mineral industry in the same manner as its other strategic industries in order to drive macroeconomic and industrial growth and combat unemployment. To that end, it is very possible that China will continue to manage the RE industry in order to attract FDI and technological modernization in RE downstream products. As China moves from a labor- to a capital-intensive economy, it will need these types of high-tech industries to maintain its economic growth.

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Most of the evidence for using rare earths to modernize the Chinese economy is circumstantial, but there were at least two documents available in English that gave support to this phenomenon: the 12th Five Year Plan and the National Development and Reform Commission’s “Regulations of Foreign Investments in the RE Sector.” These documents lay out the near term economic plan of China as a whole and the RE industry, respectively. Both innocuously cite energy and RE industry as targets for future technological growth.25 While the methods described in these two policy documents are purposely vague, their effects are measurable. Through creating a price distortion to entice inward FDI and investing in foreign companies and research and development (R&D), China is attempting to leverage its RE endowment to modernize its industry.

The most compelling evidence for technology incentive-driven RE policies is the existence of price differentials between Chinese domestic and international RE consumers, the growing level of incoming and outgoing FDI in RE industries, and the government-led investment into new RE applications. This difference in price was one of the most visible effects of Chinese policy that was prominent enough to draw the attention of the WTO’s dispute settlement body. The WTO panel established in July 2012, after a joint complaint by the European Union, the United States, and Japan, identified three main areas where Chinese export policies were inconsistent with international law. The United States and Japanese filings emphasized that export quotas and duties presented a barrier to Chinese exports, which was illegal under the terms of accession to which China agreed in 2001.26 The European claim asserted that Chinese export quotas and duties unfairly favored Chinese domestic manufacturers of RE products.27 Because the export quotas apply mostly to primary products and not to finished goods, foreign manufacturers have an incentive to relocate production to China, where inputs are artificially cheaper. This presents a fundamental trade distortion.

25 PRC Information Office, China’s Rare Earth Industry.
The quotas set by the Ministry of Industry and Information Technology have consistently gone unfilled, and total production has increased year after year. The increasing abundance of rare earths should have lowered international prices, but governmental concern over the material availability, speculation, and stockpiling led to a tremendous boom in aggregate RE prices in 2011.28 Not every RE product’s price increased, but for the products most widely used in current industry, including neodymium, dysprosium, and cerium, the increase was substantial.29

Some producers of RE technologies responded to the price differences by relocating production to China or investing in a joint venture with a Chinese partner to gain access to the domestic RE price. These included important high-tech manufacturers such as GE’s X-ray division and Magnequench, a top US-based RE magnet producer.30 Japanese officials have also reported Chinese hints to Japanese businesses that, “if they want rare earths, they should move their factories to China.”31 Many green technology manufacturers are also sourcing more of their production in China, especially wind turbine technology. Modern industrial-sized wind turbines require large amounts of permanent neodymium iron boron magnets, difficult to purchase or produce outside of China.32 As a result of this difficulty and a concerted effort to attract FDI to this sector, China now controls 76% of the world’s RE magnet production.33

China has traditionally used joint ventures to increase its technological repertoire because traditional technology transfer methods are less common in its government-guided economy. While licensing agreements are often used, due to their comparatively high cost Chinese companies have preferred to gain access to foreign technology and

33 Subcommittee on Asia and the Pacific, US House of Representatives. Testimony by Committee on Foreign Affairs, September 21, 2011.
knowledge through strategic partnerships. China is also trying to attract investment and technology at lower stages of the RE production process, actively seeking out experience in RE mining and processing to add expertise to its own domestic companies. The inclusion of France’s Rhodia Chemical and other foreign extraction and processing companies in the Baotou High Tech Zone shows China drawing in more foreign firms to participate in RE production. An unnamed Chinese government source even went so far as to label this the “technology for resources” strategy.

China has not stopped at inward FDI as a means to improve its domestic RE market. Over the past few years, Chinese companies and investors have begun to seek international partnerships to add value to China’s extant system. Most visibly, Chinese factories have even begun producing RE finished products outside of China. Specifically, China seeks to establish itself as a market leader in wind turbine production and green power generation as a whole. As a method to both increase its technological grasp on the wind power industry and to establish a Chinese wind presence in the American market in 2010, A-power Company attempted to build a large turbine factory in Texas in partnership with the US-based Renewable Energy Group. After a series of political triumphs and setbacks, A-power withdrew from the plan because of an inability to file returns with the Securities and Exchange Commission.

Additionally, in response to ever increasing Chinese domestic demand for rare earths, China is looking for foreign mining projects in which it can gain a substantial interest. These acquisitions support China’s long-term resource management goals, ensuring a domestic supply of rare earths long into the future. Investment in metals comprises a significant proportion of China’s global investment in many countries. There were two recent, widely publicized Chinese investments in foreign RE mining. In

36 Delegation of the EU, *China’s 12th Five-Year Plan*
2009, China’s non-ferrous metal mining company bid for a controlling interest in Australia’s Lynas Corporation and its Mount Weld RE mine. In 2005, China National Offshore Oil Corporation (CNOOC) bid for Unocal Oil, its subsidiary Molycorp, and the Mountain Pass RE mine. At the times of the proposed deals, each mine represented the most commercial foreign alternative to China’s RE mines. The Australian Foreign Investment Review Board, on the grounds of preventing a Chinese monopoly on rare earths, blocked the Lynas Corp acquisition.\(^39\) The Unocal bid by CNOOC was similarly defeated, but the prospect still exists for Chinese investment in international rare earth projects.\(^40\) This is especially true because before 2010 it was very difficult to gather startup capital for RE mining projects, which rarely show profits and are vulnerable to price fluctuations. China expects its demand for rare earths to increase, in large part because of its increase in production of RE technologies either domestically produced or internationally acquired.

### V. World Reaction to Chinese RE Policies

By and large, the majority of the world’s concern over REs focused on the Chinese monopoly on production. Current efforts at diversification have been largely successful at making this a problem of the past. Multiple new RE mines have opened around the world, and the international economy is becoming less reliant on Chinese exports. There is still considerable diversification left to do, and there are problems with the RE trading regime. China is still an overly important player, but recent developments move towards making REs a largely irrelevant geopolitical concern.

While China has made significant strides in improving its own domestic RE capacity and market, the rest of the world has not been completely passive. Japan, the United States, and many other Western countries have developed a number of polices that could diminish the effect of the Chinese monopoly. The most publicly visible of these measures is the WTO suit filed separately by the US, Japan, and the EU. Other measures


include stockpile building in Japan, searching for production alternatives, recycling programs, and importantly, exploration into alternative sources.

However, pursuing alternative resources and diversifying supply will not be easily accomplished. China has made significant headway in gaining control of the market for basic RE commodities. At least in the near future, China stands to remain the largest RE producer. Even so, as Jack Lifton, an expert on rare earths, said, “You don't make money mining rare earths; you make money in producing products from rare earths.”\(^{41}\) The future of the world’s RE industry will rest on their ability to transform control over RE mining into control of RE technology and industry.

It will not be easy for China to continue to bring foreign technology companies into the country. Foreign businesses are wary to bring their most modern and sensitive equipment into China for fear of commercial espionage and forced technology transfer. In the past, China has shown itself capable of stealing technology that it deems to be a national priority. The recent quasi-nationalization of RE mines is only one example of this historical trend. As recently as 2011, Sinovel, a large wind turbine manufacturer, was caught stealing software for wind turbine optimization.\(^{42}\) Technology theft only becomes easier if firms are located in China itself.

In large part because of the perceived dangers in working with Chinese companies and minerals, a number of governments and countries are developing alternative supplies. Within the next five years many new mines should become viable sources of non-Chinese rare earths.\(^{43}\) Much of this production may still be exported to China if the RE industry continues to be driven there, but the very presence of foreign mines indicates that concern over politically motivated RE embargoes is unfounded. A Department of Defense study also concluded that by 2013, domestic supply would be sufficient to meet most critical needs in the United States.\(^{44}\)

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In addition to diversifying supply, international companies with an interest in rare earths have begun to develop alternative technologies to replace those that are rare earth dependent. Japanese companies such as Toyota as well as government research centers are developing alternative RE engines. The United States has also initiated public and private programs to develop permanent magnets using few to no rare earths. Samarium-based magnets and induction motors are particularly promising alternatives to the current technologies.\textsuperscript{45} Even in areas where RE use is likely to remain essential, companies are developing new sources of usable RE metals. The Japanese company Hitachi, in partnership with the Japanese government, has developed recycling technology that may aid in reclamation of rare earths from antiquated technologies.\textsuperscript{46} This development is important for Japan, particularly because it lacks any domestic RE supply, but the technology will likely spread if rare earths remain as expensive as they were at the height of the 2011 boom.

However, it is unlikely that the RE price spike seen in 2011 will reoccur. It is now more difficult for any one country to control so large a proportion of the RE market, and the speculatory bubble created by the 2010 quota has dissipated. New mines are already in operation in Australia’s Mount Weld controlled by Lynas Corporation,\textsuperscript{47} and old mines have restarted in the US at Mountain Pass.\textsuperscript{48} Japanese scientists have even begun to explore seabed resources in the Pacific and Indian oceans as possible alternate sources.\textsuperscript{49} As more mines and processing facilities come on line, RE prices should equalize between China and the West at a lower norm. International investors will recognize the reduced risk of this diversification, which should smooth the future prices of speculative trading. The combination of these factors should counteract the impact of the Chinese monopoly and dissipate concerns over the availability of high-tech inputs.

While the trend towards supply diversification is underway and even accelerating due to the influx of investment in new mines after the 2010 price jump, there are still dangers to supply diversification. The most pressing of these is that RE prices could drop again to the levels that made foreign mines unprofitable in the 2000s. If prices were to return to these levels, investment for new projects would disappear and China would again be the sole producer of rare earths. In some cases, Chinese companies might even profit in this arrangement by investing in otherwise unprofitable foreign RE ventures. In this manner they could receive Western technological advances in the mining process as well as valuable minerals. Lifton has pointed out that many new RE mining firms seem to be heading in this direction. The focus on competing with China will lead many firms to lose their profit margin and collapse. The most promising future area for the Western RE industry is instead smaller scale production of heavy REs, which have greater margins and are competitive with Chinese producers.50

The strategy of focusing on these high margin products makes sense geopolitically as well. The American military needs only a comparatively small variety and amount of a few rare earths. To diffuse risk of a supply shortage, military acquisition planners can focus on maintaining a secure supply or stockpile of those materials most necessary for military use. While this strategy does not address long-term economic concerns, it does negate the majority of political risk highlighted by the US Congress and other commentators.51

Aside from industry solutions to the political problems of Chinese monopolies, Western countries have increasingly cooperated to jointly develop the non-Chinese market. In addition to their joint WTO filing, Japan, the EU, and the United States have created a semi-regular trilateral meeting on critical minerals and designated contact points for cooperation on resource and industrial policies.52 By harmonizing Western RE policies,

this sort of meetings can increase the amount of political attention and funding towards maintaining the non-Chinese RE industry.

In addition to meetings not involving China, it will be important that the West maintain a dialogue with China on the RE supply chain. Outside of the pending WTO action, there should be a continuing dialogue on reducing non-tariff trade restrictions throughout the entire Chinese economy and in REs specifically. This would have the dual benefit of increasing trade and building a cooperative framework for future initiatives. Methods for achieving this might include bilateral meetings, regional frameworks, or global agreements. Any serious progress on this subject will require more specific research into the effects of export quotas and other non-tariff measures.

VI. Conclusion

A variety of factors have informed the path the RE market has followed. The rise of Chinese RE production resulted in large part from the fact that China was the lowest cost producer via Chinese government support. Then, geopolitical incidents have politicized an otherwise non-political issue. Moreover, Chinese policies to address some of the failings of the market, such as environmental degradation, provoked questions about the influence of economic nationalism. The concerns around RE industry management, mainly the export quota and 2010 fishing boat incident, were some of the primary motivations that spurred the international RE-consuming community to cooperate. While the government-led actions were slow to achieve their effects, and the WTO ruling has still not brought real change, private industry has diversified RE sourcing and increased investment in global RE projects. These market factors will continue to mitigate the risk of Chinese political and economic nationalism in the RE supply chain. If current trends continue, the RE market political issue should soon disappear.
Beside the Dragon: What is Kazakhstan’s China Question?

Alex Loo

The specter of Chinese economic domination is certainly of concern to many of its smaller neighbors. Kazakhstan is not immune to those fears. The idea of China’s demographic power along with its rapidly growing presence in Kazakhstan has concerned internal and external voices over whether Kazakhstan is being subsumed by China’s economic might. Yet, China is far from being the sole actor in Kazakhstan. Kazakhstan has had a long-standing ‘multi-vector diplomatic policy’ since independence, focused on engaging with a multitude of nations. That policy has led to Kazakhstan’s unique position amongst the Central Asian states, in which it is better suited to maintain independent policies in the face of Chinese pressure. This paper analyzes the role of China in Kazakhstan’s economy in the context of Kazakhstan’s foreign economic relations. Despite growth in Sino-Kazakh economic ties, Kazakhstan’s economy is far from being reliant on China. There are, however, issues that might alter the situation in the long term, namely concerns over Kazakh political succession and problems in Kazakhstan’s drive to spur economic diversification.
I. Introduction

This paper argues that in the short term, Chinese economic influence in Kazakhstan is unlikely to threaten Kazakh independence due to its well-balanced foreign policy, diversified foreign investors, and diversified import/export markets. Chinese influence in the long run, however, is much more foreboding. A continued reliance on natural resource extraction might make Kazakhstan increasingly dependent on the Chinese market should Kazakhstan's drive towards economic diversification fail. Furthermore, the country’s future domestic political stability is uncertain which might lead to a greater Chinese role there as China acts to defend its interests.

China’s economic expansion and its vast and growing middle class have spurred increasing demand for natural resources. The Chinese government has been extremely proactive in locating and securing natural resources such as oil, gas, copper, and iron around the world in places like Africa and Southeast Asia. China’s growing relationship with many of its smaller neighbors, like Kazakhstan, has led to concerns that those countries have become so tied to China that its foreign and domestic policies have subsumed their own. After all, Kazakhstan possesses vast reserves of natural resources such as, but not limited to, oil, gas, uranium, iron, gold, and copper, with the country’s energy reserves alone valued at over US$9 trillion.¹

Kazakhstan straddles a unique opportunity to play a role in global resource politics. Whether or not Kazakhstan’s relationship with China reduces Kazakhstan to economic vassalization might well change the future of Central Asia. After all, Kazakhstan’s status as the most successful of the Central Asian states, as well as its reputation as “an Islamic nation [implementing policies] of tolerance, moderation and modernization,”² lends credence to a strong international role for it in the 21st century. A disproportionate amount of Chinese influence in Kazakhstan would therefore hurt its perceived independence on the world stage. Internal and

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external perceptions of Kazakh foreign policy will become more important as the country continues to rise in political and economic importance.

In the last ten years, concerns have steadily risen over the expansion of Chinese investment in Kazakhstan. Many of these investments have been spearheaded by leading Chinese state-owned corporations, which have invested primarily in Kazakhstan’s extractive industries such as oil, gas, and uranium. Foreign observers have become increasingly concerned that China’s growing investment puts Kazakhstan’s multi-vector diplomatic policy increasingly under attack. Indeed, many experts have seen China’s energy presence in Kazakhstan as a strategy towards ultimately legalizing what they term a “Chinese right of inspection” over its neighbor in the event of political tensions, creating a right to interfere in domestic Kazakh affairs.³ In light of those fears, it is important to clarify the nature of China’s presence in Kazakhstan.

To do so, this paper begins with an analysis of Kazakhstan’s multi-vector approach, a diplomatic strategy aimed at ensuring a balanced foreign policy, and China’s role therein. Secondly, the paper discusses Kazakhstan’s import and export markets, as well as the sources of its foreign direct investment (FDI). The paper then looks at Kazakhstan’s efforts towards economic diversification and its feasibility. Kazakhstan offers an interesting case study on how resource-dependent developing countries can react to foreign investment, as well as a possible alternative model to states concerned with becoming overly reliant on another single country.

II. Kazakhstan and Its Multi-Vector Approach

Despite concerns over the expansion of China’s economic presence in Kazakhstan, the clearest difference with countries like Laos and Cambodia is the fact that Kazakhstan has a long history of balancing foreign interests. This ‘multi-vector diplomacy’ is essentially the foundation by which Kazakhstan is able to maintain its independence, and also the reason why Kazakhstan will be able to continue to grow in prominence.

The term multi-vector diplomacy was invented by Kazakh President Nazarbayev after the country’s independence to describe “his foreign policy

balancing act… seeking to position Kazakhstan as an even-handed ally of Russia, China, the European Union and the United States,” as well as other countries interested in pursuing and developing stronger ties with Kazakhstan. The policy is essentially based on “a pragmatic, non-ideological foundation,” where the “character of government and internal policies of potential partners” are not at all factored into the multi-vector approach.\(^4\) The primary driving force behind the multi-vector approach is based exclusively on the “potential costs and benefits [of the multinational relationship].”\(^5\) Many proponents of the multi-vector approach argue that it has strengthened the hand of the Kazakh government in dealing with foreign investors and granted the country additional flexibility in dealing with other countries.\(^6\) Kazakh receptiveness to Chinese investment thus plays a role in its multi-vector diplomacy in managing the many suitors for its resources.

Despite China’s strong push in the last decade, Kazakhstan’s greatest ally still remains Russia. President Nazarbayev in 2008 described the relationship saying that “There are no [other] such close fraternal relations as there are between Kazakhstan and Russia elsewhere in the world.”\(^7\) A year before, President Nazarbayev stated that “he considered the partnership with China second in importance only to that with Russia.”\(^8\) China’s expanding economic presence in Kazakhstan concerns both Moscow and the global community, as it is widely known that China is scouring the earth for access to fuel to satiate the energy needs of its rapidly growing economy. Greater Chinese involvement in Central Asia will also have the effect of solidifying Chinese rule over Xinjiang through which the pipelines from Central Asia will flow to China.\(^9\)

At the same time, Kazakhstan has also been active in strengthening old ties with the former Soviet Union, to counterbalance its ties with China along the lines of its multi-vector diplomacy. Kazakhstan is a founding

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\(^5\) Palkin “An Energy Triangle,” 259.
\(^6\) Palkin “An Energy Triangle,” 269.
member of the Eurasian Economic Community (EurAsEC), which seeks a “regional trade regime, common customs procedures, and unified tariffs and non-tariff barriers.” 10 More importantly, the EurAsEC’s common duties policy was implemented in 2010 between Russia, Belarus, and Kazakhstan. 11 Furthermore, President Nazarbayev’s political issues advisor, Ermukhamet Ertsybaev, has expressed Astana’s interest in expanding the current Russian-Belarussian-Kazakh Customs Union to include countries such as Ukraine, Tajikistan, and Kyrgyzstan. The elimination of non-tariff barriers and standardization of the legal framework governing the customs union could prompt even greater trade; the larger market size could not only spur more FDI but also innovation. 12 While Kazakhstan’s decision to enter the customs union was not without domestic criticism, Kazakhstan’s closer ties with Russia and Belarus as well as other former Soviet Republics is representative of a finely tuned Kazakh multi-vector diplomacy. This interest furthermore shows how Kazakhstan is unwilling to abandon those ties in exchange for closer relations with China. The expansion of the customs union to other countries of the former USSR would create a formidable bloc of hundreds of millions of people with its integrated markets and production somewhat insulated from Chinese economic expansion. Thus, while Kazakhstan increasingly moves closer to China, it also works on other foreign initiatives to ensure that Kazakh-Chinese ties are never paramount when compared to already established foreign relationships.

Kazakhstan’s extensive natural resources, stable political environment, and strategic location have caused significant foreign interest in investment in the country. It is likely that FDI flows will continue to increase in the future, giving Kazakhstan the ability to pick and choose from a number of different investors. The attractiveness of Kazakhstan as an investment destination is one of the foundations of its multi-vector diplomatic policy. As long as Kazakhstan maintains the current course, it will be able to attract a number of different economic investors, just as it tired in the late 1990s due to concerns about being overly dependent on

10 Cooley, Great Games, 59.
11 Cooley, Great Games, 59-61.
Russia. The possibility of China becoming the largest foreign economic presence in Kazakhstan in the future is unlikely, as long as Kazakhstan’s economy continues to grow and the country remains politically stable.

However, there is still the concern that this well-laid plan might come apart. A change in leadership could affect political stability, drive down FDI, and leave open the door to greater Chinese economic and political involvement. Kazakhstan’s multi-vector diplomacy is thus the cornerstone and front line of defense against any aggressive expansion of Chinese presence into the country. Its effects in ensuring Kazakhstan’s continued political and economic independence are most apparent in the diverse set of countries that have invested and traded with Kazakhstan since its independence. Thus, Kazakhstan pursues expanding the customs union with Russia and Belarus while simultaneously seeking Chinese investment, with the multi-vector approach as the fundamental basis for Kazakhstan's foreign policy.

III. Chinese Economic Impact in the Context of the Kazakh Economy

Beginning in the 2000s, FDI into Kazakhstan increased significantly compared with the first years after independence in 1991. This flow corresponded with additional increases in both trading volumes and migration within and into Kazakhstan. China’s role in this process has particularly accelerated in the last ten years, especially after the 2007-2008 Great Recession. With Western countries and companies still recovering, China was in an excellent position to fill in the gaps, investing in a series of high profile projects. These investments, along with increases in Chinese-Kazakh trading volumes and migration, are what prompt concerns about Chinese economic and demographic encroachment into Kazakhstan. Yet, the data still seem to show that Kazakhstan’s multi-vector diplomacy is ensuring a diversified investment base and a variety of trading partners. The influx of Chinese migrants has also been overstated and does not yet pose a problem for Kazakhstan.

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The Chinese acquisition of PetroKazakhstan in 2005 for US$4.18 billion, the “most expensive oil acquisition ever in Central Asia”\textsuperscript{15} undoubtedly brought Chinese investment into Kazakhstan front and center. The commonly held view at the time was that this acquisition was only made possible by the approval of the Kazakh government.\textsuperscript{16} China’s presence in the oil and gas industry has been growing annually, almost tripling its share of production in Kazakhstan over the past ten years. China has also spent over US$10 billion on oil and gas pipelines.\textsuperscript{17} The Kazakh government’s approval of greater Chinese involvement in its extractive industries is simply another facet of its multi-vector approach.

China’s arrival into the Kazakh market for oil and gas was later than other countries, and as such “[China was] able to acquire sites of only relatively marginal importance,” with most of its acquisitions occurring after

\textsuperscript{14} Compiled with data from the National Bank of the Republic of Kazakhstan and the Agency of the Republic of Kazakhstan on Statistics.
\textsuperscript{16} Ostrowski, \textit{Politics and Oil}, 148.
Indeed, so far the oil fields purchased by Chinese companies have small balances and recoverable reserves. As of 2010, a quarter of Kazakh oil production was controlled by China through corporations with either a Chinese majority or outright owned. Problematically, many of the Chinese corporations involved in oil and natural gas extraction do not publicly report their companies’ production levels, and all calculations of Chinese production are based on estimation. Another aspect that is often ignored is that the type of contracts Kazakhstan signed with Chinese companies are in many cases much more advantageous to Kazakhstan than the tax sheltered, privileged treaties Kazakhstan signed with Western companies in the 1990s. Furthermore, Chinese companies are willing to allocate monies towards social projects as well as rural infrastructure development. From the perspective of Kazakhstan’s multi-vector approach, the expansion in Chinese investment is not truly a matter of concern for domestic and international observers. According to statistics compiled by the Kazakh government, foreign investment from China was only the sixth largest source of investment from 1993 to 2012. The Virgin Islands, France, the United Kingdom, and the Netherlands all surpass China.

Figure 2. Kazakh Incoming Investment by Country

Compiled with data from the National Bank of the Republic of Kazakhstan and the Agency of the Republic of Kazakhstan on Statistics.
For the United States and the Netherlands, aggregate FDI is respectively three and five and a half times more than China’s, and while Chinese investment will undoubtedly increase in the future, it will still be one of many FDI providers. The entrance of Chinese capital into Kazakhstan will not turn it into an economic dependent of China; Kazakhstan is instead using the influx of Chinese capital in the context of its multi-vector diplomacy to counterbalance the overwhelming advantage that Western European and American firms have there. If there were hypothetical sanctions and restrictions on Western companies operating in Kazakhstan, a Chinese presence would be able to offer some relief.

Chinese influence in Kazakhstan has also been expanding via greater trade relations. Media outlets have certainly been paying attention to the expansion of infrastructure in the China-Kazakhstan border region as well as the explosion of trade volumes. The opening of a brand new Kazakh-Chinese railway crossing for almost US$1 billion\(^{23}\) is one clear example of how trade between the two countries is only expected to increase in the future. Furthermore, tonnage through the previously existing railway pass has increased 9,400% from 1991 to 2011.\(^{24}\)

With such a rapid growth of trade, there are strong domestic fears of Kazakhstan becoming dependent on the sale of commodities to more economically developed countries. That view is misleading. A report by The European Bank for Reconstruction and Development analyzed the changes in Kazakhstan’s import and export volumes after the implementation of the 2010 customs union with Belarus and Russia. It also tracks the changes for Kazakhstan’s other trading partners as well.

Much like the case of FDI, it is clear that popular opinion grossly exaggerates Kazakhstan’s trade volumes with China. The only aspect impressive about Kazakh-Chinese trade volumes is the growth in trade in the last few years. In terms of imports, the customs union continues to dominate Kazakh markets, while the 27 countries of the EU are the largest market for Kazakh products. The overall numbers show very clearly that while China

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has a fast growing trading presence in Kazakhstan, China’s trading volume remains low in comparison with Kazakhstan’s other partners.

Figure 3. Kazakhstan: Import volumes by trade partners, 2006-2011

![Import Volumes by Trade Partners]

Sources: Kazakhstan Statistical Agency, National Bank of Kazakhstan, Customs Union Committee.

Figure 4. Kazakhstan: Export volumes by trade partner, 2006-2011

![Export Volumes by Trade Partners]

Sources: Kazakhstan Statistical Agency.

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Still, most of Kazakhstan’s aluminum and uranium exports go directly to China, though the overall trading volume does not show this clear and definitive predominance. In addition, there likely exist a large number of illegal or unrecorded trade transactions between China and Kazakhstan, which might actually increase China’s representation in the above figures, considering the long and porous border between them.

Even with the growth in Kazakh-Chinese trade, it is important to note that these developments did not exist in a vacuum where Kazakh relations with other markets remained unchanged. The same period that saw the most rapid growth in Chinese-Kazakh trading volumes also saw significant expansion in the import volume from the customs union, with a corresponding decrease in imports from the European Union. Kazakh exports to the European Union as well as to “other” countries also expanded along with greater exports to China. Furthermore, it is clear that Kazakhstan’s economic partners for import and export markets are different. The vast majority of Kazakhstan’s imports come from its partners in the customs union (Russia and Belarus), while the majority of Kazakhstan’s exports go to the 27 countries of the European Union.

This deliberate import-export market mismatch is one part of Kazakhstan’s long-standing multi-vector diplomacy. Having different export and import markets minimizes the negative effects of any disturbances arising from country-specific turmoil. Should there be civil unrest in Xinjiang that disrupts Kazakh-Chinese trade and investment, Kazakhstan would still have many more markets because of its balanced diplomatic approach.

Empirical data from Isakoya, Koczan, and Plekhanov on the effects of the customs union do show how Kazakhstan’s implementation of the customs union works within its multi-vector diplomacy. The common external tariff for the customs union was closely aligned to Russia’s existing tariffs and affected Kazakhstan in a number of ways.

The adoption of increased tariff rates by Kazakhstan had a direct, positive effect on imports from its partners in the customs union. The data also showed that the effect of the tariff increases in Kazakhstan had a negative and insignificant effect on imports from the rest of the world. Among the other trading groups, China had the largest negative effect. The conclusion of the analysis was that the implementation of the common external tariff in Kazakhstan has led to trade diversion that particularly displaces Chinese imports in favor of imports from Russia or Belarus.\(^\text{26}\)

Observing China in the context of trade volumes, it appears that Kazakhstan has metaphorically increased the pie as well as giving China a larger slice. China has gained from this, but clearly so has Kazakhstan gained from having more varied export markets. The influx of Chinese FDI and larger trading volumes between Kazakhstan and China aligns with Kazakhstan’s multi-vector diplomacy in creating more balanced foreign relations separate from Russia and the West. In this sense, China’s growing trade and investment is not a sign of the first steps of colonization, even ignoring the fact that it is much more limited than inflows from other countries. Instead, it is part of the Kazakh diplomatic strategy, which happens to coincide with the Chinese national strategy.

IV. Kazakh Plans for Economic Diversification – A Difficult Road

It is well known that Kazakhstan’s government seeks to diversify its economy away from simply oil and gas and that Kazakhstan has been attempting such diversification for more than a decade. The overall impetus for Kazakhstan’s drive towards economic diversification is the fear of being the latest victim of ‘Dutch Disease.’ This is the commonly accepted economic theory that “countries with abundant natural resources [with] a heavy reliance on oil production and sales”\(^\text{27}\) will weaken and eventually destroy the country’s manufacturing sector. The loss of the country’s manufacturing sector would then leave the victim of ‘Dutch Disease’ extremely vulnerable to significant fluctuations in the world price of oil, as


there is no other sector capable of compensating for the fall in oil revenues.\(^{28}\) While Kazakhstan also has known natural gas reserves of 3.3 trillion cubic meters, on top of over 30 billion barrels of oil,\(^{29}\) Astana nonetheless remains concerned over its economy’s concentration in those two sectors.

Observing empirical data from 1996 to 2005, Kazakhstan’s non-oil manufacturing sector was not adversely affected by the increased oil prices during that period, despite the appreciation of nominal and real Kazakh exchange rate. At the same time, it is likely that the lack of effect on the non-oil sector might be a temporary phenomenon and that a continuation of high oil prices will put pressure on the non-oil manufacturing sector.\(^{30}\) If Kazakhstan does not further diversify beyond gas and oil, it will remain vulnerable to price fluctuations, and prolonged, high prices might also ruin its non-energy sectors, leaving the country dependent on commodities. Unless alternative sources of energy are further refined or developed to replace oil and gas, Kazakhstan will be left without a stable, secure, and diversified economy. Receiving additional FDI outside of commodities might also have the added benefit of creating greater domestic growth. While FDI aimed at commodities does have a small effect on economic growth and national competitiveness, FDI into manufacturing and other sectors appears to have much greater spillover effects.\(^{31}\)

To pre-empt the problem of over-concentrating and at the same time encourage greater economic growth, Kazakhstan’s government has laid out the ambitious Strategic Development Plan 2020, aimed at both economic diversification and improvements in its social infrastructure. Under the plan, the processing industry’s share of GDP will exceed 13%, non-primary export as share of total exports will rise to 45%, and labor productivity in both processing and agricultural sectors will increase by 2020.\(^{32}\) Outside of oil and gas, the primary focus of economic diversification is increasing the

\(^{28}\) Leonard and Egert, “Dutch Disease.”

\(^{29}\) Aitken, *Kazakhstan*, 124.


mining, agricultural, manufacturing, and engineering sectors. Whether Kazakhstan can actually meet the goals of its 2020 Plan as well as continue its drive to diversify the economy remains to be seen.

Efforts to diversify by increasing mining’s share of the economy appear to have been quite successful. The growth and expansion of Kazakhstan’s uranium extraction sector is a particular mining industry bright spot. It is also an example of how China is increasingly dominant in specific sectors within Kazakhstan. As of 2012, Kazakhstan’s “uranium sales are now worth more than [its] sales of oil to China,” with estimates that the country will provide roughly “40 percent of China’s uranium needs.” China has also agreed to cooperate with Kazakhstan’s national atomic energy agency in constructing “Chinese nuclear power plants so that [the agency] can gain experience [building nuclear power plants].” The uranium case clearly demonstrates two aspects of Kazakhstan’s economic strategy: First, diversifying away from gas and oil through the exploitation of other resources and second, advancing its position on the value-added chain by gaining expertise in high-tech service areas.

Another part of the state’s initiative to diversify is strong support for the agricultural sector. The Kazakh government has provided farmers with over US$10 billion in loans and credits with the former agricultural minister saying that “it is not fanciful to say that [Kazakh] agriculture rather than oil and gas will be the locomotive of Kazakhstan’s economy in the future.” Kazakh wheat is already of “high grade” with production of beef slated to increase after over “2000 Angus and Hereford cattle were flown to Kazakhstan from North Dakota.” The quality of Kazakh wheat and the expansion in Kazakh meat production will be one of the driving forces within the Kazakh economy in the next few decades. The well-known phenomenon of greater meat consumption with the expansion of the global middle class is one trend from which Kazakhstan will likely benefit.

Yet, despite these notable Kazakh efforts to diversify away from oil and gas, lack of investment or a stifling business atmosphere might significantly hinder the country’s efforts. Ernst and Young, one of the world’s leading assurance and consulting firms, published a comprehensive

34 Aitken, *Kazakhstan*, 126.
report in 2012 outlining the myriad issues facing Kazakhstan’s drive to diversify its economy. The large majority of foreign investors surveyed in the study see oil, gas, mining, metals, agriculture, and infrastructure as the most attractive sectors for investment and growth – not the industrial and higher end value-added industries that Kazakhstan is working to build. In terms of Kazakhstan’s drive to diversify its economy, foreign interest in the non-commodity sector of Kazakhstan remains low though there is increasing interest in sectors such as healthcare, chemicals, and information technology. However, it would greatly help Kazakhstan’s diversification plans to implement a proactive FDI strategy aimed at incentivizing investors in targeted sectors for economic diversification.\textsuperscript{36}

One of the largest obstacles to greater foreign investment is the view that Kazakhstan’s legal and regulatory environment is arbitrary. Firms find it difficult to comply with bureaucratic regulations, and believe that the legal system does not offer enough protection. Investors do, however, have suggestions on how Kazakhstan can improve its profile for foreign investors: creating a more transparent regulatory environment, building infrastructure, and developing human capital. Nevertheless, there are many concerns over whether or not Kazakhstan’s government will be able to maintain stability and continue to attract foreign businesses without President Nazarbayev.\textsuperscript{37}

The report by Ernst and Young highlights Kazakhstan’s existing strengths in commodities, and also addresses how Kazakhstan can not only strengthen its FDI attractiveness, but also how the government could utilize FDI in its efforts to diversify. Without a further diversified economy beyond that of commodities, Kazakhstan is not only vulnerable to commodity pricing shocks but also to the possibility of being simply relegated to a provider of raw materials to China or other developed countries. Developing a diversified advanced economy is Kazakhstan's key to break out of its resource dependency.

V. Conclusion

Unlike Laos, Cambodia, and many of the countries in Africa where China has invested heavily in extractive resources, Kazakhstan has a much

\textsuperscript{37} Ernst & Young, \textit{Growing Beyond}. 

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more developed and well-honed economic and foreign policy, in which there is no one singular foreign country with overwhelming influence and weight. Kazakhstan’s multi-vector diplomacy has proven to be successful in balancing foreign interest in the country’s natural resources as well as advancing the country’s growth and economic development. Chinese economic ties so far seem to be strengthening the Kazakh state’s economic independence, as Kazakhstan is now well balanced between European, Asian, and American countries. Despite the seeming success of the approach, domestic Kazakh fears of China’s economic presence show that there is concern that Kazakhstan might well end up becoming subsumed under the Chinese state. Although Kazakhstan’s multi-vector diplomacy is successful, future Kazakh governments might not maintain this approach. They might find it advantageous to cultivate closer ties with specific countries for political or military defense. Furthermore, since the economies of the developed world do not grow as quickly as that of China, there is still much for it to develop and it is possible that China will have an increasing role in Kazakhstan regardless of the country’s multi-vector policy, simply because of China’s proximity and massive population and economy.

Thus, not only should Kazakhstan maintain the multi-vector approach, but it should also pursue a more proactive effort towards diversifying its economy through creating a superior business climate and attracting foreign direct investments in non-commodity sectors. Economic diversification would not only protect Kazakhstan from commodity price downturns, but also prevent it from becoming simply a supplier of raw materials to China. Still, there is concern regarding President Nazarbayev’s health. There is no precedent for a leadership transition in Kazakhstan, as Nazarbayev has been president since the country’s independence. Any turmoil or unrest resulting from a leadership transition might prove disastrous to Kazakhstan’s future, with foreign intervention or economic recession being possible.

Kazakhstan is in no clear danger of becoming overly dependent or subservient in its present relationship with China. Its multi-vector approach has prevented it from experiencing the same effects as China’s smaller neighbors. However, uncertainty over the future of governmental stability and the failure of greater economic diversification might result in China having a much stronger role in Kazakhstan’s future.
Progress or Failure?
The Impact of Economic Reform on Women’s Rights in China

Rebekah Yurco

China’s rapid economic development has generated much debate among experts about the effect of economic reform on the status of Chinese women. Some say that the current work atmosphere has had a negative effect primarily because it is exploitative of women. Others argue that it has had a positive effect chiefly owing to increased opportunities for women. Still others advocate that there is no direct impact. This research seeks to reconcile these opposing views. The Chinese female population is too complex to be generalized about, so this study narrows the population on the basis of some key demographic features. With regard to age, the focus is on young Han women between the ages of 18 and 30. This age group represents the bulk of Chinese women in the workforce. Geographically, the research is focused on urban women. The findings are based on a comprehensive case study, which focuses on the categories of formal education, employment, and government involvement. The study provides a remarkably positive outlook for this historically disadvantaged group.
I. Introduction

Despite its tremendous record of economic growth, China has yet to make the same rapid progress on providing its female citizens equal economic opportunities. China is home to the largest female workforce in the world. This population, by the nature of its size, is of great importance to the Chinese nation as a whole, and as such, a small shift in the fortunes of this population can have lasting effects on the Chinese economy. As well, it is important to China’s future diplomatic success with significant trading partners, as human rights issues, which encompass gender development, have become a pressing concern. Relations with countries fostering democratic ideals, for instance, have been partially characterized by human rights issues, among which women’s rights are included.

According to China’s constitution, women have enjoyed legal equality for over 30 years. Article 48 of the 1982 Constitution of the People’s Republic of China states:

Women in the People's Republic of China enjoy equal rights with men in all spheres of life, political, economic, cultural and social, and family life. The state protects the rights and interests of women, applies the principle of equal pay for equal work for men and women alike and trains and selects cadres from among women.¹

But regardless of the official declaration, the issue of gender inequality persists in the country. China’s National Bureau of Labor Statistics reveals that the average salary of a working Chinese woman is 74% lower than the average salary for a working Chinese man.² Additionally, men hold about four times as many high-level positions as women do in business, government, and social institutions.³ This is a huge incongruence in comparison to industrialized countries, where the median gender-wage gap is approximately 17.6%.⁴ China’s gender-wage gap is approximately 56.4

³ Burnett, “Women’s Employment Rights.”
percentage points higher, a significant difference for a newly industrialized country like China.

This paper evaluates the impact of economic policy on Chinese women in the labor force. It investigates the effects of China’s monumental economic rise on gender equality, especially with regard to employment. There exists a significant interest in this topic, and a variety of opposing theories have arisen, which this research seeks to reconcile. Economic reform in China is a necessary, but not a sufficient, condition for women’s rights and gender equality advancement. Economic reform provides the opportunity for success, but achievement of said success is determined by other factors, chiefly the persistence of traditional gender roles in modern Chinese society.

II. Methodology

The impact of economic reform on Chinese women is an incredibly broad topic. As such, a narrow focus must be applied in order to make concluding evaluations more relevant and accurate. This project focuses on urban Han Chinese women for three reasons. First, the Han nationality makes up over 90% of the Chinese population. Second, the Chinese government’s focus on economic reform is largely aimed at the urbanization of the country. Third, the urban and rural female populations are incomparable on a variety of levels, which cause them to experience economic reform in radically different ways.

This paper uses three measures of reform’s economic impact on women’s rights in China. First, the present situation is evaluated in relation to the Chinese historical record of women’s rights. It cannot be known how far China has come without knowing first from where it is coming. Second, progress is analyzed in terms of the goals of Chinese women’s rights activists. It is unrealistic for the Chinese women’s movement to advance past the goals set for it by Chinese women themselves. Third, the evaluation compares China’s progress regarding gender equality to that of other countries. The gold standard is perfect gender equality, but this is an unrealistic assessment. Even countries leading on the issue have to make substantial progress before they achieve perfect equality. It is therefore unfair to view China’s progress solely in comparison with those developed countries with higher rates of success. China should be evaluated and
compared to other countries facing similar issues, so this paper uses Singapore, Taiwan, and Hong Kong as sources of analysis. Each was chosen because, like China, they are Newly Industrialized Countries (NICs) in East Asia with similar foundations in Confucianism. They are not direct case studies, but rather general references to gauge how China measures against states similar to itself.

This paper proceeds with a review of three main theoretical bodies pertaining to the impact of modern economic reform on Chinese women in the workforce. Next, it discusses historical background on three topics: the economic reform, key tenets of Chinese traditional values regarding gender roles in society, and Chinese women’s rights activism. Then, it addresses the impact of economic reform on women in three categories of social participation: education, employment, and government involvement. For each category, this paper introduces relevant history, updates that history with current trends, and assesses progress in terms of Chinese women’s rights goals as well as the progress of Singapore, Taiwan, and Hong Kong. Finally, this paper draws conclusions and introduces general policy recommendations.

III. Existing Arguments

China’s late 20th century economic boom is interesting to scholars of many different backgrounds. Women’s rights scholars, in particular, analyze the effects of the post-Mao economic boom on the female half of China’s equally booming population. Three main theoretical bodies surround the economic impact on women in the workforce. The first theory argues that economic reform in China has been positive for Chinese women in the workforce. Supporters of this theory often point to the increase in opportunities for women as a result of the reforms advancing China as a market economy. Using neoclassical theory they purport that export-oriented production and international trade increases job opportunities and competition, both of which naturally result in greater female participation rates, as companies need all available human resources. Proponents of this

theory reference other cases in East Asia to support their views.\textsuperscript{6} The second theory is less optimistic. It argues that economic reform has had mostly negative consequences for Chinese women in the workforce. Historically, Chinese women have represented an expendable portion of the workforce, so they purport that these economic policies lend themselves to a larger workforce with a lower wage rate. Females, the newest addition to the labor force, are relegated to labor-intensive low-paying jobs. Advocates of this theory commonly point to the exploitative nature of the current work atmosphere. This position presents an underlying fear that China’s pursuit of capitalism has become synonymous with a neglect of Chinese women.\textsuperscript{7}

The third theory claims that there is no real connection between economic reform and gender equality. The impact on the female portion of the workforce comes instead from traditional values and ideals embedded in society. China’s complex traditions make it a prime location for this pre-established gender role effect. Reskin, Roos, and Padavik explain this with the idea of ‘job queues.’\textsuperscript{8} Both workers and employers are ranked and assembled into queues: the highest-ranking workers accept the highest-ranking jobs available to them and employers do the same with regard to workers. The ranking of workers in these queues and their subsequent matching depends upon societal standards of the importance of skills and societal perception of who stereotypically possesses them.\textsuperscript{9} Society bases those standards and perceptions largely off of the traditional values and ideals they revere.

The third argument holds the most relevance to China’s case. However, important modifications must be made. There is an unmistakable connection between economic reform and gender equality. The connection, however, is not direct or causal. Economic reform sets the stage of opportunity for women, but their success is determined by other factors, mainly the persistence of traditional gender roles in modern Chinese society.

\textsuperscript{6} Shu, Zhu, and Zhang, “Chinese Labor Market.”
IV. Background of the Economic Reform

Mao Zedong’s economic, social, and political movements characterized the first generation of Chinese leadership. These were socialist movements promoted by an array of propaganda campaigns and resulted in great losses for the Chinese nation, not only in terms of the economy but also in terms of the lives of Chinese citizens lost.

Mao’s Great Leap Forward (1958-1961) was an economic and social campaign to transform China’s agrarian economy into a modern communist society. Key aspects of the campaign included employment in mass labor projects, decentralization, popular education, and communes. It ended disastrously with a massive famine that cost the lives of over 18 million Chinese because of the allocation of labor from the harvest to the emerging steel factories.

Mao’s Cultural Revolution (1966-1976) was initiated to enforce socialism by driving capitalist, traditional, and cultural elements out of Chinese society simultaneously. Mao advocated a “violent class struggle” in order to accomplish the task. As a result, millions of Chinese were persecuted in violent factional struggles and a large segment of the population was forcibly displaced. Most notably, urban youth were forced to leave the cities to perform hard labor in rural areas during the Down to the Countryside Movement.

In contrast to Maoist principles, Deng Xiaoping is credited with developing the slogan “To get rich is glorious” (致富光荣). This new idea promoted personal gain instead of collective gain for Chinese society at large. Deng’s rise to power in 1978 marked the beginning of the second generation of leadership in China. Deng brought a new vision for China and for the Chinese Communist Party (CCP). The Third Plenum of the Eleventh Central Committee of the CCP made the decision to shift its reform focus from promotion of party politics to modernization of the economy. Deng had two primary goals for this reform: rectification and rapid growth.¹⁰

As a result, the early 1980s marked a period in which Deng and the CCP fostered several new, more specific goals for Chinese economic reform including market determination of outcomes, increased foreign investment,

and export-oriented production for international trade.\textsuperscript{11} Deng advocated for the replacement of a planned economy with one driven by market factors. Deng also favored decentralization of power and opening up to international trade and foreign investment.\textsuperscript{12} In 1985, for instance, the reduction of tariffs initiated a gradual reduction of import barriers. Through opening China to the international system, Deng made it possible for China to learn from the successes of foreign businesses. Special Economic Zones (SEZ) were designated so that trade policy could be tested on a smaller scale before being applied holistically. Chinese citizens were, for the first time, encouraged by the government to develop their own ideas of how to make a greater profit and succeed in business.

The new approach to Chinese economic policy had many effects on various segments of the country, including several that are important to consider when assessing the impact of these economic reforms on Chinese women in the workforce, and gender equality. The movement to a more decentralized market economy resulted in growth of the private sector. Consequentially, it also resulted in massive restructuring of the public sector, which caused large-scale layoffs. The loosening of the relationship between business and the state also encouraged an upsurge of entrepreneurship in China, which persists as a driving force of the country’s economy even today.

V. Traditional Chinese Gender Roles Explained

Just as economic reform background is important to appreciate the effects of current reform, so too is examining the traditional roles of Chinese women to understand the societal pressures they face today.

Confucianism described gender in terms of the symbiotic and interdependent relationship between men and women. So, from a Chinese perspective, it is difficult to point to specific Confucian attributes of the ideal woman.\textsuperscript{13} It is more accurate to define the connection between the two genders rather than the genders as distinct entities.

\textsuperscript{12} Naughton, ” Xiaoping: The Economist,” 498.
The Three Obediences

The ideal gender relationship structure is outlined in the Three Obediences described in the Chinese classic text, *Yili* (Book of Etiquette and Ceremonial). Before marriage, women are obedient to their fathers, and in marriage, they are obedient to their husbands. After their husbands die, women are then obedient to their sons.\(^{14}\) The Three Obediences describe the level of subservience that women should show men and that a woman’s responsibility is primarily to the family. This naturally places the female domain in the domestic arena.

Yin and Yang Ideology

In the *Book of Changes*, *yin* and *yang* are illuminated as a representation of female and male. *Yang*, referring to the male, literally translates to ‘sun’ and connotes brightness, dominance, and heavenliness. *Yin*, referring to the female, literally translates to ‘moon’ and connotes darkness. Furthermore, *Yin* is nourishing, recessive, and sustaining.\(^ {15} \) From this, it can be inferred that men should be the sole leader in the household, while women should be selfless and self-sacrificing. In doing this, they maintain the *yin-yang* balance. Chinese scholars and philosophers often caution that the *yin-yang* system is not discriminatory against women. Because each gender is essential for the other to function, it is not intended to oppress women. The perception of *yin* and *yang* as a system aimed at the subordination of women in Chinese society could be considered a Western misinterpretation. This research does not claim that the *yin-yang* relationship is inherently exploitative of Chinese women. Rather, it uses the *yin-yang* ideology to point out that women and men are considered distinct in their characteristics and capabilities. These beliefs about natural female capabilities influence the situation of Chinese women in education, employment, and the government today.

The way in which Chinese traditional values distinguish the societal roles of women from those of men is not unique in principle. China’s situation, however, makes the effect of these values somewhat unique to


other cases. The political atmosphere in China causes new ideas related to
gender to develop slowly, if at all. In China’s communist society, it is
difficult for people to organize politically. Further, Chinese women often
lack support or sympathy from their own gender in attempts to challenge
traditional gender roles. The Third Survey on Chinese Women’s Social
Status in 2010 revealed an increased number of Chinese women that
believed men should be career-oriented, while women should be family-
oriented. For these reasons, Chinese society presents challenges unique to
those typically faced by women’s rights groups around the globe.

VI. Chinese Women’s Rights Past and Present

Women’s rights activism in China has historically drawn support
from urban elite women. It started with the May Fourth Movement of 1919,
during which women demanded rights to a formal education. During the
Maoist period, Communist ideological goals propelled a state-promoted
women’s rights movement. Women were first mobilized by the CCP to
enhance the class struggle necessary to make Communist revolutionary
change and were tasked with contributing to the collective Chinese society.
Domestic work was considered bourgeois and selfish. The focus of all
Chinese citizens was supposed to be the betterment of the whole, so
traditional Confucian values which focused on the family unit were no
longer applicable. Therefore, women, just like all citizens, were encouraged
to place production before the needs of the home.

As a result, the Chinese government created the All China Women’s
Federation (ACWF) on April 3, 1949 in Beijing. This umbrella
organization was modeled structurally after the PRC’s political
administrative divisions. Because it was created as a state-sponsored
organization and was under the direct control of the CCP, the ACFW was

16 Park, Madison. "Woman could break Chinese political glass ceiling." CNN, November
17 Leung, Alicia S.M. "Feminism in Transition: Chinese Culture, Ideology and the
Development of the Women's Movement in China." Asia Pacific Journal of Management
18 "Backgrounder: All-China Women's Federation." In People's Republic of China Year-
required both to promote state gender policies, as well as the interests of the women it was set up to represent.  

During Deng Xiaoping’s rule, state control over labor practices decreased significantly as China’s economy moved towards a ‘marketization’ model. With these 1980s reforms, the ACWF became less connected to the state. Women’s rights activism, like economic reform, shifted from a focus on the whole to a focus on the individual. A result of Deng’s removal of state control of labor practice, however, was the potential for greater discrimination against women. In state-owned enterprises, women bore the brunt of the massive lay-offs and were encouraged to return to the domestic sphere. Privately-owned enterprises practiced gender discrimination in the hiring process without supervision from the state that was present during the Maoist period.

*Current Chinese Women’s Rights Goals*

The goals of women’s rights activists today are very general. The ACWF’s statement of purpose demonstrates a focus on working toward gender equality, “to represent and to protect women’s rights and interests, and to promote equality between men and women.” The other goals listed are not aimed at the advancement of Chinese women in relation to their male counterparts, but rather the focus is exceedingly on the advancement of the individual. For example, in reference to ACWF’s tasks for education, the federation seeks “to educate and offer guidance to women to strengthen their spirit of self-esteem, self-confidence, self-reliance and self-improvement; to improve their competence through cultivating their talents.”

*VII. Contextualizing China’s Case: Education*

*Current Standings*

China has attained near perfect gender equality in university participation rates. The China Education Yearbook shows that these rates

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20 The All-China Women’s Federation now officially refers to itself publicly as a “Non Governmental Organization.”
21 Leung, "Feminism in Transition,” 367.
have experienced marked increase since Deng’s economic reform period. In 1999, 58.9% of the female population enrolled in university, while 59.3% of the male population did. In 2002, 87.4% of the female population compared with 80.7% of the male population enrolled in university. In total, women made up 44.3% of the total enrollment population. So, although women do not yet have full equality in the proportion of enrollment, a higher proportion of the female population than the male population enrolls to attend university in China.

This might be partially explained by further examination of the composition of the Chinese population. China has had a consistently high sex ratio at birth (SRB) since the 1980s. A normal SRB ranges from 103 to 107 boy infants per 100 girl infants. By 2000, China’s SRB reached 120. This trend is not likely to slow in the near future. A survey of the Asia/Pacific region in 2011 found that in children ages 0 to 4 there are approximately 122 males to every 100 females in China. Largely owing to China’s birth control policies coupled with the traditional Chinese societal preference of male children, there is a skewed sex ratio in the population. Knowing this, the almost equal proportion of enrollment is remarkable.

Urban illiteracy rates are decreasing for both genders, while the gap in illiteracy between males and females has been on the decline since the economic reform period. World Bank statistics reveal that from 1982 to 1990 the urban male illiteracy rate decreased from 9.47% to 1.08%, and the urban female illiteracy rate decreased from 26.96% to 18.36%. From 1990 to 2000 the urban male illiteracy rate also decreased from 6.08% to 2.38% while the urban female illiteracy rate went from 18.36% to 8.17%. Thus, not only is the illiteracy rate for the urban female population decreasing, but it is also decreasing at a faster rate than that of their male counterparts.

Increased female interest in attending graduate school is also notable. This year, Bloomberg Businessweek indicated that Chinese women are taking the Graduate Management Admission Test (GMAT) in record

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numbers. In 2012, women represented 43% of GMAT test takers, which is 98% higher than just two years prior.\textsuperscript{28} Thus, increased female interest in graduate school seems to provide a positive outlook for gender equality in education.

**Historical Background**

China has made noteworthy progress with gender equality in education. Historically, urban elite women were only able to receive education in the home. Western missionaries established some schools for girls starting in the early 1840s. During the late Qing Dynasty (1644-1912), imperial reforms created girls’ schools, and mandated both primary and secondary education for girls in 1907.

Even though more women had access to formal education, their curriculum was distinct from men’s, focusing on the mastery of domestic duties, while their male counterparts were educated for work outside home. Lan Luzhou’s book from the Qing Dynasty, *Nu Xue* (Women’s Learning), describes the original purpose of female education in China: “Where ability and wisdom are concerned, a woman is to be valued for her skills in domestic work, for her devotion to the caring of the family as well as her strict observance of rituals.”\textsuperscript{29}

The perception of a proper female curriculum began to shift after the 1911 Wuchang Uprising. It led to the toppling of the Qing Dynasty and the creation of a republic, which rose and subsequently failed. This failure contributed to the disillusionment felt by Confucian scholars who later led the New Culture Movement, which rejected traditional ideals and called for the development of a new Chinese culture. Secondary schools for girls emerged in the plethora of ideas abounding in this period. This cultural movement morphed into a 1919 political struggle called the May Fourth Movement. By 1920, Beijing University accepted its first female college students, and for the first time in Chinese history, women could not only study alongside men, but also pursue similar subjects. Gradually more


universities welcomed coeducation. Since the early 1950s, Chinese women have experienced relatively equal educational opportunities as men.\(^{30}\)

**Women’s Rights Goals in Education**

Women’s rights organizations such as the ACWF cite equality in education as a necessary first step to gender equality on a broader scale in China. They emphasize greater female participation as the main goal. On their website, the ACWF highlights increased female enrollment rates and literacy rates as a victory for Chinese women in education.\(^{31}\) Progress that China has made thus far appears to be in line with the hopes and expectations voiced by Chinese women’s rights organizations.

**Comparison with other NICs**

According to data on literacy, China is not unlike Singapore, Korea, and Taiwan. The World Bank reports that the literacy rate for the female population ages 15+ in 2010 was 91.3%, while the literacy rate for men was 97.1%. The 2010 literacy rate for women and men in Singapore was 93.8% and 98.0% respectively.\(^{32}\) Equivalent adult literacy data in Taiwan is unavailable for 2010, but in 2009 the literacy rate for women and men was 96.3% and 99.5%.\(^{33}\) The female literacy rate in China is thus on the lower end of the spectrum when compared with other NICs; however, the difference is within just a few percentage points. Each of the countries experienced a similar gradual trend in literacy over the last 30 years.

Currently, China is doing fairly well with regard to gender equality in education. More urban Chinese women are literate and attend school than ever before. Trends in female participation in the education system match general Chinese women’s rights goals. China’s situation is comparable to that of similar NICs. Greater gender equality in education is a necessary first step towards broader gender equality, but it is not a true gain if it does not translate to similar equality in the workforce.


\(^{31}\) All-China Women's Federation. "About ACWF."

\(^{32}\) World Bank, “World Development Indicators."

VIII. Contextualizing China’s Case: Employment

*Current Standings*

Chinese women make up approximately 45% of the workforce. This number has remained fairly consistent for the last decade, as has the female labor force participation rate at around 68%. The biggest issue facing Chinese women in the workforce today is the gender pay gap. The Third Survey on Chinese Women’s Social Status (2010) found that women in urban households earn only 67.3% of men’s wages. This is chiefly because of job sector wage differentials. Chinese women are more visible in jobs that are considered traditionally suitable for females such as primary education and health, but remain highly invisible in traditionally masculine jobs related to science and technology. In many cases, this trend not only remains consistent, but also becomes more evident over time. For instance, the International Labor Organization reports that in 2003 the number of men in health and social work was 2,013,000. The number of women in the same sector was 2,845,000. By 2007 the number of men only grew by 174,000 persons, while the number of women in the sector grew by 396,000 persons. So, while more Chinese are pursuing jobs in health and social work, there are disproportionately more women than men doing so. Conversely, there are disproportionately more men flooding traditionally male-dominated sectors.

Aside from traditionally female-dominated jobs, a new kind of employment is on the rise – self-employment. More Chinese women are entering the workforce as entrepreneurs, some of whom are exceptionally successful. Of the eight women who rank in the top 100 wealthiest in China, six of them are entrepreneurs, or “self-made billionaires.”

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34 World Bank, “World Development Indicators.”
35 The Third Survey on Chinese Women’s Social Status is a decennial survey that is launched and organized jointly by the All-China Women’s Federation and the National Bureau of Statistics.
Historical Background

China has come a long way in terms of female labor force participation as well as the types of jobs women are permitted to have. When compared with education rates, the rate of employment for women is an indicator of how effectively the increasing number of higher education degrees translate to meaningful employment. The incorporation of Chinese women into the workforce has a much different history than that of female education. While female education experienced steady increase from the early 20th century until now, female employment followed a differently patterned trajectory.

Chinese female work was traditionally relegated to the home. Even when women were first allowed to receive public education starting in 1907, their degrees were not intended for jobs outside the home. Instead, housework was approached like a profession. Chinese women were taught skills relevant to management of domestic life so they could return home to apply them to traditional labor.

Women were initially mobilized as part of the labor force under Mao for the betterment of society as a whole, similarly to the motivations behind allowing formal education for women. Female labor force participation rates have fluctuated with economic prosperity. During periods of labor shortage such as Mao’s Great Leap Forward, women were encouraged to join the workforce so men could pursue more highly skilled work. During economic slowdowns, women were encouraged to embrace their roles in the home. Men and women maintained rough wage equity for the same kind of work during the Mao period, but a gendered division of labor soon after tracked men into the higher-paying and higher-skilled jobs across a variety of sectors. Deng’s economic reform brought with it a rise in the number of private enterprise and a reorganization of state-owned and

40 Hershatter, Women, 60.
41 Hershatter, Women, 60.
42 Hershatter, Women, 60.
collective enterprise. The reorganization of the public sector resulted in massive lay-offs that impacted women to a much greater extent than men.43

Gender equality in employment has advanced in terms of female labor force participation in general as well as the types of jobs women are permitted to have. However, the fact that women can have the same jobs as men does not correspond to the types of jobs Chinese women actually have, and the sectors in which they are employed.

Women’s Rights Goals

The increase of women represented in China’s labor force highlights the realization of one of the goals of the Chinese women’s rights movement. Even so, the gender-wage gap poses a problem for the continued success of Chinese women in the workforce. The ACWF, however, has yet to pursue the gender-wage gap as an individual mission or goal. Until that happens, the increased participation rates are in line with general Chinese women’s rights goals.

Comparison with other NICs

When compared to the NICs selected here, China is not far off the mark in terms of literacy and is actually leading in terms of labor force participation rates (LFPR). 2011 World Bank statistics reveal that the female LFPR is 68%. This is significantly higher compared to Singapore’s 57% and Korea’s 49%.44 China also ranks above these comparison countries when considering the female labor force as a percentage of the total labor force. Women represent 44.5% of the total labor force in China. In Singapore, the percentage is 42%, and in Korea it is 41%.

IX. Contextualizing China’s Case: Government

Current Standings

At the 18th National Congress of the Communist Party in November 2012, female delegates represented 23% of total attendees, an increase of 5%

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44 World Bank, "World Development Indicators."
over the past decade. This kind of increased political participation, while small, is positive and bodes well for future developments.

However, some suspect that female participation in Chinese government affairs is largely symbolic. An article entitled “Beautiful Scenery at the CPC National Congress” published by state-sponsored news agency China Daily does not refute this perception, as the ‘scenery’ refers to the women present at the conclave. Most of the images picture ritual girls dolled up to represent their heritage, but there are also some images of reporters and delegates as well.

**Historical Background**

In the past, Chinese women were not allowed to participate in government affairs. The Imperial Examination System determined the scholar-gentry class for Chinese society and created a pool of people who were eligible for appointment to official posts for the government. Women were not permitted to take the exam and, therefore, were prevented from participating directly in the system, but Chinese urban elite women were nonetheless able to participate indirectly by influencing their husbands who did have direct influence. The imperial exam remained in effect from 605 until its abolition in 1905 at the end of the Qing Dynasty. With the creation of the People’s Republic of China in 1949 and Mao’s state-sponsored feminist movement, women finally began to emerge as actors on the political stage.

**Women’s Rights Goals for Political and Government Participation**

The ACWF plays an important role in female participation in politics and government. When Mao created the federation, it functioned like a bureau of the Communist Party to promote policies pertaining to women. As an NGO, the ACWF continues to be an active force in the promotion of gender equality in legislation and politics. Recently, the ACWF expressed satisfaction with progress of female presence in the Chinese political system. Just before the 18th National Congress of the

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Communist Party in November 2012, CNN quoted Song Xiuyan, the Vice-Chairman of the Federation, saying the Communist Party of China places “great importance to empower women's issues, which our Constitution has clearly put forward the basic principle of ‘gender equality.’”

Comparison with other NICs

Female participation in the Chinese political system is low when compared with international rates, but when compared with the rates of other NICs China is actually quite similar. For example, in 2012 Chinese women held 21% of the national parliamentary seats. In Korea and Singapore the proportions were 16% and 24% respectively. Taiwan, with the highest rate of representation, legally guarantees women 25% of parliamentary seats. In terms of overall participation, China is on par with fellow NIC states. Nevertheless, China lacks female representation at the highest level of government. The Standing Committee of the Politburo has yet to welcome a female member, unlike in Taiwan and Singapore, where women occupy high-level government positions, and South Korea, which elected its first female president in 2013, Park Geun-Hye. Just as in education and employment, there persists gender inequality at a fundamental level through the separation of male and female roles in the political system.

Regardless, there is a very gradual trend of increased female presence in the Chinese government, which began during the Mao period. While female participation in government has not experienced the marked increases seen in the other categories of education and employment, there is some movement in the right direction. On the other hand, while there are more Chinese women involved in government than ever before, they do not hold the same high-level positions that their male counterparts do.

X. Conclusions

China has made remarkable progress with gender equality in terms of female participation rates. More women than ever before are present in education, employment, and government positions. The issue that remains,

however, is that urban women in China still do not have access to equitable education or the same prospects for highly skilled employment. There is not a law prohibiting women from achieving this, but the numbers and demographic statistics demonstrate this important point.

The economic reforms that transitioned the Chinese economy are not sufficient to guarantee gender equality. Economic progress has had residual benefits for women, but this trend will inevitably peak if women are not performing the same tasks in the same sectors of the workforce as men are. In order for China to continue on its trend toward achieving greater gender equality, policy recommendations and plans must consider the impact of gender roles.

Since the Chinese political atmosphere is somewhat unique, and one that makes bottom up movements very difficult, the Chinese government must initiate the effort to challenge traditional ideals of gender role separation. Separate participation in education and employment is far from equal in terms of the wage outcome. Therefore, gender equality cannot truly be achieved until Chinese women are graduating with the same degrees and occupying the same jobs as their male counterparts. Deng Xiaoping’s economic reform has set the stage for greater gender equality. Now, the Chinese government must take definitive steps to ensure that the course it is already on remains a positive one.
Is Social Business the Right Tool for the Poor?
An Analysis of its Adaptation to the Tibetan Autonomous Region

Li Zheng

Grameen Bank founder Dr. Muhammad Yunus defines social business as a company or enterprise that addresses social objectives and helps build capacity in a poor community. The goal of social business is to incubate and promote social innovation for the poorest of the poor to become more self-reliant. This concept’s application and social impact have been widely studied in countries like Bangladesh. However, the efficacy of this model in rural areas in China, such as the Tibetan Autonomous Region (TAR), has not been widely examined. This paper therefore considers the adaptation of the social business model in China and provides a review of the development and performance of the social business model in China and the TAR. This paper further argues that the social business model does not empower the poorest of the poor in China, but instead enriches the middle-class income families. It is thus questionable if the poor can rely on Yunus’s business model for help.

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I. Introduction

Can social business help the poor in a sustainable manner in rural China? This paper assesses the social business model in the context of the Tibetan Autonomous Region (TAR), one of the poorest areas in China. This model aims to create financial institutions for the poorest of the poor, but this study challenges this view, arguing that social business further empowers middle-class Chinese rather than people in poverty.

“Poor people are like a bonsai tree, a little tree. You pick the seed of the tallest tree in the forest and take the best seed out of it, and plant it in a flower pot. You get a tiny little tree, we call it a bonsai. Nothing wrong with the seed, you’ve got the best seed possible.” Dr. Muhammad Yunus, the source of this quote, was the first economist to define the term social business, which is “[a] business not to achieve limited personal gain but to pursue specific social goals.” Dr. Yunus argues that the market often leaves the majority of poor and disadvantaged people behind, which limits the space for capacity building. In his view, “poverty is not caused by poor people. Poverty is caused by the system. Poverty is caused by the policies that we pursue.” He claims that capitalism is too narrowly defined. The concept of the individual solely focused on maximizing profit sometimes ignores other aspects of life, and failures of this system to address vital needs should be regarded as market failures. These ideas were introduced to China in 2004, and the concept of social business has started to permeate into Chinese society from the central to provincial governments.

This paper presents its argument in the following five parts. Section II introduces the original social business model that was established by Yunus for rural Bangladeshis. Section III illustrates how the model and concept have been translated into the Chinese language. Section IV examines the model’s implementation in Tibet. Section V describes concerns and questions about the model. Section VI concludes and suggests some future direction for further research related to social business in China.

3 Yunus, Creating a World.
II. The Model

Yunus first described social business in *Creating a World without Poverty* \(^4\) and *Banker to the Poor*.\(^5\) In his definition, a social business or social enterprise is a non-dividend company,\(^6\) designed to address social objectives within a highly regulated marketplace. A social business differs from a non-profit organization because it seeks to generate a modest profit. But this profit is used to expand the company’s own reach, to improve the product or service, or in other ways to subsidize its social mission.

Social business can be defined more widely, however, to include any business that has a social rather than a financial objective. According to Yunus’s model, there are two typologies of social businesses: Type I, social enterprise, and Type II, microfinance. The Type I focuses on providing a product or a service with a specific social, ethical, or environmental goal. Type II, microfinance, is a profit-oriented business owned by poor or underprivileged people. In the Type II model, financial gain is achieved through receiving direct dividends or by indirect benefits.

In the long run, these cause-driven businesses gradually regain the money originally invested by owners or other investors, but do not distribute any dividends beyond that point. In other words, there is no extra profit to distribute to shareholders.\(^7\) The purpose of the original investment is thus purely to achieve social objectives through business operations, and the investors do not desire personal monetary gain. In the end, the company must cover all costs and make revenue while achieving its social objectives. The impacts of social business on people or the environment are these social objectives, and these impacts themselves measure the success of the company.\(^8\)

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\(^4\) Yunus, *Creating a World*, 78.
\(^6\) A non-dividend company is created to solve social problems, like a non-governmental organization. But this company has social missions and generates revenue to cover its costs. See: http://grameenresearch.org/social-business/.
\(^7\) Yunus, *Banker to the Poor*.
\(^8\) Yunus, *Banker to the Poor*. 
III. The Model with Chinese Characteristics

Translating the Concept of Social Business in China

To comprehend how the social business and enterprise sectors function in China, one must first understand the term in Chinese. The Chinese language makes no distinction among ‘social business,’ ‘social enterprise,’ and ‘social venture.’ All are translated into one Chinese term: she hui qi ye⁹ (social business). However, this term in Chinese has a different connotation. It means the ‘social sector,’ and does not refer to philanthropy work or a business with social missions. The reason for the translation differences is that the words ‘social’ and ‘business’ do not have the exact same meanings in Chinese as in English. The word ‘social’ in Chinese does not connote nonprofit, philanthropy, or charity as it does in English. Instead, gong yi (public good or public welfare), is more commonly used to refer to philanthropy or charity. Moreover, ‘business’ and ‘enterprise’ essentially have no connotation of entrepreneurship or innovation; they mean practicing business or running a company. However, chuang ye (startup), delivers a better message in terms of innovation and new ventures.¹⁰

Due to the language differences, it is harder for people in China to grasp the goals of a social business or social enterprise as defined by Yunus, particularly an enterprise that does not aim to make a profit. This divergence is key to understanding the Chinese people’s general difficulty to apply the concept of social business and social enterprise. In Chinese, the word ‘enterprise’ is automatically assumed to be a company that seeks to make a profit, while the term ‘social enterprise’ implies a state-owned enterprise (SOE). Privately-owned enterprises were forbidden by the Chinese government from 1949 to 1978, so during that period every enterprise was a ‘social enterprise’ owned by the Chinese government.

Beginning in the 1990s, the term ‘social enterprise’ gradually began to spread through mass media and official announcements. This word, however, refers to she hui bu men (the social sector) or si ying bu men¹¹ (the

⁹ 社会企业 in Chinese characters.
¹¹ 社会部门 or 私营部门 in Chinese characters.
private sector) which is not controlled by the government. Beginning in the 20th century, the Chinese government encouraged the social sector to promote business development. So, this term social enterprise was also used to refer to an enterprise in the Chinese society as opposed to an enterprise that serves the society.

The concept of social business appeared around the same time as another new term, non-profit organization (NPO). While the idea of NPOs is still alien to the majority of Chinese citizens, philanthropy and charity are now associated with donation and pro-bono work. To the majority of Chinese, however, the focus of NPOs is the first word, ‘non-profit,’ which literally means bu ying li (not making profit). From a Chinese perspective, making no profit cannot be easily connected with a business model that is generating income – how could one make profit on philanthropy? In other words, this Western concept of social economy is not equivalent to the traditional charity ideas founded in China. Therefore, this paper suggests a better translation for social business in Chinese: gong yi chuang ye ban(13) (social start-up sector) for the purpose of public good and welfare.

A Chinese Phenomenon: Gong si (microfinance companies)

One feature of the social business model that is unique to China is that the gong si (Type II microfinance companies) is a company instead of a bank. These companies have been booming in recent years. Over 1,600 microfinance companies were registered within a single year, reaching a total of 5,629 by September 2012.14 Encouraged by the Chinese government, the number almost doubled in 2012, and new loans of CNY171.3 billion (US$26.97 billion) were distributed that same year.15

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12 Social Economy refers to a third sector in (Western) economies. Economies can be considered to be comprised of three parts in capitalist countries: first is the private sector which is privately-owned and profit-driven; second is the public sector which is owned by the people or the state; and third is the social economy, including other in-between sectors, such as non-profit organizations, charities, and different communities.

13 公益创业版 in Chinese characters.


These Chinese microfinance companies thus differ from Yunus’s Type II model. The latter has a non-dividend provision because dividend distribution to shareholders conflicts with the Grameen Bank’s goals. In contrast, Chinese microfinance companies are usually opened by wealthy Chinese for the purpose of maximizing profit for shareholders. It is thus questionable how well these microfinance companies achieve social changes for the poor.

To better understand these companies, the author interviewed Chen Qiong, Chair of the China Banking Regulatory Commission (CBRC)\(^\text{16}\) of Anhui Province, one of the largest agricultural provinces in China. She was also a representative of the 18\(^{\text{th}}\) Communist Party of China National Congress (CPC-NC) and the former deputy director of the CBRC’s non-banking regulatory department. According to Chen, a pure microfinance-based bank does not exist in China, and the CBRC does not oversee microfinance companies because they are not banks.\(^\text{17}\) However, she stated that the CBRC had pushed to increase access to financial services in agricultural, farming, and rural (AFR) areas. Under the State Council provisions, the CBRC identified problems associated with the AFR and built a multi-level rural financial organization system to enhance the microloan programs and strengthen financial services for the AFR. The CBRC required Rural Credit Cooperatives (RCC) of the People’s Bank of China (PBC) to continue playing a leading role in distributing microloans. Chen also explained that the CBRC encouraged the medium and large commercial banks to take responsibility by distributing such loans to counties and villages.\(^\text{18}\) The CBRC also advocated for these banks to create innovative and effective financial products, such as the microfinance and co-guarantee loans to farmers. These products aimed to promote business development for agricultural, farming, and rural areas.

But how well do commercial banks respond to the CBRC’s call to lend money to the AFR areas? To answer this question, the author interviewed Wu Jiang, President of the China Merchants Bank (CMB) Beijing Branch. The CMB is one of the major commercial banks in China

\(^{16}\) The CBRC is an authorized agency by the State Council of the PRC to regulate the banking sector in the People’s Republic of China. See: http://www.cbrc.gov.cn/.

\(^{17}\) Qiong, Chen. Telephone interview with author, January, 2013.

\(^{18}\) Qiong, interview.
with over 700 domestic branches. Wu indicated that the CMB has numerous microloan programs, but the target groups are mostly middle-class households rather than the poorest of the poor. The CMB also had a separate business department just for fu pin (helping the poor), but it did not use microfinance. Wu said, “we are banks, so we have to generate revenue…lending to [the poor] is a risky business.” Microloans given by the CMB start at CNY300,000 (US$48,272) and range as high as CNY1 million (US$160,816). Moreover, the bank requires the borrower to provide certain valuable collateral.

According to Wu, lending money to the poorest of the poor is neither feasible for a commercial bank, nor helpful for the people. Due to stricter regulations that are much more complex for banks than for companies, in China “it [is] impossible to open a bank solely for the purpose of providing microloans, like Yunus’s Grameen Bank.”

The interest rate for loans from a commercial bank in 2012 was 5.50% to 6.55%, with certain fluctuations depending on the banks and length of the loans. Each year, the interest rate is set by the CBRC under the PBC, and any rate that is four times higher is considered as usury, which is illegal. But microfinance companies, which are not under the supervision of the CBRC, can set their own interest rates, which are usually higher than those of banks. Nevertheless, microfinance companies process loan applications faster and the repayment method and borrowing length are also relatively flexible. For people who need money quickly for an emergency, borrowing from a microfinance company would be easier.

IV. Implementing Social Business in Tibet

Governmental Programs: The Agricultural Bank of China

While the China Banking Regulatory Commission encourages lending to the agricultural, farming, and rural (AFR) areas, it is difficult for commercial banks to respond to this call. Yet if microloans do not help impoverished Chinese, the basic goal of Yunus’s social business model has not been achieved. If a country has one sixth of the world population, of

which over 128 million live under the official poverty line, but it cannot address poverty through microloans, it might be too optimistic for Yunus to say social business is a feasible model for reshaping the world economy. Grafting the microfinance idea onto state level programs might be more practical for helping the poorest of the poor.

Since the mid-1990s, the Chinese government has implemented microfinance programs in the Tibetan Autonomous Region (TAR) as tools to address poverty there. Microloans were distributed to Tibetans through the Agricultural Bank of China (ABC) and the Rural Credit Cooperatives (RCC) of the People’s Bank of China (PBC). Much progress has been made.

After thorough research, the ABC, the only bank in the TAR, created the Tibetan Loan Certification Card (TLC). The cards targeted Tibetan farmers and nomads, using one household as a unit. To receive a card required a one-time verification process to prove if the head of household qualified as a farmer or nomad. The amount of money given depended on a relatively flexible credit system, with a wait time of about two months. The ABC recorded each microloan that was made to Tibetan farmers and nomads, and borrowers also obtained a copy. To control the default risk, the certification card could only be obtained and used by the individual cardholder. It was forbidden to rent, exchange, or lend the card to others outside of the household. Based on ABC data, the repayment rate was relatively high (76% to 90%), and some households even approached a 100% repayment rate. Through this microfinance initiative, Tibetan farmers and nomads improved their financial credibility and their quality of life.

Implementation of the TLC satisfied many Tibetan households’ borrowing requirements, and more farmers and nomads began to participate in the program and respond to it positively. By 2005, more than 73% of Tibetan farmers and nomads had borrowed from the ABC and requested that it raise the loanable amount of each borrowed sum. Therefore, the ABC

22 Yunus, Banker for the Poor, 271-277.
24 Wang Tong, “Nong Hang.”
25 Wang Tong, “Nong Hang.”
26 Wang Tong, “Nong Hang.”
added another card level, the Diamond Card. By fulfilling two criteria, borrowers could be granted this card, which allowed them to borrow from CNY100,000 (US$12,500) up to CNY300,000 (US$37,500). First, borrowers needed to pay back their initial microloans to accumulate good credit. Second, these borrowers needed to introduce at least one new member to the ABC microfinance program. Through this word of mouth process, members of the lending program encouraged more local Tibetans to enroll, and offered them access to financial institutions.

Non-Governmental Programs

While the Chinese government put much effort into distributing microloans via the ABC, non-governmental microfinance organizations, targeting Tibetans in the TAR, have started to emerge. Tibetan Yu Rong Microfinance Company (TYRM), the first microfinance company in Tibet, was founded in Lhasa, the capital of the TAR, in April 2010. The establishment of this company ended the history of no Tibet-based microfinance agencies. The first and most important goal of the TYRM has been to support small and medium level enterprises owned by Tibetans in the TAR by providing them access to microloans.

However, in addition to being welfare-driven, it is also concerned with profit and repayment. Liu Xiaowei, the client manager in the TYRM, explained that only borrowers that satisfied all the pre-conditions would be qualified for loans. The criteria are as follows:

1. Borrowers must be Chinese citizens. Recommended occupations include: civil servant, lawyers, teachers, entrepreneurs, office workers, students, and freelance professionals.

2. Borrowers have to live and work in the TAR with a stable and minimum monthly income of CNY2,000 (US$333). As well, he or she must have maintained his/her current position for at least six months and a good credit history.

27 Wang Tong, “Nong Hang.”
When questioned about the requirement of having a good credit history, Liu explained that the concept of credit is vague in China, and the evaluation of credit is based on one’s possession of assets. The more assets one has, the greater possibility one will receive credit. TYRM’s criteria and requirements for becoming a qualified borrower are high, conflicting with Yunus’s idea of helping the poorest of the poor by making credit as accessible as possible. Although the TYRM welfare-driven intentions are to spread public goods, the first goal of profit maximization is still commercially driven. This latter intention has lead the TYRM to target middle-class Tibetans.

The TYRM gives out loans within a month if the application is approved. Although it charges between 10% and 20% interest depending on the loanable period and the credit score, many Tibetans were still willing to borrow due to two major reasons. First, they were not poor enough to qualify for microloans from the Agricultural Bank of China. Second, they did not want to wait for commercial banks’ lengthy application processes.

**Foreign-Based Non-Governmental Organization (NGO)**

While the Chinese Government adopted the social business model, some foreign-based nonprofit and NGOs, focusing on helping Tibetans, created social business programs based on Yunus’s model. Some examples are the Machik Social Business Initiative, the Tibetan Village Project (TVP), the Enterprise Loan Fund, and the Friendship Charity Association (FCA) Rural Development Program. The founders of these NGOs are mostly ethnic Tibetans who have been educated in Western countries, and their organizations believe that social innovations can gradually make a difference in Tibet and preserve the Tibetan culture. Therefore, these organizations are focusing on grassroots innovations to help local people.

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29 Yunus, *Banker to the Poor*, 5.
30 It is a yearlong initiative gathered Tibetan entrepreneur and the community leaders along with business leaders and global innovators of social entrepreneurship concepts, to explore new possibilities for advancing practical strategies for Tibetan sustainable business.
For a better understanding of how foreign NPOs and NGOs work on social business, the author interviewed Mr. Tamdin Wangdu, the founder and the executive director of the Tibetan Village Project (TVP), an NGO that promotes sustainable development while preserving Tibetan culture. Wangdu started the TVP in 2001 to fund a medical clinic for his village. Since then, he expanded its program to support community development by focusing on social business and enterprise and business skill trainings. With the aims of cultural preservation and sustainable development, the TVP shifted its focus from a charity model to ‘helping people help themselves’ through vocational training and education.

Wangdu found that some local Tibetan were successful at business, but did not have enough funds or the correct methods to either start or sustain their businesses. Wangdu said that if the TVP could provide his village people training and funds, they might be able to benefit more in the long term. So, since 2008, the TVP has developed social businesses and microfinance programs and has provided loans to six motorbike repair shops. These loans serve as an experimental program in Nagchu, a TAR village. The repayment of these loans after a two-year term has been 100% with a quarterly payback and 3% annual interest rate. In recent years, the TVP has developed a three step system before giving out the microloans: 1) skill training; 2) business education; 3) lending out money. This process facilitates TVP’s control of the loans, but also makes it easier for the borrower to use and pay back the loans on time. After a two-year term, the TVP evaluated the borrower according to two criteria: full payback, and whether the business survived. If a borrower satisfied both criteria, the TVP considered the borrower’s case a successful one. By 2012, the TVP had made 73 business loans with an average loan size of CNY15,000 (US$2,500), and benefited over 250 Tibetan entrepreneurs.

When talking about the TVP targeted group, Wangdu indicated that, although Yunus’s Grameen bank lent to the poorest of the poor, the TVP looked for Tibetan borrowers who already had at least a business plan. He

33 Tibetan Village Project, “About Us.”
then showed the following:

<table>
<thead>
<tr>
<th>Program</th>
<th>Loan Size</th>
<th>Interest</th>
<th>Method</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional Microfinance</td>
<td>US$200 or less</td>
<td>Up to 35%</td>
<td>Loan handed by a lending institution</td>
<td>Poorest of the poor – income of US$2 or less per day</td>
</tr>
<tr>
<td>TVP Enterprise Loan Program</td>
<td>US$2,500</td>
<td>3% to 10%</td>
<td>Loan handed by members of local communities</td>
<td>Entrepreneurs with proven success</td>
</tr>
</tbody>
</table>

This table shows that the TVP Enterprise Loan program did not copy from Yunus’s model. The TVP lent a larger loanable amount, requested a lower interest rate, and changed the targeted lender. Wangdu further stated that lending to the poorest of the poor is not practical, and claimed that helping anyone helps society, no matter who receives the assistance.35

V. Due Diligence

Two lessons emerge from the interviews with Wu, Liu, and Wangdu. First, the poorest of the poor in China benefit from neither commercial banks nor microfinance companies. They are basically excluded by both agencies, but they do qualify for governmental loans through the Agricultural Bank of China (ABC) and the Rural Credit Cooperatives (RCC). Microloans target middle-class Chinese. In addition, there is no convincing evidence that on average microloans raise incomes. People borrow money for different purposes. For example, some people use it as a family emergency fund, such as medical issues, education, and housing, while others might need money for their businesses. Even if it is assumed that all people use the money to open a small business to benefit their communities, not all the businesses achieve success, and so the borrowers experience different outcomes. Furthermore, in China, provinces, cities, counties, autonomous regions, and villages experience very different

situations. Even within one province, the social business model may be applied differently due to local resources, political constraints, and other nuances. The idea of one model fits all is too idealistic to solve problems for the poorest of the poor. These factors obscure the real impact of social business.

As previously stated, Yunus claims that obtaining credit is a basic human right: giving credit is equivalent to granting them freedom to access financial institutions. But does microfinance expand freedom for the borrowers? This table provides some answers:

Table 3 Chinese Microfinance Overview

<table>
<thead>
<tr>
<th>Microfinance Institution in China</th>
<th>Interest Rate</th>
<th>Setting</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The ABC and the PBC</td>
<td>3% to 8.5%</td>
<td>Every province in China</td>
</tr>
<tr>
<td>2. Private Chinese microfinance companies</td>
<td>10% to 20%</td>
<td>Most provinces, only one in Tibet</td>
</tr>
<tr>
<td>3. Nonprofit organizations</td>
<td>5% to 15%</td>
<td>Mostly small rural regions, limitation on Tibetan region</td>
</tr>
<tr>
<td>4. Private foreign microfinance organizations</td>
<td>15% to 20%</td>
<td>Rural region, some reach to poorest of the poor. Tibet is not allowed</td>
</tr>
<tr>
<td>5. Private Lenders, “Sharks”</td>
<td>20% to 28%</td>
<td>Every province with secretive activities</td>
</tr>
</tbody>
</table>

The interest rate that is charged by #2, #4, and #5 in this table more than double #1, and they exceed the interest rate limitation of the China Banking Regulatory Commission. The lending criteria of #2, #4, and #5 are also higher than the Agriculture Bank of China and the Rural Credit Cooperatives under the People’s Bank of China. Can the poorest follow the
lending criteria of #2, #4, and #5 and repay the money? It is hard to tell, as no official repayment data is available.

Whether or not the social business model actually helps the poor, not accomplish Yunus’s idea, the Chinese government has adopted it. If a state like China is encouraging business development and economic growth, social business could be the right tool for a poverty relief project. Traditionally, private profit-seeking institutions have extended the financial system, but the microfinance movement is pushing this extension forward with social benefits in mind. Nevertheless, it is doubtful that the social benefits achieved by using Yunus’s social business model reach the poorest of the poor. Therefore, Yunus’s efforts to relieve poverty are respectable, but his model may not consistently support his intentions.

VI. Conclusions and Recommendations

This paper has explored the social business model, pioneered by Dr. Muhammad Yunus, and how this model has been adopted in China, in particular, the Tibetan Autonomous Region (TAR). This research concludes that the social business model in China is not achieving Yunus’s original goal of helping the poorest of the poor, but rather benefitting middle-income families.

The concept of social business is ambiguous, and the Chinese translation of the business model is unclear, which further confuses the Chinese people. The term social business connotes a different meaning in Chinese, instead meaning the social sector. This paper suggested a proper translation: a social start-up with the purpose of achieving public good (gong yi chuang ye ban).

Microfinance companies, though welfare-driven, are commercial companies with the goal of maximizing profits. Furthermore, the Chinese government and other foreign non-profit and non-governmental agencies have also adopted the social business model in the TAR. While some Tibetans have benefited from the microloan programs, these beneficiaries mostly coming from middle-class families.

These findings question the efficacy of the social business model. If a country with one sixth of the world population but significant poverty cannot use Yunus’s social business model to help the poor, how could this model achieve its end? For future studies related to this topic, scholars and
researchers should collect empirical data from surveys on usage of loans provided by the Agriculture Bank of China (ABC) and the Rural Credit Cooperatives (RCC). The data on how and where people spend the loans is vital to analyze the reality of the social business model in China.

In addition, future studies should analyze how other models could be assimilated to China. If future work can provide analyses from other densely populated developing countries, such as India, it would give a more complete evaluation of the Yunus model and its Chinese applications.
Section Five

CHINA AT THE PERIPHERY:
RELATIONS WITH JAPAN AND TAIWAN
Rapprochement with China: Ma Ying-jeou’s Grand Strategy for Securing Taiwan’s Future

Kyle Churchman

In a sharp break with his predecessors, current Taiwan president Ma Ying-jeou has pursued closer relations with China since his election in 2008. During President Ma’s tenure, China and Taiwan have signed 18 bilateral agreements, including those on direct transportation links, cooperation on cross-Strait crime fighting, and the 2010 Economic Cooperation Framework Agreement (ECFA). Because these measures have increased the level of trust between Beijing and Taipei, the possibility for a China-Taiwan military conflict appears to be at an all-time low. This paper argues that Taiwan’s policy shift can be explained by Ma’s pursuit of a grand strategy whose guiding principle is rapprochement with China. By reassuring China that Taiwan will not take steps towards de jure independence, this grand strategy seeks to achieve four broad goals for Taiwan: economic revitalization, enhanced national security, expanded international space, and protection of ROC sovereignty.
I. Introduction

While much media and scholarly attention has been given to the positive developments in relations across the Taiwan Strait over the past five years, there have been very few studies that systematically analyze the reasons for Taiwan’s dramatic shift in its China policy.\(^1\) This paper contributes to this small body of research by arguing that Taiwan’s recent change in policy can be explained by Ma Ying-jeou’s pursuit of a ‘grand strategy’ whose guiding principle is rapprochement with China. Although the Ma Administration has not released a white paper that explicitly lays out the various elements of its doctrine,\(^2\) this paper examines Ma’s speeches and interviews, as well as the policies pursued by his government over the past five years, to piece together his ‘grand strategy.’

This paper is separated into two sections. The first section discusses the ambiguous concept of a grand strategy, and then narrows in on a specific definition of grand strategy drawn from debates among international relations scholars. This definition is then used as a conceptual framework in the following section, which lays out Ma’s grand strategy in detail. As is shown, Ma’s grand strategy of rapprochement with China has four broad goals for Taiwan: economic revitalization, enhanced national security, expanded international space, and protection of the Republic of China’s (ROC) sovereignty. In order to achieve these broad goals, Ma has employed one overarching meta-tactic: reassurance to Beijing. That is, Ma has sought to reassure China that Taiwan will not take steps towards de jure (i.e., formal) independence under his watch.

II. Defining Grand Strategy

Grand strategy is an ambiguous concept that is often referred to in different, and sometimes contradictory, ways in contemporary discourse.

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\(^1\) Baohui, Zhang. “Taiwan’s New Grand Strategy.” *Journal of Contemporary China* 20, no. 69 (2011): 269. One—if not the only—attempt to systematically analyze why Ma has pursued a different approach towards China. However, it somewhat narrowly focuses only on the national security factors that have influenced Ma’s decision-making.

\(^2\) The closest Ma has come to publicly describing his “grand strategy” is a May 12, 2011 video speech with the Center for Strategic and International Studies (CSIS). In his remarks, Ma described “three lines of defense” that he said he was constructing for Taiwan’s national security, and collectively referred to them as his “administration’s grand strategy.”
For example, while some might equate grand strategy with wartime decision-making, others might view it more broadly as a term describing a nation’s aggregate foreign policies. Further adding to the ambiguity is that the term ‘grand strategy’ is often used in the media, think tank publications, and foreign affairs journals, yet is rarely defined.

Unlike those in the media and the broader academic world, international relations (IR) scholars specializing in the study of grand strategy have somewhat more uniform views on the concept. Broadly speaking, these scholars view grand strategy as the ways in which states use their available means (i.e., resources) to secure their ends (i.e., objectives) in the world. Tactics are the ways in which states reconcile their means with their ends; that is, they connect resources with goals. Means, tactics, and ends are the three principal components of every strategy; their interconnected relationship is listed in FIGURE 1.1.

![FIGURE 1.1. Three components of a strategy](image)

The main point of divergence for grand strategy scholars appears to be whether grand strategy implies the state’s employment of a broad range of means to secure particular ends, or whether it implies a state’s employment of more limited means to secure several ends. On one hand, some scholars emphasize robust means and more limited ends, such as Stephen Biddle who argues that grand strategy “integrates military, political, and economic means to pursue states’ ultimate objectives in the international system.” Some scholars, on the other hand, emphasize robust ends in their

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4 Brands, *The Promise*.
definitions of grand strategy. One example is John Paul Gaddis, who argues that grand strategy is the “calculated relationship of means to large ends.”

Depending on to which of these two primary forms of grand strategy IR scholars adhere, disagreement also exists over whether a small state can even possess a grand strategy. Those scholars who emphasize broad means tend to argue that small states cannot have a grand strategy given their limited resources. Williamson Murray argues that “great states possess considerable wiggle room in the casting of grand strategy,” whereas “small states have virtually none.” On the other hand, Edward Luttwak argues that all states—whether big or small—have a grand strategy, “whether they know it or not.” Luttwak’s sees all states changing their ends as their external security environments change. This invariably results in a shift in tactics and the importance of certain means.

Despite the differences among IR scholars, their belief that grand strategy is a “roadmap” or “guiding logic” that states pursue over the long term unites them. Hal Brands argues that grand strategy differs from foreign policy in that “policymakers who are doing grand strategy are not simply reacting to events or handling them on a case-by-case basis; they are operating in accordance with a more structured and coherent idea of what their nation is out to accomplish in international affairs.” Similarly, Murray argues that those who have attempted to develop a grand strategy are distinguished by their long-term vision focused on future policy. In this paper, grand strategy is defined as a roadmap that the state uses to achieve its broad objectives in the international system. This definition of grand strategy is appropriate for Taiwan’s case as a small state with much more limited national resources relative to China. In addition, this definition’s use

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11 Brands, The Promise, 2.
12 Murray, “Thoughts,” 12.
of the word ‘roadmap’ implies a form of guiding logic that is intended to be pursued over the long term. Indeed, lasting rapprochement with the mainland is the guiding logic of Ma Ying-jeou’s grand strategy. Overall, this definition will serve as a conceptual framework from which to systematically analyze President Ma’s new policy approach towards China.

III. Ma’s Grand Strategy

Ma Ying-jeou’s grand strategy of rapprochement with China seeks to achieve four broad ends for Taiwan: economic revitalization, enhanced national security, expanded international space, and protection of ROC sovereignty. In order to achieve these goals, Ma has used one overarching meta-tactic: reassuring China that Taiwan will not challenge its interests by pursuing Taiwan independence. This reassurance meta-tactic seeks to create a ‘virtuous cycle’ in which Taipei and Beijing both accommodate each other’s interests. As Ma accommodates China by expressing his firm commitment to a “one-China” position and opposition to Taiwan independence, he expects Beijing to accommodate Taiwan’s interests. If Beijing delivers the benefits Ma seeks, Ma will continue to accommodate China’s interests. It is through this cycle of mutual accommodation that Ma has sought to achieve the four broad goals of his grand strategy.

Ma’s Meta-Tactic: Reassurance to China

“Under the principle of "no unification, no independence and no use of force," as Taiwan's mainstream public opinion holds it, and under the framework of the ROC Constitution, we will maintain the status quo in the Taiwan Strait…I want to reiterate that, based on the “1992 Consensus,” negotiations should resume at the earliest time possible (emphasis mine).

---Ma Ying-jeou, May 2008 Inaugural Speech

This quote by Ma Ying-jeou in his 2008 inaugural speech contains the three key elements of his reassurance meta-tactic. These elements include a ‘three no’s’ policy (no unification, no independence, and no use of force), promises to uphold the ROC constitution, and recognition of the 1992 Consensus as the basis for cross-Strait relations. Together, these elements have worked to reassure China that Taiwan will not challenge its
fundamental interests. It is important to note that in addition to including these three reassurance elements in his 2008 inaugural address, Ma has also mentioned them in virtually every speech he has given on cross-Strait relations. Because Beijing has responded favorably to Ma’s reassurance initiatives, it is worth examining each element in detail.

While at first glance Ma’s ‘three no’s’ policy of “no unification, no independence, and no use of force” might appear self-explanatory, qualification is needed to understand the intricacies of this policy. In the first ‘no’—that of “no unification”—Ma has promised that he will not enter unification talks with China during his time in office. While this particular ‘no’ is first and foremost aimed at reassuring a domestic audience who might otherwise have concerns about Ma’s rapprochement policy, it is also somewhat reassuring to China because it does not absolutely close the door on Beijing’s long-term objective of reunification. Ma’s second ‘no,’—that of ‘no independence’—is perhaps the most self-explanatory of his three ‘no’s.’ It implies that Taiwan will not take steps towards de jure independence during Ma’s presidency. Ma best explained the reassuring nature of this particular ‘no’ for China in a June 2008 New York Times interview: “after eight years of very bitter experience with Taiwan, I’m sure they [China] welcome a leader in this country who does not favor de jure independence.” The last ‘no’—‘no use of force’—is a call for both sides of the Taiwan Strait to abstain from the use of military force.

The second key component of Ma’s reassurance meta-tactic is his strong commitment to the ROC constitution and its “one China” framework. Beijing views Taiwan’s continued adherence to the ROC constitution as favorable to its interests because “it carries with it an embrace of ‘one China’ and an implicit commitment not to seek de jure independence.” Beijing therefore became very concerned when Chen Shui-bian—Ma’s predecessor in the Democratic Progressive Party (DPP)—attempted to institute a new constitution via popular referenda in 2003 and 2006.  

While Chen’s referenda ultimately failed, Beijing remains sensitive to initiatives in Taiwan that seek to amend or replace the current constitution. Recognition of the 1992 Consensus as the basis for cross-Strait relations is the third major element of Ma’s reassurance meta-tactic. The 1992 Consensus, also known as “one China, respective interpretations,” is a compromise reached by Taiwan and China in 1992. In this accord, both Beijing and Taipei agree that there is only one China in the world, but disagree on what that one China entails. For Beijing, one China is synonymous with the PRC, while Taipei holds that one China is synonymous with the ROC. The importance of the 1992 Consensus lies in the fact that it is a mutually acceptable foundation for Beijing and Taipei to pursue dialogue with each other. While Ma’s predecessor—DPP president Chen Shui-bian—denied the existence of the 1992 Consensus, Ma has affirmed it, which has allowed his administration to conduct negotiations with the mainland over the past five years.

First End: Economic Revitalization

Ma Ying-jeou is hoping that rapprochement with the mainland can boost Taiwan’s economic prospects. Three overarching economic goals are salient in Ma’s public remarks and in the policies of his administration: the long-term economic benefits of direct, cross-Strait transportation links, Ma’s vision for Taiwan to capitalize on China’s rise, and the liberalization of cross-Strait economic relations through the Economic Cooperation Framework Agreement (ECFA).

On November 4, 2008—six months after Ma assumed office—Taiwan and China signed agreements allowing for direct cross-Strait flights and shipping routes. The Ma Administration aggressively pushed for the establishment of direct transportation links for several long-term economic benefits Taiwan stood to gain. Taiwanese shipping firms and ports anticipated a dramatic increase in their operations, and Taiwanese businesses that export to the mainland expected substantial savings in their shipping costs. Direct air links were also expected to dramatically boost the profitability of Taiwan’s airlines. Perhaps the most promising benefit of

direct cross-Strait flights at the time, however, was the potential for a
tourism boom spurred on by millions of mainland tourists visiting Taiwan.
This has in fact taken place since the Ma government eased restrictions on
the entry of mainland tourists in late 2008, and an estimated US$8.2 billion
was injected into Taiwan’s economy between 2008 and 2012 by more than
4.84 million mainland visitors.\footnote{China News Agency. “Daily quotas on Chinese tourists to be raised: council.” February

Related to the normalization of cross-Strait transportation links is
Ma’s vision for Taiwan to become a major economic hub in East Asia in the
near term. This vision is premised on Ma’s belief that Taiwan is an attractive
place for multinational corporations, particularly those that do business in
the booming China market, to establish their regional headquarters. In Ma’s
view, Taiwan’s attractiveness stems from its “premium piece of real estate”
in the geographic center of East Asia,\footnote{Ying-jeou, Ma. “Commemorating
the 30\textsuperscript{th} Anniversary of the Taiwan Relations Act: A
New Equilibrium toward Peace and Prosperity.” Video speech at the Center
for Strategic and International Studies, Washington DC, April 12, 2009.}
as well as its numerous “soft power
attributes” which include a democratic political system and rule of law.\footnote{Ying-jeou, Ma. “Building National Security for the Republic of China. “Video speech at the Center for Strategic and International Studies, Washington DC, May 12, 2011.}

According to Ma, Taiwan failed to take proper advantage of these incentives
prior to 2008, as a lack of direct cross-Strait transportation links and an
unstable political environment wrought by tensions with China had forced
“foreign companies to exclude Taiwan from their regional operations.”\footnote{Ying-jeou, “Commemorating.”}

Another one of Ma’s major economic goals in pursuing
rapprochement with China is the liberalization of cross-Strait economic ties
through the ECFA. Since China became Taiwan’s largest export market in
2003, and with exports to the mainland accounting for 25.57\% of Taiwan’s
does not include exports to Hong Kong, which accounted for 12.76\% of Taiwan’s total
2008 exports.} Ma came into office seeking to strengthen Taiwan’s
position in its largest export market.\footnote{Bradsher and Wong, “Interview with Ma.”}
Thus, on June 29, 2010, roughly two
years after Ma assumed power, Taiwanese and Chinese negotiators signed
the ECFA in Chongqing. In this framework agreement, SEF (Straits
Exchange Foundation) and ARATS (the Association for Relations Across the Taiwan Strait) agreed to preliminary tariff reductions (i.e., ‘early harvest’ tariffs) on certain goods that went into effect on January 1, 2011. They also pledged to reach future deals on more extensive trade liberalization, investment protection, intellectual property protection, and a dispute settlement mechanism.

Despite the sweeping, long-term economic goals contained in the ECFA, it is important to note the pressing concern that motivated Ma to seek negotiations with the mainland on an economic cooperation agreement only two years after being elected: the ASEAN-China free trade agreement that went into effect on January 1, 2010. Prior to the signing of the ECFA, Ma had argued that this free trade agreement between China and Southeast Asian nations would adversely affect Taiwan’s exports to the mainland, as ASEAN goods would enter China tariff free, while Taiwanese exports would continue to be subject to customs tariffs ranging between 6.5% and 10%. Although the full range of liberalization in goods and services called for by the ECFA is still being finalized out, the “early harvest” tariffs that went into effect on January 1, 2011 have preserved a relatively level playing field for key Taiwanese agricultural and industrial products that compete with Southeast Asian products in the China market.

Second End: Enhanced National Security

Ma’s efforts to secure Taiwan can be grouped into three parts: institutionalizing cross-Strait rapprochement in order to ensure a peaceful security environment for Taiwan over the long term, boosting Taiwan’s soft power, and increasing mutual trust and cooperation with the United States. As this sub-section shows, these three efforts to bolster Taiwan’s defense posture are firmly rooted in Taiwan’s recent rapprochement with China.

Ma Ying-jeou came into office in 2008 seeking to reduce the tensions that had characterized cross-Strait relations under his two predecessors, as well as lessen the security dilemma that has bedeviled Taiwan and China. The current cross-Strait security dilemma can be summed up as follows. While Taiwan feels threatened by the buildup of

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24 Ying-jeou, “Commemorating.”
PRC military deployments across the Taiwan Strait, it is the political actions taken by Taiwan’s leaders, namely steps towards de jure independence, that most threaten China. Through this reassurance, Ma’s ultimate goal is to remove “any reason China would have to use coercion towards Taiwan in the first place.”

While Ma’s reassurances to China have for the moment stabilized cross-Strait security relations, Ma is seeking to institutionalize this stabilization so as to ensure a more peaceful security environment for Taiwan over the long term. Short of signing a possible peace agreement with the mainland in the future, Ma’s main avenue towards this end in the meantime has been to increase Taiwan’s economic, political (via SEF/ARATS negotiations), and cultural interaction with China in order to build up mutual trust, understanding, and cooperation. Ma’s interview with the New York Times a month after his election in 2008 reveals his belief that increased cross-Strait interaction will lead to long-term peaceful outcomes: “when you have more trade, more investment, more contact—cultural, educational—particularly among the young people…cooperation instead of hostility will grow. Only by more contact, more understanding, more exchange could we reduce the historical hostilities across the Taiwan Strait.”

A second major security goal of the Ma Administration has been to boost Taiwan’s soft power. Joseph Nye coined the concept of ‘soft power’ in IR in the early 1990s as a way to describe the ability for states to persuade others to identify with their interests and desired outcomes. According to Nye, one of the three principal components determining the strength of a nation’s soft power is whether its foreign policies are considered to have

26 Bush, Uncharted Strait, 112.
30 Bradsher and Wong, “Interview with Ma.”
moral authority. In assessing Ma’s efforts to boost Taiwan’s soft power, it is clear that he has focused considerable attention on building up this component. In Ma’s view, his predecessors’ confrontational policies towards China undermined Taiwan’s soft power because they were perceived by the international community as being self-interested and lacking legitimacy. Ma has therefore pursued rapprochement with China in order to garner international support for Taiwan’s most important foreign policy—its China policy. Or, as Ma has frequently mentioned, he is using rapprochement with China to change Taiwan’s international reputation from that of “troublemaker” bent on causing unnecessary tensions with China, to that of a “peacemaker.”

Besides changing Taiwan’s global image, Ma has also sought to bolster Taiwan’s soft power through a series of initiatives aimed at raising Taiwan’s global cultural profile as well as increasing its contributions to international humanitarian assistance. While it is debatable whether these steps have been successful in increasing Taiwan’s soft power, it is important to understand the primary motive for Ma’s soft power push. He wants to give Taiwan more international political capital from which to draw upon in the event that China decides to use coercion against the island. Ma wants to ensure international public opinion will be on Taiwan’s side in case a cross-Strait conflict emerged.

A final major security goal of the Ma Administration has been to repair and strengthen Taiwan’s relations with the United States. In one of his speeches during his 2008 campaign, Ma stated that a “serious ebb of trust between Taipei and Washington” had occurred over the past eight years of DPP rule, and that his “most important task” if elected president would be to repair ties with the United States—Taiwan’s most “important diplomatic

32 Nye, Soft Power, 14.
34 In his 2008 inaugural address, Ma stated that “the Republic of China must restore its reputation in the international community as a peacemaker.”
35 In a speech at Taiwan’s Ministry of National Defense in 2009, Ma stated: “To adapt to the new international situation, we must collectively search for new [security] approaches. This is because Taiwan can no longer count on 600,000 soldiers to defend it. In the future, Taiwan must rely more on soft power to promote security.”
and security ally” and “last defense.” Ma noted that the principal reason for the deterioration in US-Taiwan relations was a series of “surprises” by the Chen Administration that had led to tensions with China and which ostensibly took for granted Washington’s unofficial security commitment to the island. In short, Ma highlighted the fact that Washington had grown increasingly concerned that his predecessor’s pro-independence moves could involve it in a military confrontation with China. Therefore, in order to allay Washington’s fears of entrapment and increase US trust in the Taiwan government, Ma has vigorously sought to decrease cross-Strait tensions by seeking rapprochement with China. In other words, Ma has viewed reconciliation with the mainland as a prerequisite step in improving relations with the United States.

**Third End: Expanded International Space**

Through rapprochement with China, Ma also seeks to expand Taiwan’s ‘international space.’ This ‘international space’ can be divided into three areas: bilateral relations with its 23 diplomatic allies, bilateral relations with countries with whom it does not have formal diplomatic ties, and its participation in international organizations and international activities. Whereas his predecessors sought to increase these three components in a unilateral fashion, Ma Ying-jeou has instead sought concessions from China. On the bilateral front, Ma has called for a diplomatic truce in which China and Taiwan do not steal each other’s diplomatic partners. This truce appears to be holding up, as Taiwan has not lost any of its diplomatic allies to China during Ma’s tenure. With regard to those nations with which Taiwan does not have official ties, Ma has sought accommodation on trade-related issues, such as Taiwan’s ability to sign free trade agreements (FTAs) with Asia-Pacific nations free of Beijing’s opposition.

On the multilateral front, Ma has appealed to Beijing to end its resistance to Taiwan’s joining certain international organizations that can improve the well-being of Taiwan’s citizens, such as the World Health Assembly (WHA), the parent organization of the WHO. In order to secure Beijing’s approval on this front, Ma has only sought observer status for

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36 Ying-jeou, “A SMART Strategy.”
37 Ying-jeou, “Building National Security.”
Taiwan in these organizations, and has also been flexible on the name given to Taiwan. These steps are unlike those of Ma’s predecessor Chen Shui-bian, who sought full membership status under the name ‘Taiwan’ in prominent organizations such as the United Nations. While China did not oppose Taiwan’s entering of the WHA with observer status in 2009, Ma has also listed the UN Framework on Climate Change (UNFCC), and International Civil Aviation Association (ICAO) as the two other organizations that Taiwan would like to join. Overall, Ma’s new approach to expanding Taiwan’s international space appears to stem from the concern that, unless Taipei changes its antagonistic attitude toward Beijing, China’s growing influence in the world will continue to result in Taiwan’s increasing international isolation.

Fourth End: Protection of ROC Sovereignty

An important priority for Ma in pursuing closer relations with China is to make sure ROC sovereignty is not undermined in the process. Ma would receive considerable blowback in Taiwan if he were perceived to be pursuing agreements with China at the expense of the ROC sovereignty claim. Ma has so far been able to protect Taiwan’s sovereignty through the 1992 Consensus. The ambiguous nature of this compromise allows Taiwan and China to express their sovereignty claims in different ways, albeit under a “one China” umbrella.

IV. Conclusion

This paper analyzed Taiwanese President Ma Ying-jeou’s public remarks and policies to show that he has a grand strategy of rapprochement with China. This grand strategy seeks four broad goals for Taiwan: economic revitalization, enhanced national security, expanded international space, and protection of ROC sovereignty. Ma has deployed a reassurance meta-tactic that seeks accommodation from China in order to achieve these goals and successfully navigate the challenge of cross-Strait relations.

38 Romberg, “Cross-Strait Relations,” 12.
China’s Japan Policy: Cooperation or Competition?
An Analysis of the 2010 Fishing Trawler Incident

Thomas Fantis

The collision between a Chinese fishing boat and a Japanese coast guard vessel in the East China Sea in September 2010 sparked a bilateral crisis that put Sino-Japanese relations into a state of free fall. Some experts believed that China’s aggressive actions during this dispute marked a departure from its long-standing friendly and pragmatic foreign policy towards Japan. As the dispute unfolded, China’s government unleashed a barrage of inflammatory articles published in state media, endorsed initial nationalist anti-Japanese protests, and cut off rare earth mineral exports to Japan. While the Chinese media was a significant source of negativity and provocation during this dispute, it also showed clear signs of restraint and adjustments in rhetoric once Japan conceded to a number of China’s demands. By analyzing articles from select Communist Party newspapers that covered the 2010 Fishing Trawler Incident as well as contemporary remarks by Chinese foreign policy elites, this paper reveals that during and after this bilateral dispute China pursued a policy towards Japan that favored cooperation over competition.
I. Introduction

The September 2010 Fishing Trawler Incident (henceforth known as the Incident), in the dispute over the Diaoyu/Senkaku Islands made China appear increasingly arrogant and belligerent. Anti-Japanese sentiment from the Chinese public coupled with nationalist calls to protect China’s sovereignty have pressured the Chinese government to take a tough stance towards one of its most important trading partners and neighbors. This paper provides evidence that during the Incident the Chinese government exhibited a pattern of behavior that was easily discernible in previous, similar events. As well, this work argues that in the weeks following the Incident, China’s actions indicated its preference for cooperation with Japan over competition. Evidence supporting this claim is presented in two segments. The first focuses on the response of Communist Party newspapers to the Incident, as a basis for evaluating the pattern of the Chinese state media, and the second presents a broad picture and typology of moderate, elite foreign policy voices from leading institutions within China.

II. Background

The Incident was sparked by an encounter between a Chinese fishing boat and two Japanese Coast Guard (JCG) vessels in the East China Sea on September 7, 2010. The JCG had warned the Chinese fishing boat to leave the disputed territorial waters around the Diaoyu/Senkaku Islands, and after a confrontation and collision, it detained the fishing boat and its crew. The Incident caused a huge rift in Sino-Japanese relations, and was seen as a point of divergence from China’s more friendly behavior towards Japan. In the view of international observers, China appeared unusually aggressive and belligerent, highlighted in its retaliatory measures of cutting off rare earth mineral exports.¹ For much of the past forty years this issue of the islands’ sovereignty had remained dormant, as both sides “shelved” this territorial dispute to solve at a later date. However, Japan’s actions during the Incident brought the issue to the forefront of bilateral relations and sparked a great deal of outrage within China.

Early during the Incident, China’s government displayed a strong reaction to Japan’s action, in tandem with initial outbursts of nationalist

¹ See Austin in this volume.
sentiment from the Chinese public. During this period in early September 2010, large anti-Japanese protests rose up across China. The state media disseminated negative publicity and the central government implemented ‘countermeasures’ to punish Japan, which included the suspension of high-level diplomatic contact. Nevertheless, once the Chinese fishing boat captain was released at the end of September 2010, China’s government reversed its position. Communist Party newspapers and officials adjusted their rhetoric and began to advocate for ‘strategic and mutually beneficial relations.’ Such a substantial adjustment raises a few questions: How much influence did nationalist pressure have on the Chinese leadership’s handling of the dispute? How can one explain China’s pattern of behavior?

Two prominent arguments exist in western scholarship explaining how nationalist, anti-Japanese sentiment shapes China’s foreign policy. The first argument, presented by He Yinan, states that nationalism is a powerful force that the Chinese government has harnessed, but one that has also proven to be a double-edged sword. While exploiting the nationalist sentiments of the people has been a convenient policy tool to achieve domestic political aims, it also forces the Chinese government to take a hardline position towards Japan, even when it is against its own interests.\(^2\)

The second argument, conceived by James Reilly, instead supports the notion that the Chinese government has developed a methodology of crafting nuanced policy approaches in responding to bilateral disputes with Japan. These responses allow the Chinese leadership to alleviate public outrage and maintain a pragmatic relationship with Japan.\(^3\) It is this side of the debate that illustrates a pattern in the Chinese government’s behavior during bilateral disputes.

China first responds by fueling public outrage with inflammatory news articles in state media, projecting enraged official rhetoric and endorsing nationalist demonstrations. This is a tactic for the government to provide an outlet for Chinese nationalists to express their viewpoints and ‘blow off steam.’ However, in a later stage, this initial response is reversed,

as coverage of disputes and protests tends to dissipate while officials and diplomats move in to “mitigate diplomatic fallout.” Overall, Reilly states “China is unquestionably seeking to assert its interests in the world commensurate with its rapidly growing...clout,” yet its “behavior hardly reflects a foolhardy, overly aggressive foreign policy.”

III. Research Methodology

Methodology for Party Newspaper Analysis

Using the Wiser Wisesearch and the CNKI.net news databases, samplings of Chinese language articles were examined from influential Communist Party newspapers published within the time span of September 7, 2010 to February 28, 2011. Two large samplings were collected. One contained the keyword “Sino-Japanese Relations” (zhongriguanxi) and the other contained “China-Japan” (zhongri). These articles were analyzed in chronological order, alongside the repeated talking points of Chinese officials, leading to a full collection of the state-media response to the Incident. A timeline of events was produced using issues of Comparative Connections. In analyzing the selected samplings of articles, particular attention was given to the relationship between provocations committed by Japanese actors and the corresponding responses of the Chinese state media. The state-run newspapers from which articles were collected are some of the most widely read official Communist Party news publications in Mainland China, including the People’s Daily, Beijing Daily, Liberation Daily, Chengdu Daily, and Nanfang Daily. These newspapers were selected due to their representation of the official views of local Communist Party committees as well as the Communist Party Central Committee. By selecting these newspapers, it is easier to discern the position of the Chinese Communist Party (CCP), as there is a high degree of coordination among these publications when reporting on developments during the 2010 Incident.

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4 Reilly, Strong, Smart.
5 Reilly, Strong, Smart, 8-9.
Methodology for Elite Typology and Discourse Analysis

In conducting this analysis, opinions on the Incident expressed in the media by elites were also examined. First these individuals were identified by their affiliation with prominent Chinese think tanks and universities, the Chinese Ministry of Foreign Affairs (MFA) and the People’s Liberation Army (PLA). After a list was complied, samplings of newspaper articles published between September 7, 2010 and February 28, 2011. These samples contained each individual’s name and the phrase “Japan” (riben) or “China-Japan” (zhongri), and they were collected from the Wisers Wiseseach database of domestic and overseas Chinese news media sources. After samplings for 31 elites were collected, they were examined in descending order of frequency. Fifteen elites were selected, including ten scholars and five individuals affiliated with the PLA, and their views were recorded and analyzed. Each elite was then finally classified into a typology within a spectrum of those who advocated a Japan policy of either competition or cooperation.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>Sept. 7, 2010</td>
<td>Chinese Fishing boat and Japanese Coast Guard vessels collide in East China Sea near Diaoyu/Senkaku Islands; Chinese crew is taken into custody.</td>
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<tr>
<td>Sept. 9, 2010</td>
<td>News of collision breaks in the Chinese media and sparks substantial outrage.</td>
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<td>Sept. 10, 2010</td>
<td>Japan announces it is detaining the Chinese fishing boat crew and plans to indict them under Japanese law.</td>
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<tr>
<td>Sept. 13, 2010</td>
<td>Japan releases Chinese crew, except for its captain; China cancels NPC Standing Committee Vice-Chairman's visit to Japan.</td>
</tr>
<tr>
<td>Sept. 18, 2010</td>
<td>Large anti-Japanese protests occur across China on the anniversary of Mukden Incident; Party newspapers later endorse and praise protestors as &quot;reasonable&quot; and &quot;justified.&quot;</td>
</tr>
<tr>
<td>Sept. 20, 2010</td>
<td>Japan announces it is extending the detention of Chinese captain Zhang Qixiong; Chinese government detains four Japanese nationals in Hebei province; Party newspapers threaten &quot;strong countermeasures&quot; against Japan and announce the suspension of high-level diplomatic contact.</td>
</tr>
<tr>
<td>Sept. 21, 2010</td>
<td>After canceling a meeting with Japanese PM Naoto Kan at the UN General Assembly, Chinese Premier Wen Jiabao states that Sino-Japanese relations &quot;has suffered serious damage.&quot;</td>
</tr>
<tr>
<td>Sept. 23, 2010</td>
<td>Reports in Western news media emerge claiming China has cut off rare earth mineral exports.</td>
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<tr>
<td>Sept. 24, 2010</td>
<td>Japan announces it is freeing Chinese captain Zhang Qixiong.</td>
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<tr>
<td>Sept. 25, 2010</td>
<td>Zhang Qixiong returns to China to great fanfare, yet is rarely mentioned after his release.</td>
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<tr>
<td>Sept. 26, 2010</td>
<td>Party newspapers echo official calls for Japan to apologize and provide compensation; Japanese PM Naoto Kan states &quot;apology or compensation is unthinkable.&quot;</td>
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<tr>
<td>Sept. 29, 2010</td>
<td>Party newspapers urge Japan to act in a &quot;candid and pragmatic&quot; manner; articles do not explicitly call attention to Kan's refusal to apologize.</td>
</tr>
<tr>
<td>Sept. 30, 2010</td>
<td>China releases three of four detained Japanese nationals.</td>
</tr>
<tr>
<td>Oct. 12, 2010</td>
<td>Party newspapers report on informal meeting between the Chinese and Japanese defense ministers at the ASEAN Defense Ministers Meeting Plus 8; Chinese official at meeting states that China attaches great importance to &quot;promoting mutual understanding through dialogue.&quot;</td>
</tr>
<tr>
<td>Oct. 13, 2010</td>
<td>Party newspapers praise the expected arrival of over 1,000 Japanese youth to the 2010 World Expo in Shanghai, and state that &quot;people-to-people&quot; exchange is important for improving bilateral relations.</td>
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<tr>
<td>Date</td>
<td>Event Description</td>
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<tr>
<td>Oct. 16, 2010</td>
<td>Large anti-Japanese protests break out in Beijing, Chengdu, Shanghai, Xian, and Zhengzhou; Local party newspapers in these cities do not endorse or report on protests.</td>
</tr>
<tr>
<td>Oct. 22, 2010</td>
<td>Party newspapers report Chinese President Hu Jintao calling for China and Japan to adhere to the &quot;four political documents&quot; of Sino-Japanese relations and avoid rhetoric that sparks conflict.</td>
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<tr>
<td>Oct. 23, 2010</td>
<td>Additional large anti-Japanese protests break out across China and go unmentioned by party newspapers</td>
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<tr>
<td>Oct. 24, 2010</td>
<td>Amidst the ongoing anti-Japanese protests, an article in the People's Daily states that China wants to &quot;maintain and promote strategic and mutually beneficial relations&quot; with Japan.</td>
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<tr>
<td>Nov. 4, 2010</td>
<td>Video of the trawler collision is uploaded onto YouTube with no explicit mention in party newspapers.</td>
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<tr>
<td>Nov. 8, 2010</td>
<td>Chinese police in Guangzhou are deployed to stop anti-Japanese protests from occurring during the Asian Games.</td>
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<tr>
<td>Nov. 14, 2010</td>
<td>Party newspapers report on an informal meeting between Hu Jintao and Naoto Kan at the APEC forum in Yokohama; these reports state that Hu was stressing the &quot;fundamental benefits&quot; of bilateral relations and was advocating for expanding &quot;societal and cultural exchanges&quot; in order to promote &quot;mutual understanding and friendship&quot; between Chinese and Japanese people.</td>
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<tr>
<td>Nov. 15, 2010</td>
<td>Party newspapers publish a similar report of the Chinese foreign minister reiterating Hu's talking points to his Japanese counterpart.</td>
</tr>
<tr>
<td>Dec. 17, 2010</td>
<td>After numerous informal meetings in October and November, China's MFA spokesperson Jiang Yu states “leaders from China and Japan have taken advantage of multiple multilateral conferences to hold meetings and have reached important common understandings.”</td>
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**IV. Party Newspaper Analysis**

The Chinese government’s pattern of selective tolerance and restraint towards nationalist outrage during the Incident becomes apparent when examining the response of CCP newspapers. These outlets often published similar headlines and even identical articles on the days that followed any type of provocation by Japan. The talking points in the articles often reflected exact statements of spokespeople from China’s MFA as well as its top leaders, including President Hu Jintao and Premier Wen Jiabao. With a high degree of coordination among these party newspapers, there are four discernable patterns. First, at the height of the dispute around September 17, news outlets explicitly endorsed anti-Japanese protests,
calling popular demonstrations ‘rational’ and ‘justified.’ Second, after the Chinese fishing boat captain Zhang Qixiong was released by Japanese authorities, news coverage condemning Japan considerably slowed. This coincided with a noticeable shift in official rhetoric to promoting “strategic and mutually beneficial relations.” Third, once the captain was released he was almost never mentioned again and was not portrayed as a heroic figure. Fourth, in the weeks that followed the release of the captain there were multiple instances when party newspapers did not acknowledge later eruptions of anti-Japanese demonstrations in October and November 2010.

News of the Incident appeared in Chinese state media on September 9 with articles containing firm responses from Chinese MFA officials that condemned Japan and its actions. Articles on this day reiterated the words of MFA spokesperson, Jiang Yu, who called Japan’s actions “illegal” and “ineffective.” Furthermore, other articles outlined the Chinese Government’s historical position on sovereignty issues in Sino-Japanese Relations, such as one in Chengdu Daily that explicitly mentioned that the Chinese government, in deference to the development of Sino-Japanese relations, had “supported a consistent position to postpone [island sovereignty] issues to solve at later dates.”

On September 10, the day after the collision story broke, it was announced that Japan had detained the Chinese boat’s crew and would potentially indict them under Japanese law. Major state papers including People’s Daily, the official mouthpiece of the CCP central committee, called for “Japan to immediately and unconditionally release the ship and its crew so as to prevent the situation from escalating further,” and claimed that the country’s handling of the situation “brought a severe blow to Sino-Japanese relations.” In portraying the state as a formidable defender of Chinese territory, the Chengdu Daily asserted, “the Chinese Government’s will and

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determination to safeguard the nation’s sovereignty and territorial integrity is unswerving.”

This statement coincided with the announcement that negotiations with Japan regarding the joint development of natural gas reserves in the East China Sea were suspended. Despite the Japanese government’s decision to release the fishing boat crew in the following days, it continued to hold captain Zhang Qixiong and further aggravated China, which in turn cancelled official visits to Japan and referred to the detention in state media as an “outstanding obstacle in Sino-Japanese relations.”

On September 20, despite China’s retaliation, a Japanese court announced that it was prolonging the detention of the captain for ten additional days. In light of this development, China detained four Japanese nationals working for the Fujita Construction Company for ‘trespassing’ in a military zone. This move signaled that China would further retaliate against Japan, as a headline in the Beijing Daily that day read “China Will Implement Strong Countermeasures.”

China’s threat of “countermeasures” would come into full focus a few days later when Western media reported on September 23 it had reduced rare earth mineral exports to Japan.

After canceling a meeting with Japanese Prime Minister Naoto Kan on September 21 during the UN General Assembly, Chinese Premier Wen Jiabao spoke out on the dispute: “the positive momentum of [Sino-Japanese relations] has suffered serious damage.” On September 23, Wen was echoed across party newspapers, urging the Japanese government to “move

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quickly to change its erroneous handling of the situation and to allow Sino-Japanese relations to return to their correct path” which would be to “the fundamental benefit of both countries’ people...”

Eventually the Japanese government conceded to China’s demands and the course of the Incident took a substantial turn for the better with noticeable adjustments in the rhetoric of the Chinese state media. For example, on September 26, the day after the media reported the release of the captain, the Beijing Daily made the claim that “Strategic and reciprocal relations are beneficial to both countries.” After the captain’s release halted nearly two weeks of diplomatic free fall, the media was quick to underline the importance of healthy bilateral relations and acknowledged that Japan and China were important partners.

However, after the Chinese captain’s release, party newspapers ran multiple articles with headlines reiterating demands for Japan to apologize and provide compensation. On the same day, Prime Minister Naoto Kan stated publically in response “Senkaku is a Japanese territory...From that point of view, apology or compensation is unthinkable.” Despite Kan’s public refusal to apologize, it was not mentioned in the articles sampled from the following day. By the beginning of October, party newspapers stopped any reporting on Kan’s refusal.

On September 29, newspapers including the Beijing Daily, Liberation Daily and Chengdu Daily published statements by Jiang Yu that emphasized the value China placed on Sino-Japanese relations, but called for Japan to act in a “candid and pragmatic” manner, and did not explicitly call attention to Kan’s refusal to apologize or provide compensation. The following day on September 30, China released three of four Japanese nationals it had detained for trespassing in a restricted military zone in what appeared to be a reciprocal gesture.

Changes in the Chinese media’s rhetoric and reporting were met with another key development when China’s officials began to follow suit. On October 12, the sampled newspapers ran articles covering a meeting between Chinese Defense Minister Liang Guanglie and Japanese Defense

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14 Xing, “Wen Jiabao.”
15 Xing, “Wen Jiabao.”
Minister Toshimi Kitazawa at a multilateral conference in Hanoi. Liang is described as saying that although the recent dispute had damaged ties between the two countries, China “attaches great importance to the development of Sino-Japanese Relations and advocates promoting mutual understanding through dialogue.” Liang also said he “hopes Japan will handle sensitive issues in an appropriate manner and allow for relations to return to their normal path as soon as possible.”

Following these articles marking changes in official rhetoric, on October 13, newspapers highlighted the arrival of over 1,000 Japanese youth to the 2010 World Expo in Shanghai. MFA Spokesperson Ma Zhaoxu was widely quoted in party newspapers saying, “people-to-people exchange, particularly exchanges among the youth between China and Japan are of great importance to the improvement and development of bilateral relations.”

However, in the midst of these positive developments, anti-Japanese protests broke out across China on October 16 and took place in Beijing, Chengdu, Shanghai, Xian and Zhengzhou. However, despite this the selected newspapers did not report on the protests going on within their own respective cities. Considering these newspapers represented the views of local Communist Party committees, these protests were not officially approved or endorsed.

Building upon the changes in Chinese official rhetoric, on October 22 an article in the Beijing Daily reported that Hu believed China and Japan

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19 Nanfang Daily 南方日报. “Waijiaobu chen zhongri renjian jiaowang shifen zhongyao qianming riben qingshaonian jianglai hua can shibo” 外交部称中日民间交往十分重要 千名日本青少年将来华参加世博 [Foreign Ministry Claims Contact Between the People of China and Japan is Extremely Important, One Thousand Japanese Youth Will Come to China and Attend the World Expo]. October 13, 2010.
should adhere to the principles of their “four political documents” and should avoid rhetoric that promoted conflict.\textsuperscript{21} From this point onward, Chinese officials began to frame Sino-Japanese relations within the context of the four documents. These documents include the 2008 China-Japan Joint Statement on Comprehensively Advancing Strategic and Reciprocal Relations and the 1978 China-Japan Treaty of Peace and Friendship. In the wake of the Incident, when discussing relations with Japan, Chinese officials and elites continually borrowed positive phrases from these documents, such as “strategic and mutually beneficial relations,” “mutual understanding,” “mutual trust,” and “friendship between both peoples,” which emphasized an attitude of cooperation.

However, despite official remarks indicating warming relations, nationalist outrage still simmered, but was nevertheless ignored. For example, on October 23 anti-Japanese demonstrations started up again across China and lasted two days, but were not covered in the CCP newspapers. Instead of reporting on the protests, the \textit{People’s Daily} ran a brief article in which Ma Zhaoxu is quoted saying “China hopes Japan wants to collaborate with us to maintain and promote strategic and mutually beneficial relations.”\textsuperscript{22}

This theme of positive rhetoric was further apparent on November 14\textsuperscript{th}, when newspapers gave significant coverage to a meeting between Hu Jintao and Naoto Kan at the APEC forum. Hu stressed the “fundamental benefit” that bilateral relations bring to both Chinese and Japanese people, and advised that both sides closely abide by the principals of the “four political documents.”\textsuperscript{23} He also indicated “both sides should work together

\begin{itemize}
\item \textsuperscript{21} \textit{Beijing Daily} 北京日报. “Wang rifting yi xingdong tixian gaishan guanxi chengyi” 望日方以行动体现改善关系诚意 [Hoping that Japan’s Actions Will Reflect Sincerity in Improving Relations]. October 22, 2010.
\item \textsuperscript{22} Jiaolong, Wang. 汪蛟龙,“Zhongfang yuan yu rifang gongtong weihu he tuijian zhanzheng huhui guanxi” 中方愿与日方共同维护和推进战略互惠关系 [China Hopes to Jointly Maintain and Promote Strategic and Mutually Beneficial Relations With Japan]. \textit{People’s Daily} 人民日报, October 24, 2010.
\item \textsuperscript{23} Cong, Geng. 耿暘,“Hu jintao tong riben shouxiang jian zhiren huiwu” 胡锦涛同日本首相菅直人会晤 [ Hu Jintao Meets With Japanese Prime Minister Kan Naoto]. \textit{People’s Daily} 人民日报, November 14, 2010.
\end{itemize}
to pursue the opening up of societal and cultural exchanges, which would promote mutual understanding and friendship between both peoples.”

These positive signs were reaffirmed a month later, when Jiang Yu stated that recently “leaders from China and Japan have taken advantage of multiple multilateral conferences to hold meetings and have reached important common understandings.” Jiang asserted these were positive steps in the development of Sino-Japanese relations, while reiterating Hu’s statements from the APEC forum that emphasized the importance of following the principles of the “four political documents.”

Examining the Incident through the lens of Communist Party newspapers shows a pattern in which the Chinese government tolerated and embraced nationalist anger against Japan, only to later restrain and attempt to redirect it. In the face of this analysis, the assertion that nationalism limits the Chinese leadership’s ability to maneuver in its dealings with Japan and forces it to act against its own interests appears problematic. While that theory may explain why the Chinese government felt compelled to appear tough on Japan at the outset of the dispute, it does not explain its later behavior. Once the dispute winded down, Chinese official rhetoric at multilateral meetings and in party newspapers became friendlier. Phrases advocating the promotion of bilateral cooperation such as “strategic and mutually beneficial relations,” “mutual friendship,” and “mutual trust” began to appear more frequently. Furthermore, this adjustment occurred amidst a backdrop of persisting anti-Japanese sentiment and protests through the period of October and November 2010. Rather than appearing as a victim of its own nationalist constituents, the Chinese leadership emerged as a strong force, in control of the situation and its foreign policy.

If the pressure of domestic nationalism severely limited the Chinese leadership’s dealings with Japan, then how was the government able

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24 Cong, “Hu Jintao.”
26 Nanfang Daily, “Waijiaobu zhongri.”
to reverse its initial aggressive approach to a more moderate one? A more nuanced explanation is needed. The Chinese leadership coordinated reports in its party newspapers during and after the Incident, in a clear pattern in line with Reilly’s theory of selective tolerance and restraint. This can be observed in shifts in official rhetoric from hostile language towards Japan’s provocations to calculated diplomatic statements emphasizing the benefits of bilateral relations. In addition, selective restraint was shown when party newspapers remained silent regarding anti-Japanese protests in October 2010. It is clear that China’s government was calculating and rational in its response to maintain a pragmatic approach towards Japan.

IV. Elite Typology and Discourse Analysis

Introduction and Elite Typology Overview

Having established a basis of analysis and evidence from party newspapers that explicate ‘selective tolerance,’ this paper now introduces a new dimension of evaluation by comparing the opinions of Chinese foreign policy elites. The twelve elite voices analyzed in this paper fall into two broad categories: those who advocated a cooperative Japan policy and those who called for a more competitive policy. The cooperative voices consist of all the scholars examined, as well as two members of the PLA, Liang Guanglie and Xiong Guangkai. These individuals advocated policies that directly or indirectly supported the status quo of sovereignty issues in the East China Sea, including the “shelving” and postponement of territorial disputes in deference to the development of Sino-Japanese relations. The competitive voices, although consisting of a minority of PLA-affiliated individuals, were nevertheless an important group to consider. This group generally advocated a more belligerent approach to the Diaoyu/Senkaku Islands dispute and looked upon Japan’s actions with a higher degree of suspicion. Overall, these individuals pushed for a shift in the status quo in which China would move from a passive approach to Diaoyu/Senkaku Islands to one where it would increase its maritime security forces and activities in the East China Sea.

Cooperative Elite Voices

Among the cohort of scholars and PLA generals that supported a moderate Japan policy, three themes prevail in their rhetoric: an emphasis on
China’s peaceful rise and ‘era of strategic opportunity,’ calls for greater coordination in Chinese foreign policy, and advocacy for increased exchange (cultural, societal, defense) between China and Japan.

Wang Jisi and Xiong Guangkai were foremost in portraying China as a peaceful rising power. In the weeks after the Incident, Wang discussed the importance of the country’s “era of strategic opportunity,” and although he did not directly mention the Incident, his message was clear that China’s leadership had a “cool-headed long-term perspective towards the international situation” and an “unswerving pursuit of a peaceful development path.”

Xiong Guangkai expressed a similar message of peaceful development a few weeks early in an article in Nanfang Daily, the official newspaper of the Guangdong Communist Party Committee. Xiong asserted that China was pursuing a path of peaceful development and that foreign countries had misinterpreted its defense strategy. These remarks built upon statements Xiong made in a Hong Kong newspaper article on September 27 towards the end of the Incident. He stated that China’s posture of “hiding its capabilities and biding its time” was reflected in its choice to only dispatch vessels from the Maritime Fisheries Enforcement instead of real military forces to the Diaoyu/Senkaku islands during the dispute. The phrase “hiding one’s capabilities and biding one’s time” referenced former leader Deng Xiaoping’s advice that China should avoid international confrontation during its extended period of domestic reform and economic development.

Keeping the theme of portraying China as a peaceful rising power, scholars Zhu Feng and Shi Yinhong promoted the adoption of a more coordinated and unified foreign policy. In their view, the outbreak of bilateral maritime disputes in 2010 between China and its neighbors in the East and South China Seas highlighted one of the principal issues challenging China’s claim that it was rising peacefully: the fact that it had an unclear Asia strategy.

Just after the release of the Chinese captain in late September, Zhu Feng claimed that China’s diplomatic relations in Asia faced unprecedented challenges and that it “must have a clear, coordinated and precise Asia strategy.”

In a following article, Zhu, in reference to Sino-Japanese relations, was quoted saying that China wanted to “eliminate the doubts held by surrounding countries” and “avoid as much as possible a confrontational foreign policy.”

Zhu stated that regular, high-level visits between both Chinese and Japanese officials were important towards improving the relationship and that China’s society, media, and think tanks needed to engage in “calm reflection, avoid the influence of passion and emotion and must not think that only to be tough is to be patriotic.”

Others, such as Shi Yinhong, called for China to have a levelheaded and coordinated policy towards Japan and the rest of Asia. Toward the end of the incident, Shi argued in the Oriental Morning Post that China needed to balance appeasing its population with avoiding alienating Japan, to keep its sights on the “long-term.”

In a veiled reference to the Incident, Shi warned that bullying “other countries” would only push them to seek closer

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32 Oriental Morning Post, “Zhongguo gaoceng.”

33 Zhe, “Zhoubian bianju.”
ties with the US. Furthermore, Shi warned that countermeasures such as cutting off rare earth mineral exports to Japan could have had serious reciprocal effects on China’s economy due to deep bilateral economic ties.

The last prevalent theme among the cooperative elite voices was a broad call to increase bilateral exchanges between China and Japan. Many scholars emphasized that these efforts would help foster a greater sense of mutual trust and respect between China and Japan. More significantly, this theme of bilateral exchanges marked a clear convergence of official and elite rhetoric.

After the Chinese captain was released at the end of September 2010, Chinese officials spoke more optimistically about the state and course of Sino-Japanese relations. On October 12, the remarks of Chinese Defense Minister Liang Guanglie were widely published, and attached great importance to the development of military exchanges between both countries and hoped both sides would continuously reinforce “mutual trust.” The following day, Ma Zhaoxu praised the arrival of large numbers of Japanese youth at the Shanghai World Expo and claimed that societal exchanges between China and Japan were important to developing and improving bilateral relations.

As government officials spoke favorably on the promotion of bilateral exchanges, many scholars followed suit in endorsing this policy approach towards improving Sino-Japanese relations. On the day following Ma Zhaoxu’s remarks, Wang Shaopu wrote an op-ed in China News Service that extolled China and Japan’s unique and historic cultural relationship and stated that their cultural exchanges “help the development of Sino-Japanese relations, providing a foundation and reference point for establishing a sense of mutual respect.” In the following two weeks, two other scholars

34 Zhe, “Zhoubian bianju.”
36 People’s Daily. “Liang Guanglie Separately.”
37 Nanfang Daily “One Thousand Japanese Youth.”
expressed support for this approach, including Liu Jiangyong and Yang Bojiang. Yang asserted that “love and hate are intertwined in Sino-Japanese Relations, and that now with more information widely available, public opinion had an unprecedented influence on foreign affairs” and so the need to “normalize” societal relations was increasingly important. The theme of increasing exchange between China and Japan would draw further attention when Chinese President Hu Jintao told Japanese then-Prime Minister Naoto Kan at the APEC Forum in November 2010 that exchanges “would promote mutual understanding and friendship between both peoples.”

The three prevalent themes that were promoted by the cooperative elite voices focused on China’s peaceful rise, its need for a more coordinated foreign policy, and the expansion of bilateral exchanges with Japan. All of these themes reinforce the notion that in the wake of the 2010 Fishing Trawler Incident the Chinese leadership favored a trajectory in Sino-Japanese relations characterized by cooperation.

Competitive Elite Voices

The militarists that supported a more competitive Japan policy included senior retired and active duty members of the PLA, and the themes they expressed encompassed support for coercive action to defend the disputed islands and national maritime rights, the expansion of China’s maritime forces, and the view that external powers, including Japan, were trying to counteract China’s growing power. The most extreme and vocal of these elites was retired Major General Luo Yuan, who stated that if necessary China would be prepared to take military action to defend the


40 Southern Metropolis Daily, “Waijiaobu bo ri.”

41 Cong, “Hu Jintao.”
Diaoyu/Senkaku islands. Luo also attempted to raise the stakes of the Incident beyond a simple violation of China’s sovereignty, to a matter of national strategic importance, pointing to the natural resource reserves in the territory’s Exclusive Economic Zone.

Secondly, the competitive elite voices emphasized directing more resources into building up China’s maritime forces and specifically called for the establishment of a unified national coast guard. Luo Yuan and PLA Navy Rear Admiral Zhang Zhaozhong both voiced support for this idea. Zhang drew direct comparisons to the Japanese Coast Guard (JCG) and enumerated the benefits of having a similar force, which he argued could be used for intimidation, law enforcement, and strategic support for naval forces during wartime.

The final theme reflected by elites advocating a competitive policy stance included the stark assessment that rival powers were surrounding and hedging against China, with Japan being a principal actor. PLA Air Force Colonel Dai Xu, an outspoken hawk, accused Japan of cooperating with the US to contain China. In 2010, Zhang Zhaozhong pointed specifically to Japan’s New Defense Program Guidelines, and claimed that the primary purpose for shifting its focus to its Southwest islands was a clear attempt to counteract China. Others such as Xu Guangyu, pointed to defense cooperation between South Korea, Japan, and the US in what he called an ‘iron triangle’ directed at China.

Unsurprisingly, elites in this category talked less of the benefits of close bilateral ties with Japan and more of efforts to impinge on China’s sovereignty. These sentiments paralleled popular domestic, nationalist opinion more closely than the moderate elites and thus, despite representing a minority in this sample, are an important voice to consider. Overall, the rhetoric in the moderate camp aligned more closely with that of Chinese officials, and with China’s long-term development goals. Their views were pragmatic and represented a more real assessment of China’s priorities and capabilities.

V. Conclusion

The Chinese government’s response in the wake of the Incident is consistent with the Reilly interpretation of past bilateral disputes. Rather than being guided by pressures from nationalist constituents, China’s
leadership emerged from the Incident in control of its Japan policy and the coinciding narrative. At the beginning of the dispute, communist party newspapers first projected strong rhetoric against Japanese provocations and even endorsed demonstrations against Japan. However, after the detained fishing boat captain was released, China’s leadership reversed their initial response, cutting back negative state media coverage, ignoring later protests, and changing the tone of rhetoric when discussing Sino-Japanese relations. This official behavior was further reinforced by predominant currents in elite dialogue that advocated for moderate policy stances towards Japan.

From these observations, it appears that through the course of and after the Incident, the Chinese government addressed nationalist pressure to be tough on Japan and later moved to realign bilateral relations towards a more cooperative trajectory. Overall, while China may appear to be increasingly assertive in its foreign policy commensurate with its rising power status, this analysis reveals that its leadership nevertheless has some concern for maintaining good bilateral relations with neighbors such as Japan.
FROM THE EDITORS

The research contained in this journal resulted from a collective 30 years of work in the field of international affairs. As such, it was certainly not an easy task, but one that the Editors hope was rewarding for all involved.

For the authors, these papers culminated their work as Elliott School undergraduates, and provided a foundation for further research and deeper exploration into pertinent and current issues that continue to be a source of discussion among politicians and established scholars alike. Yet, this publication is not the end to our year-long efforts, but a stepping-stone to our future. It was a pleasure to help finalize these projects and we wish our fellow Scholars the best of luck in their next endeavors.

The Editors would like to thank each Undergraduate Scholar for their responsiveness and willingness to continue laboring on the final product long after leaving their undergraduate experience behind them. As well, we would like to thank the graduate student mentors and faculty advisors for their invaluable insights and support during the research process.

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Once again, thanks to all for a very rewarding year.

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