

# Yale Review of International Studies

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## Letter from the Editor

Dear Readers,

Welcome to the first issue of The Yale Review of International Studies. Begun by a group of undergraduates in the fall, YRIS was established to publish and celebrate undergraduate scholarship on international affairs, to create a space where commentary on pressing international questions could intersect with what we learn and discuss in the classroom. Those aims were codified in the following mission:

The Yale Review of International Studies shall be dedicated to publishing both opinion and long-form scholarship on contemporary global issues: their origins, present effects, and the future they will shape. In order to address the many questions of present international interest, The Yale Review of International Studies will seek to stimulate broad and multi-faceted debate on issues ranging from foreign policy to international trends in law, culture, and the environment.

The current issue marks our first attempt to realize that vision. We begin with a comment on recent upheavals and intervention in the Middle East, and later Jeffrey Kaiser spells out leading thinking before the crisis on democratization in the region. John Ettinger delves into the economics behind the much-demanded Chinese surplus reversal and concludes that Chinese caution is well grounded. Juilo Garzon investigates the complicated relationship between terrorism and poverty, and Della Fok analyses the conflict and the connectedness of two other global forces — religion and the movement for gender equality. Global norms and law-making have

proliferated in recent years, and Thomas Smyth characterizes their unique qualities and applies his discussion to the case of a Sri Lankan apparel factory. Finally, two book reviews grapple with emerging forms of nationalism in Europe and predictions of a new order in global politics.

It is our hope that The Yale Review of International Studies will contribute to a rigorous discourse on international affairs among the students of Yale College. As we continue to observe the unfolding international events of our times, may this journal be a place for thoughtful and thought-provoking exchange.

Best wishes,  
George E. Bogden

## Fighting over Libya

THE EDITORS

I. COMMENT

The course of this magazine's gestation has coincided with transformative political developments in the North Africa and the Middle East. We write at a time when the extent of these changes are still being shaped by fighting among protestors, armed rebels, and the odious security forces of authoritarian regimes clinging to power. Conflict has become particularly intense in Libya, where Western forces, driven by French cheerleading but ultimately backed by American bombs, have recently intervened.

How the US describes its involvement in Libya—what was recently called a “time-limited, scope-limited military action”—has itself been, to use another term recently put forth, in “kinetic” flux. To many, these linguistic acrobatics to dodge the word ‘war’ or any hint of lengthy engagement suggest incoherence or an embarrassing confidence in the power of jargon to conceal that fact. Some military officials, and particularly Secretary Gates, have been remarkably candid about the ambiguity of our long-term goals. Americans are left to sort through a kaleidoscope of potential reasons for intervention—averting a massacre in Benghazi, knocking out the Libyan air force, preventing a total defeat of the rebels, helping the rebels defeat Qaddafi, or deposing him.

Yet there is something oddly

reassuring about the difficulty of characterizing American involvement in Libya. By refusing to label the situation a ‘war’, the US has refrained from a commitment to ‘win’ anything. In lieu of overdetermining the end goal, the Obama Administration has tried to present an adaptive logic for the conflict: preventing outrageous violations of human rights without committing American soldiers to the conclusion of a complex and evolving civil war. It is a theory about winning particular battles but not fighting wars.

This impulse is pitted against the inexorable logic of intervention that makes it easy to get into a fight but hard to get out of one. Interventions, like all military actions, have a way of eventually demanding decisive victories: the search for victory in battle evolves into fighting for one in war. So if matters in Libya become more complex—if victory becomes a condition for exit—the kaleidoscope of goals looms large. It reminds Americans that they do not know precisely what constitutes a victory. Furthermore, to the extent that US involvement quietly expands from protecting civilians to saving armed rebels from defeat, the Obama Administration risks undermining their ability to muster international consensus in the future for intervention to protect the innocent.

There is already some indication

that the US has gone beyond any of its stated humanitarian goals. Reports of a CIA presence on the ground even before intervention partly belie the stated humanitarian grounds for involvement. If victory does mean the defeat of Qaddafi, it looks increasingly certain that the rebels will not be able to achieve it alone. They are a ragtag team, badly outnumbered and outgunned by Qaddafi. Alarming, the rebels are drawn from a population that supplied many foreign fighters against US forces in Iraq, and there is a small but substantial jihadist movement among their ranks. Of even greater concern than the current identity of the rebels is the daunting question of which rebels will assume leadership and how they will be shaped by their struggle. Will they turn out to be friends or foes, contributing or detracting from Western attempts to stomp out terrorism around the world?

Even if the Allies can successfully enforce a no-fly zone and prevent the rebels from being overrun, it is unclear where that leaves the US; a stalemate is not a real solution. In the best case, the display of Western intransigence may change the calculus in Tripoli, with Qaddafi's sons and the rebels perhaps brokering a transitional government to ensure short-term peace and set the stage for democracy. In that case, the US very likely would have to take some responsibility for the development of institutions within the nascent state, and it is difficult to imagine such a project as a "short-term" endeavor.

Increasingly, however, it seems that outside involvement in Libya has only worsened the potential outcomes of the conflict. To the extent that US

involvement was directed to prevent a massacre in Benghazi, it seems justified, even imperative. However, the evidence for that fear rests a little too heavily on White House and State Department pronouncements invoking the specter of another Srebrenica. That Qaddafi was capable of such evil is indisputable—if anything, his costumed mania and outlandish comments to Western media have obscured his malevolent influence on a bevy of African states through his oil-funded support of their murderous despots. But there are many of what Samantha Power refers to as “problems from hell,” and they often tempt well-meaning interventionists into making them worse.

With fighting ongoing, it is right to hope for success. In this case, success is a far cry from victory. It is instead something more specific and limited: to both avert a major humanitarian crisis and to avoid a major American troop commitment. The hope is to avoid the worst. We hope that goes best.

# Chinese Surplus Reversal: A Bitter Pill

JOHN ETTINGER

China's current account surplus reflects one of the most troubling imbalances in the global economy. This surplus, which has grown rapidly since the start of the decade, signifies the nation's status as both a net supplier and net lender on the international stage, and has become a point of major international contention. In fact, China's export-driven growth model makes it the world's most active supplier and lender by a wide margin. In the third quarter of 2010, the surplus inflated to a staggering \$102.3 billion, or 7.2% of Chinese GDP.<sup>1</sup> This figure represented an increase over the \$72.9 billion surplus from the second quarter of 2010 and an even greater increase over the much more reasonable surpluses from 2009. Recent historical values are presented in *Figure 1*. Many, most notably the United States, have clamored for a reevaluation of the renminbi and reduction of the surplus, calling it an unfair economic aid, but China will find itself hard-pressed to make any significant cuts to the surplus without undermining domestic political stability.

Economists disagree about the source of this large and growing surplus. The most popular explanation relies on exchange rate distortion. Analysts agree that the Chinese government, by trading massive amounts of renminbi for dollars at a fixed ratio, actively pegs its currency at the artificially low rate of 6.8 renminbi per dollar. This low rate makes Chinese exports cheap and attractive to foreign consumers while making imports relatively expensive and unattractive to domestic consumers, thereby lobbing the trade pendulum in their favor. While American politicians insist that Chinese currency manipulation is the source of global trade imbalances, other factors may be equally important. China's extraordinary savings rate, for example, serves to explain its major capital outflows (net lending), which in turn can explain the export gap. Government policies promoting growth in China's export sector are also to blame. Finally, economists point to relocation of industries from other East Asian economies to China and to various factor market distortions.<sup>2</sup>

Whatever the cause, the massive surplus represents a dangerous instability in the Chinese economy. The nation's status as a net global lender has led to a massive influx of debt for its clients—particularly the United States. Indeed, most estimate that currency manipulation alone has led to a Chinese stockpile of over \$1 trillion in US Treasury securities (*Figure 2*).<sup>3</sup> Such massive holdings of foreign exchange reserves are fundamentally unstable, making Chinese asset values susceptible to fluctuations of a currency the state does not control. Perhaps more importantly, China's reliance on exports leaves it vulnerable to fluctuations in global economic conditions. The recent financial crisis, for example, led to a sharp contraction of

global demand that served as a “wake-up call” for China.<sup>4</sup> Economists also warn that massive expansion of the money supply caused by the surplus could impose inflationary pressures on the renminbi. Finally, the surplus has led to troubling political tensions with trading partners such as the US, who blame China for rising trade imbalances.<sup>5</sup>

Government intervention is clearly necessary in order to cure Chinese current account woes, and the state has a number of tools at its disposal. The most obvious is currency revaluation—if China allows the renminbi to appreciate to its natural level, exports will decrease while imports increase, allowing a shift towards stability. Another important tool is economic restructuring: finding a way to shift the economic balance away from exports and towards consumption. This will likely center around suppression of the private savings rate, which will stimulate consumption (and thus imports) while controlling net capital outflows (and thus exports). Finally, some economists suggest simple fiscal stimulus in the hopes that increased government spending can be another driver of income and consumption.<sup>6</sup> However, this paper will not explore these options in depth, rather it will take as its fundamental assumption that, by the year 2010, China is able to achieve current account neutrality through an even balance of these reforms. Instead of evaluating the likelihood or effectiveness of such reforms, this paper will take them as given and explore the consequences for China.

Such a reversal may not come cheap. As net exports fall, so might Chinese GDP. This blow to growth will be particularly salient given the Chinese political and economic landscape. China has been enjoying extraordinary growth over the last 30 years, with annual real GDP growth rates above 8% each year since 2000 (*Figure 3*). Critics, however, point out that such fabulous growth is actually necessary to quell political unrest in the communist nation. China's “social stability imperative” suggests a threshold of 8% annual growth is necessary to prevent massive political uprising.<sup>7</sup> This imperative of consistently high growth rates has handcuffed Chinese leadership as it considers reforms aimed at curbing major economic instabilities. Thus, financial stability may come only at the cost of social stability, and if the foregone growth of current account reversal proves too severe, the government may be unwilling to enact reform for fear of compromising social stability.

This paper takes aim at a crucial question: will it be possible for China to achieve a current account reversal through balanced reform while maintaining the growth demanded by its social stability imperative? The paper will begin by exploring the theoretical evidence. Specifically, it will examine the Mundell-Fleming

1 Back, Aaron. “China's Current Account Surplus Soars.” *Wall Street Journal*. November 25, 2010.

2 Huang, Yiping. 2009. “Fixing China's Current Account Surplus.” *East Asia Forum*.

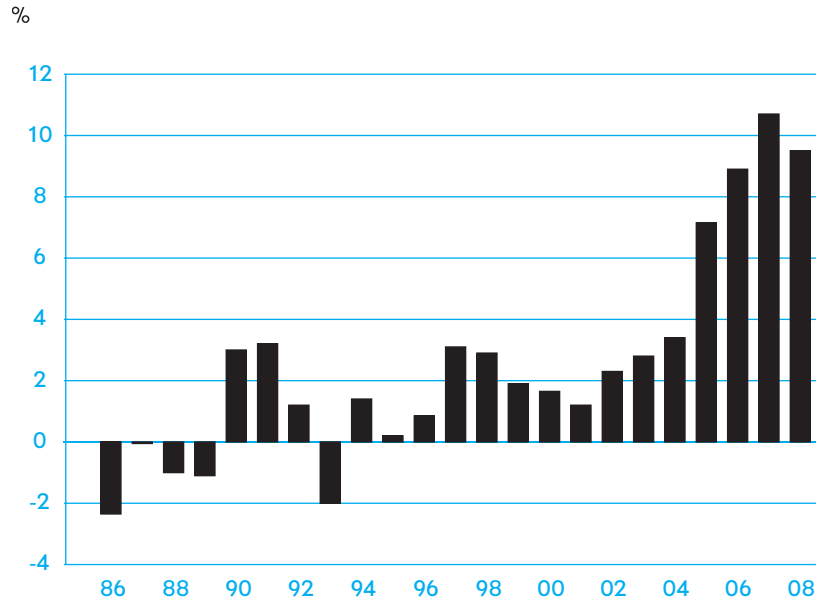
3 Morrison, Wayne and Labonte, Marc. 2009. “China's Holdings of U.S. Securities: Implications for the U.S. Economy.” *Congressional Research Service*.

4 Roach, Stephen. 2009. “Introduction.” *The Next Asia*.  
5 “The Danger of China's Trade Surplus.” [www.chinaorbit.com/china-economy](http://www.chinaorbit.com/china-economy). 12/6/10.

6 Nyhus, Douglas. 2007. “Closing China's Trade Surplus.” *Inforum World Conference*.

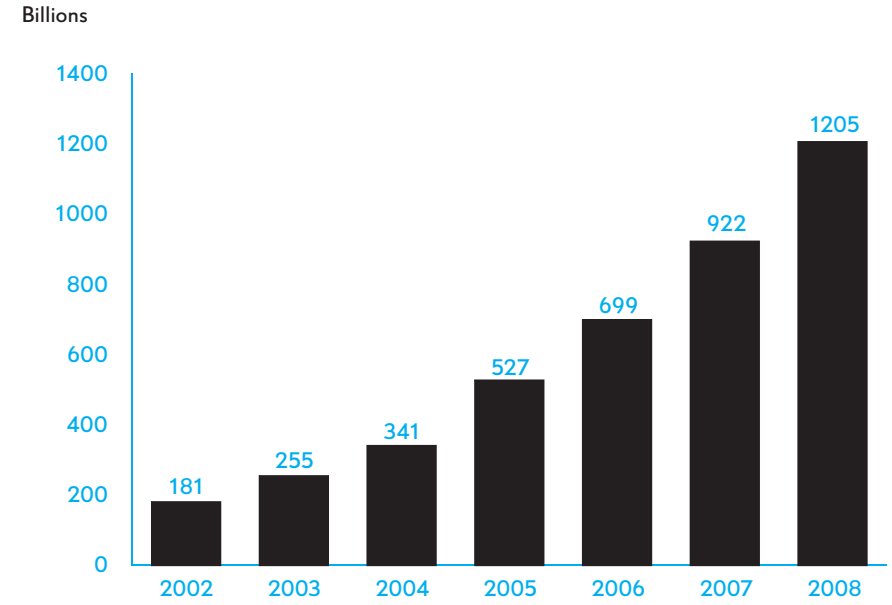
7 Connan, Clifford. “China Crisis as Economy Crumbles.” *The Independent*. March 6, 2009.

Figure 1.



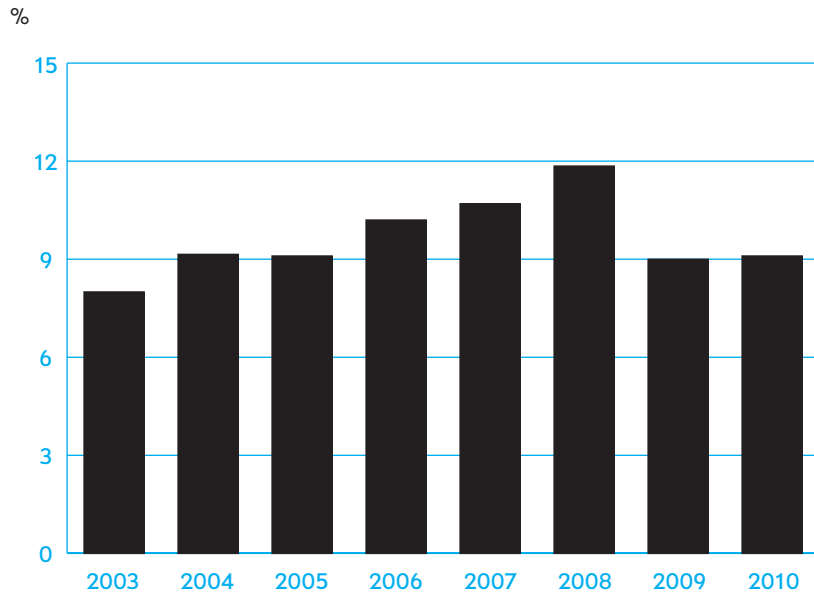
Chinese Current Account as a% GDP, 1986-2008. Huang(2009)

Figure 2.



Chinese holdings of US Treasury Securities. US Treasury Department.

Figure 3.



Chinese GDP real growth rate. CIA World Factbook.

model of open-economy macroeconomics to reach conclusions about the effect of surplus reversal on growth rates. Next, the paper will examine the empirical literature on the subject, evaluating whether the theoretical predictions have proven historically accurate. Finally, it will take all the evidence together, examining what variables affect the relationship between reversal and growth and how those variables apply to the current situation in China. The paper will conclude by using all the available evidence to arrive at the central conclusion: that it will not be possible for China to achieve a surplus reversal through balanced reform while maintaining growth above the 8% social stability threshold.

**THEORY**

The Mundell-Fleming model is one of the most popular for describing the relationships between key macroeconomic variables in economies that engage in international trade. The model presents two particular advantages in analyzing the Chinese situation. First, the model is Keynesian, meaning it describes short-term relationships between variables. While long-run implications for growth are important, this paper is concerned exclusively with short-run performance. In fact, the Chinese government’s social stability imperative necessitates high growth rates in the extreme short-run—a single year of lagging income could prove catastrophic. Second, the model can be used to describe large open economies. Other models, in contrast, often focus on macroeconomic relationships in small open economies. As home of the world’s second-largest GDP, China has certainly achieved large economy status.

The Mundell-Fleming model revolves around the IS curve (a basic macroeconomic relationship which represents equilibrium in the goods market), the LM curve, which represents equilibrium in the money market, and the balance of payments identity. The IS curve dissects annual GDP into

consumption, investment, government spending and net exports; the LM curve focuses on the supply of money and price level (exogenous factors) as well as interest and income; and the balance of payments which relies on the relationship between net exports and net capital outflows.

When its components are assembled, the Mundell-Fleming model holds that the interest rate and GDP of an economy will settle at the unique values that put both the goods and money markets in simultaneous equilibrium, and this equilibrium interest rate, in turn, determines the level of net capital outflow. Finally, this equilibrium level of net capital outflow gives the level of net exports, as they are equivalent according to the third equation. Because net exports is a function of the exchange rate, the equilibrium exchange rate will be that which equilibrates net capital outflows and net exports.

This model and the current situation in China differ in that China fixes its exchange rate at a target below the equilibrium level. In practice, it does this by selling renminbi for dollars at a fixed low rate. By selling renminbi, it expands the real money supply, which leads to a reduction in the interest rate, an increase in net capital outflow, an



increase in net exports and a decrease in the exchange rate. Thus, while there is consistent “upward pressure” on the exchange rate as it attempts to float back towards its equilibrium level, government sales of renminbi actually artificially suppress it.<sup>8</sup>

The model can be used to predict the impact of a current account reversal, or a large decrease in the balance of net exports. One way the Chinese government might attempt to decrease net exports is through partial or full revaluation of the renminbi. To achieve this, the government would raise the peg at which it trades renminbi for dollars (or perhaps abandon the peg altogether), contracting the real money supply and thereby triggering a higher interest rate, which would in turn lead to lower net capital outflows. The lower net capital outflows would mean both a decrease in net exports and an increase in the exchange rate, reducing output.<sup>9</sup>

A second method for decreasing net exports hinges on expansion of domestic spending. This can be achieved either through structural policies that increase consumption (such as increasing wages or lowering the private savings rate) or through direct fiscal stimulus. Such policies would all have the effect of raising interest rates, and, as before, this would reduce net exports and increase the exchange rate. However, this policy would have an expansionary effect, increasing national income.<sup>10</sup>

One factor complicating this fiscal approach is that it would increase the exchange rate, which could cause discomfort in the Chinese government. If the government remained committed to an artificially low exchange rate, it

would have to fight the increase by selling more renminbi. This would also have the effects of a decrease in the exchange rate, an increase in national income and an increase in net exports. This policy, however, would be counter-productive, as it would reverse the effect of the original fiscal expansion on net exports. Because this paper assumes a balanced reversal that includes partial or full revaluation of the renminbi, it is safe to assume that the government would simply let the exchange rate appreciate following fiscal expansion.

Unfortunately, the Mundell-Fleming paints a picture that looks hazy at best. A reduction in net exports achieved through revaluation of the renminbi would result in a contraction of national income, but a reduction in net exports achieved through either restructuring policies or direct fiscal stimulus would result in an expansion of national income. Thus, the effect on growth of a balanced approach that combines the two is ambiguous. In fact, it is possible that various policies could be combined to achieve massive reductions in net exports with zero net effect on national income. In the end, the combined effect on growth (as well as net exports) depends on the relative sizes of the different policies and on the elasticity of the Mundell-Fleming components. As these factors are extremely difficult to determine and even harder to predict, the net effect on growth must be deduced by examining historical current account reversals. With this in mind, this paper now turns to empirics.

### EMPIRICS

The bulk of empirical literature on

current account reversals focuses on the impact of deficit, rather than surplus, reduction (situations directly opposite to China’s). Most of this work on deficit reduction arrives at similar conclusions. First, most authors find negative impacts on growth. Second, most find that deficit reductions were linked to currency crises (wherein overvalued currencies “crashed”). Third, most find that currency devaluations and decreases in net exports resulted in massive increases in net capital outflows. These conclusions are all plausible under the Mundell-Fleming model.

Melecky (2005) found fairly typical results. The author studied deficit reversal events in central and Eastern Europe from 1993-2008 and found that, on average, a current account reversal brought a 1.1% growth rate contraction in the following year. He also found that, in most countries, growth eventually recovered as domestic capital was substituted for reduced capital inflows. Finally, his results suggest that the rate of growth recovery depended on the size of the initial shock. Edwards (2001) reported nearly identical results in a study of 120 countries over 25. He found a negative impact on growth around 1% in the year following a reversal, most of which resulted from diminished capital inflows.<sup>11</sup>

Milesi-Ferretta and Razin (2000)

examined the effects of various macroeconomic variables on the size of growth reduction following deficit reversals. The authors examined 105 middle- and low-income countries, scanning for “reversal episodes.” Interestingly, in the 100 episodes identified, the authors found that the median change in output growth was zero. However, there were a number of events that did result in significant contraction or expansion. In these events, growth was positively related to openness to trade and less-appreciated exchange rates (deficit economies tend to feature overvalued exchange rates). Growth was negatively related to debt and official transfers. The authors also found that growth had no relation to current account level prior to the reversal, the foreign interest rate, prior GDP or the level of investment.<sup>12</sup>

While the impacts of deficit reduction are well-documented, there is almost no empirical evidence available on the impact of surplus reduction on growth. While it is tempting to simply “reverse” the findings on deficit reduction and apply them to surpluses, the anatomy of the two types of reversal are different (deficit reductions are often traumatic, unintended episodes that follow currency crashes) and thus require different treatment. This paper now examines the bulk of the cannon on surplus reversals.

<sup>8</sup> Mankiw, 350-351.

<sup>9</sup> Mundell, Robert. 1963. “Capital Mobility and Stabilization Policy Under Fixed and Flexible Exchange Rates.” *Canadian Journal of Economic and Political Science* 29 (4): 479.

<sup>10</sup> Mundell, 479.

<sup>11</sup> Melecky, Martin. 2005. The Impact of Current Account Reversals on Growth in Central and Eastern Europe. *Eastern European Economics* 43(2): 57-72.

<sup>12</sup> Milesi-Ferretta, Gian and Razin,

Assaf. “Current Account Reversals and Currency Crises: Empirical Regularities.” *Currency Crises*. University of Chicago Press, 2000: 285-323.

Crichton (2004) presented a joint analysis of both deficit and surplus reversals. The author began by examining a theoretical model, developed by Chari, Kehoe & McGrattan (2006), which describes a small open economy. The model predicted that surplus reversals have a negative impact on growth. He then turned to empirics, examining the effects of surplus reversal on developing economies. The author found that real GDP growth does tend to fall following reversals. Specifically, growth in sampled economies averaged 4.76% in the year before a reversal but fell to 3.67% in the year of the reversal event. Growth then tended to slowly recover, averaging 3.55%, 3.69% and 4.04% in the following three years. The author also examined the effect of reversals on net capital inflows (the opposite of outflows). The results suggest that inflows tend to increase (equivalent to decreasing outflows), as predicted by the Mundell-Fleming model. Specifically, the year before reversals saw average inflows of 2.8% of GDP, but the year of the reversal saw average outflows of 1.4% of GDP, a 4.2% swing. Outflows then averaged 1.3%, 2.2% and .8% of GDP, respectively, in the three years following the reversal.<sup>13</sup>

Meissner (2010) applied an anecdotal approach, presenting a case study of surplus reversals in France and Great Britain in the interwar period. While the effectiveness of anecdotal analysis is limited (particularly in reference to events so far in the past), the French case bears striking resemblance to the current situation in China. In 1926, the French currency had been stabilized through a peg against the British

sterling pound, but most thought it considerably undervalued. To prevent appreciation, the French central bank sold large amounts of domestic currency in exchange for sterling at a fixed rate (France at the time, like China today, denied this). From 1926-1931, France experienced considerable current account surpluses. During these years, the economy enjoyed rapid growth (at 6% or more annually), much like China today. In 1931, however, things began to change. The US and Great Britain both devalued their currency, leading to exchange rate appreciation in France. At the same time, depression abroad led to decreases in exports (much as the current financial crisis has led to a slowdown of Chinese exports), and eventually, France enacted expansionary fiscal policy to help fight depression. As a result of these effects, the current account gradually reversed. At first, however, the expansionary fiscal policy offset the losses imposed by the exchange rate appreciation, and the growth rate remained stable. It wasn't until 1936, when export markets began to dry up completely, that growth started to fall.<sup>14</sup>

The most recent study on surplus reversals, Abiad et al. (2010), is by far the most exhaustive. The authors examined data from 1960 to 2010 in search of policy-driven surplus reversals. These policies included exchange rate appreciation, fiscal stimulus and structural rebalancing. Maintaining specific technical criteria for a policy-driven reversal, the authors identified 28 examples in the past 50 years and then examined the "anatomy" of current account reversals. Their data showed

policy-driven reversal to be remarkably effective, with average surpluses dropping from 5.5% to just .4% of GDP. Increases in imports usually drove these adjustments, with the average economy experiencing import growth of 4.2% of GDP and export reduction of only .1% of GDP. On average, reversals led to a drop in savings of 2.1% of GDP and an increase in investment of 3.0% of GDP. Finally, reversals often accompanied an appreciation of previously-undervalued exchange rates, as the average nominal exchange rate appreciated 9.2% in the course of the reversal.<sup>15</sup>

They then examined the effect of surplus reversal on growth. Their findings suggest that, on average, reversal does not bring lower growth (*Figure 4.1*). In the short-term and middle-term, changes in the growth rate were not statistically different from zero. To control for fluctuations in the global economy, the authors also measured growth relative to global growth and obtained the same result (*Figure 4.2*). Their results indicated that growth following stimulus-driven reversals slightly outpaced growth following exchange rate appreciation-driven reversals, again in line with the predictions of the Mundell-Fleming model. Typically, while reversals reduced net exports, these were offset by increases in domestic consumption (*Figure 5*). Although the effect of surplus reversals on growth was found to be

negligible on average, the authors found substantial variation in outcomes (*Figure 6*). Changes in the growth rate ranged from -5.1% to 9.4% and were somewhat skewed to the right.<sup>16</sup>

Finally, Abiad et al. attempted to account for the diversity in growth outcomes by examining the effects of various macroeconomic variables on post-reversal growth. The authors concluded that countries enjoying higher growth rates before a reversal tend to experience lower growth afterwards (specifically, a 1% increase in growth before a reversal results, on average, in a .65% decline after reversal). They also found that reversals occurring during periods of slow global growth lead to greater declines in post-reversal performance: 1% decrease in global growth accompanies a roughly .5% decrease in domestic growth. Countries more exposed to global demand (as measured by the export/import ratio, or "terms of trade") have particular susceptibility to this effect. Next, the authors found that countries with larger pre-reversal surpluses experience greater declines in growth. This result was driven in particular by low growth among countries with high savings rates. The authors also showed that exchange rate appreciation (by economies with previously undervalued currencies) exacerbates slowdown of demand: a 10% appreciation of the real exchange rate brings, on

<sup>13</sup> Crichton, Daniel. 2004. "Persistent Episodes of Current Account Imbalances: An Empirical Analysis." Work in Progress.

<sup>14</sup> Meissner, Christopher. 2010. "Surplus Reversals in Large Nations: The Cases of France

and Great Britain in the Interwar Period." *Rebalancing the Global Economy: A Primer for Policymaking*. Vox EU, 1-6.

<sup>15</sup> Abiad, Abdul, Daniel Leigh and Marco E Terrones (2010), "Getting the Balance Right: Tran-

sitioning out of Sustained Current Account Surpluses." *World Economic Outlook*, Chapter 4, 109-114.

<sup>16</sup> Abiad et al., 114-118

Figure 4.1

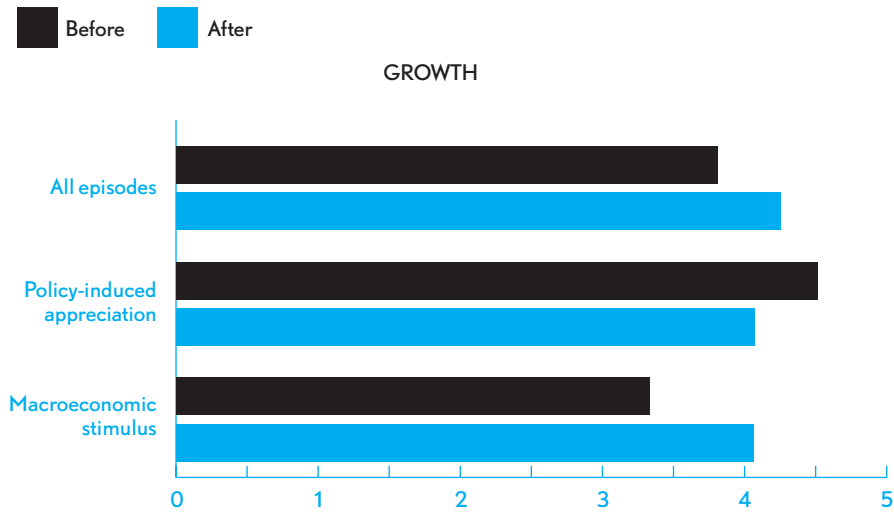
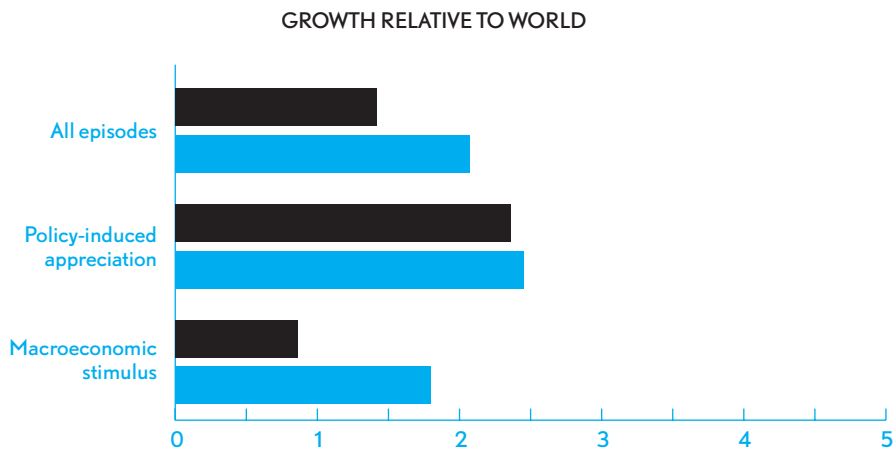
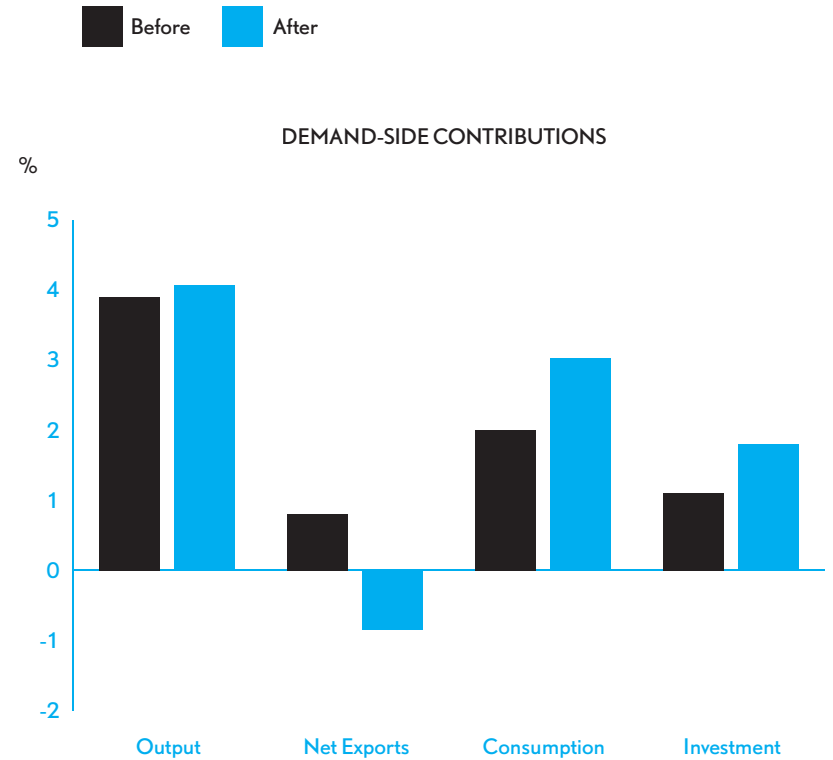


Figure 4.2



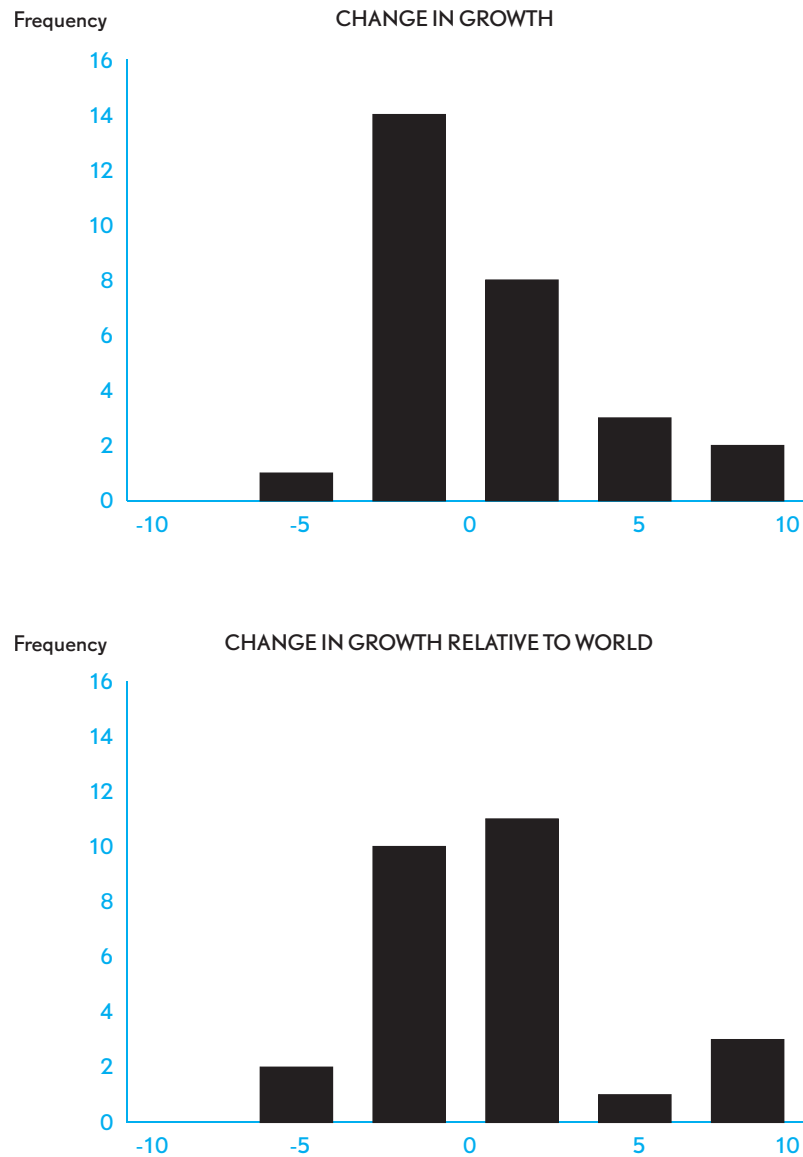
Output growth before and after surplus reversals. Values presented are sample averages. Differences between all "After" values and "Before" were not statistically significant at the 10% level. Abiad et al. (2010)

Figure 5.



Average growth rates of output, net exports, consumption and investment before and after surplus reversals. Abiad et al. (2010)

Figure 6.



Distribution of growth outcomes following surplus reversals (28 events). Abiad et al. (2010)

average, a 1% contraction of growth, with effects increasing over time. This has a more pronounced effect in more undeveloped economies, as measured by per capita income and export quality. All told, variation in these inputs accounted for 70% of the observed variation in growth rate changes following reversals.<sup>17</sup>

CONCLUSIONS

The results of the empirical analysis match the predictions of the theoretical analysis. In general, the evidence analyzed in this paper seems to agree that surplus reversals have ambiguous effects on growth, but both increases and decreases are possible and do occur. These diverse outcomes depend on a number of key macroeconomic variables. Reversals tend to feature both exchange rate appreciation and net capital outflow decreases. Balanced reversals generally see growth decreases associated with exchange rate revaluation but compensating growth increases associated with fiscal expansion.

However, the observed macroeconomic trends in growth outcomes do not bode well for Chinese surplus reversal. Specifically, Abiad et al. (2010) report that higher pre-reversal growth rates lead to lower post-reversal growth, and Chinese growth rates have been at unprecedented levels for years (Figure 3). They also found that a slow global economy can lead to lower post-reversal growth, particularly for economies heavily exposed to external demand. The recent financial crisis has left the global economy reeling, and global

demand—to which China is heavily exposed—appears positioned to lag in the coming decade. The authors also point out that larger pre-reversal surpluses lead to slower growth, and the current Chinese surplus (7.2% of GDP) is well above the study’s average (5.5%). The effect was particularly pronounced for economies with high savings rates, and China’s savings rate has reached historically unprecedented levels. Finally, the study found that economies requiring greater exchange rate appreciation saw bigger decreases in growth, with especially severe effects on developing economies. China, of course, has both a vastly underappreciated currency and a developing economy. Thus, every single macroeconomic indicator seems to point to a considerable reduction in China’s growth rate following a potential reversal. Given all of the variables in consideration, forecasting the magnitude of such a reduction is quite difficult. However, because China comes up short in every single indicator, a growth contraction of at least 2% seems likely. This value is only twice the average found by Crichton (2004) and less than half of the maximum reported by Abiad et al. (2010), who found contractions between 0% and 3% in 50% of all surplus reversals.

Such a growth contraction may be an impossible pill for the Chinese leadership to swallow. Growth rates have hovered around 9% for the past 2 years. Since 2000, they have mostly fluctuated between 8% and 10%, with a brief period of higher growth between 2006 and 2008 (Figure 3). Li et al. (2010) present a

<sup>17</sup> Abiad et al., 118-120.

simulation of the Chinese economy and predict growth rates through 2030 which holds that, even with optimistic assumptions about development of the Chinese economy, growth rates will not venture far beyond 8% in the coming decade as China becomes increasingly developed.<sup>18</sup> Given these growth trends, it seems unlikely that the Chinese economy would be able to absorb a 2% blow and maintain consistent growth above the 8% target. Growth rates below this critical threshold that last even a single year could spell disaster for Chinese social stability. Thus, it looks unlikely that China would be able to achieve a current account reversal while maintaining the growth demanded by its social stability imperative.

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<sup>18</sup> Li, Shantong, Liu, Yunzhong, Xu, Zhaoyuan, and He, Jianwu, "Prospect of Economic Growth in China from the Twelfth Five-Year

Plan Period to the Year 2030," *DRC*, March 2010.

# The New Media and Democratization in the Middle East

JEFFREY KAISER

In the wake of nearly region-wide popular protests in the Middle East, and especially after the fall of Hosni Mubarak's regime in Egypt, the modern debate about the political role of the Internet and social media has reemerged. Against those who credit Facebook, Twitter, and similar websites with organizing, uniting, and sustaining the Middle East protests<sup>1</sup> are those who suggest that the impact of such technology has been grossly overstated.<sup>2</sup> Definite conclusions about the effect of social media on political unrest are premature – in Tunisia, Egypt, Bahrain, Iran, Libya, and elsewhere, situations are dynamic and undecided. Therefore, this paper will not attempt to examine social media in the immediate, concrete context of the ongoing popular uprisings. It will not claim that social media has caused the revolutions currently unfolding. Instead, it will cover the recent history of new media in the region and provide a theoretical treatment of why new forms of media can be a force for democratic change in the Middle East.

One of the most fundamental principles of democracy is the ability of the populous to deliberate and debate. People should have access to differing sources of information in order to become better educated about the political and social issues facing their countries. Freedom of expression, in all its forms, sets the groundwork for important democratic change. In the Middle East, people and especially youth have been rapidly gaining access to the Internet, blogs, and social networking sites. Satellite news channels such as Al-Jazeera have been able to escape the state censorship found in many countries and have become commonplace in households and coffee shops. These new sources of media have promoted public deliberation and education, provided an accessible medium for political organizing and activism, and reduced authoritarian control. These key developments support an irreversible, bottom-up push for democratic change, even in places that currently lack true electoral democracy.

## DELIBERATIVE DEMOCRACY AND AUTHORITARIANISM IN THE MIDDLE EAST

How can simple deliberation and freedom of expression be a catalyst for democracy? This causal argument is not particularly easy to prove. Democratic sentiments may have existed in the Middle East before the introduction of

new media. But even if this is the case, new media has had a multiplier effect. Any popular support for democracy can spread through the channels of new media, garnering further support and increased attention. In an article for *Politics & Society* called “Beyond the Arab Street: Iraq and the Arab Public Sphere,” Mark Lynch argues that the

“public sphere does not substitute for democracy... However, it also has dramatically reshaped the dynamics of Arab politics and conceptions of Arab political identity.”<sup>3</sup> It is unclear if deliberation through new media is a direct cause of democratization. The two factors probably form a cycle. Some primary factor, possibly the effect of globalization or economic development, promotes both democratic sentiment and the introduction of new media. New media primes the democratic pump because it opens channels of communication, creates a market for opinions, and educates the population.<sup>4</sup> Democracy, in turn, promotes new media because states that wish to “survive in the global economy” must respond to democratic sentiment by becoming more open.<sup>5</sup> A number of examples and case studies will serve to illustrate the effects of deliberation and the new media on democracy.

In her article “The Politics of Deliberation: Qat Chews as Public Spheres in Yemen,” Lisa Weeden argues that “free and fair elections” should not be the only definition of democracy. Especially in the Middle East, where truly democratic elections may not be achievable in the short term, we must look at other important features of society that have a democratic impact.<sup>6</sup> In Yemen, Weeden argues, qat chews serve a role

similar to that of the new media – as an important forum for debate and the expression of opinions and new ideas. During these daily social gatherings, members of society, often strangers to one another, debate politics, social problems, and current events while chewing leaves of the qat plant, a mild narcotic stimulant. Qat chews embody the ideal Habermasian public sphere by serving as a mediator between the private lives of citizens and their government.<sup>7</sup> Even in Yemen, a country mired by electoral fraud and faux-representative government, the regime stands to gain from listening to the voice of the people. The same is true for most of the authoritarian regimes in the Middle East. While a completely authoritarian state exerts absolute power over its citizens, most modern authoritarian governments are better served by taking public sentiment into account, even if only to avoid being overthrown.

Weeden addresses this critical question of how “democratic practices operate under quasi-authoritarian conditions.”<sup>8</sup>

**The regime tolerates the discursive activity generated through Qat chews because it is unable to suppress it, and meanwhile, it takes advantage of what it can. The regime, for example, may benefit from the information-rich environments that chews afford.**

- 1 Preston, Jenifer. “Movement began with outrage and a Facebook page that gave it an outlet.” *New York Times*. 2/5/11. 2/24/11. <www.nytimes.com>
- 2 Woods, Andrew K. “These revolutions are not all Twitter.” *New York Times*. 2/1/11. 2/24/11. <www.
- 3 Lynch, “Beyond the Arab Street: Iraq and the Arab Public Sphere,” *Politics & Society*, 55, quoted in Sadiki, *Rethinking Arab Democratization*, 239
- 4 Anderson et al., *Universal Access to E-mail*, 166

- 5 Buchstein, “Bytes that Bite: The Internet and Deliberative Democracy,” *Constellations*, 250
- 6 Weeden, *The Politics of Deliberation: Qat Chews as Public Spheres in Yemen*, 61-63
- 7 *Ibid.*, 63 and 68-9
- 8 *Ibid.*, 72

The practice makes it easy for the regime to keep tabs on who might be interested in violently challenging the regime.<sup>9</sup>

A similar argument can be made for new media outlets. Some regimes (not all) tolerate subversive activity in the media either because they cannot stop it, or because they stand to learn from it. States also realize that “holding back the tide of information technologies can be a liability in the long run. It could also place them on the periphery in many vital domains pivotal for development.”<sup>10</sup> In a region that has become exceedingly development-oriented, these risks are often not worthwhile.

#### THE INTERNET

Most governments in the Middle East are conflicted as to the role that the Internet should play in society. On one hand, it may be beneficial to stifle Internet development so as to restrict the dissemination of such a broad spectrum of information. But on the other hand, countries hope to use the Internet for their own purposes of “exercising authority and control or for spreading their government’s message to the rest of the world.”<sup>11</sup> The levels of Internet development in the countries of the region differ greatly. In some countries, notably Jordan, Morocco and Egypt, governments have “started to create interactive sites where citizens can question government authorities and establish other forms of direct communications.”<sup>12</sup> This vertical interaction promotes participation and increases government accountability, two important democratic features.

Access to the Internet, though,

varies greatly across the countries of the Middle East. Internet penetration—the percentage of individuals who are internet users in a given country—is a common indicator for how well-established a country’s Internet infrastructure is. The United Arab Emirates, Bahrain, and Qatar have the highest regional population penetration rates; 60.9%, 55.3%, and 52.3% of individuals in those countries are Internet users, respectively.<sup>13</sup> Yemen and Iraq fall at the bottom of the list and are the only two countries with rates in the single digits, at 1.6% and 1.0%, respectively. In the average Middle Eastern country, 28.3% of the citizens are Internet users.<sup>14</sup> Even more important to the discussion at hand, though, is the regional growth rate of Internet penetration. The region as a whole experienced a 1,648.2% growth in Internet penetration between 2000 and 2009, compared to the world average increase of 380.3%. The highest growth rates experienced in the Middle East were 12,780.0%, 11,783.3%, and 3,783.3% in Iran, Syria, and Saudi Arabia, respectively.<sup>15</sup> Such rapid growth in these countries, classically host to some of the most repressive regimes, bodes well for democratic change.

A number of features specific to the Internet make it one of the most valuable prospects for such change. First, the Internet brings with it a certain universality. This is not to say that everyone can access the Internet, but rather that the Internet is not bound by nationality. Online, “people can communicate directly, quickly, and reliably. They can form distant, but diverse and cohesive, political communities not bound by the nation state,” writes German political

scientist Hubertus Buchstein in his article “Bytes that Bite: The Internet and Deliberative Democracy.”<sup>16</sup> Second, the Internet forms a public sphere, evocative of other regional public spheres such as Yemeni qat chews. As censorship becomes more relaxed, citizens gain the ability to become more independent from the government and, “interact in a terrain less shaped by the efforts of spin doctors, advertising executives, and public relations managers.”<sup>17</sup> Finally, the Internet serves to “immunize against authoritarianism.” While strict regimes can control content available on the Internet (and often do), it is nearly impossible for such regimes to restrict everything that could possibly undermine their message and power, especially on sites like blogs and forums that consist solely of user input. In the globalized world, nations must become more open and accommodating in order to survive. This is the concept of the “one way street” which will be addressed below.

Political participation, a key aspect of democracy, has recently become an important facet of Internet activity. This new “participatory Internet” has shown the greatest potential for institutional political change in revolutionizing peer-to-peer communication. The Internet

has eliminated the challenge imposed by the prohibitive costs of other forms of communication. Any individual can now become a reporter, a pundit, or an organizer through the web.<sup>18</sup> Blogs, especially, have become one of the key sources of individual expression in the Middle East and are beginning to cause alarm within authoritarian regimes. In November of 2006 a disturbing video of Egyptian police torturing a male prisoner was posted on an Egyptian blog, leading to one of the first court cases against police officers.<sup>19</sup> Without the rapid expansion of blogs in Egypt, this story may have never leaked. But because of the original coverage by an average citizen-blogger, the story received international coverage. Amnesty International researched the issue and published a report detailing the scope and severity of such cases of sexual harassment and torture in Egypt.<sup>20</sup> Al-Jazeera produced a documentary on the subject, for which a producer was handed a six-month sentence in jail.<sup>21</sup> At the time of the incident, many speculated that Egyptian security forces would be more hesitant to torture prisoners going forward “for fear of exposure through Egypt’s mushrooming blogs.”<sup>22</sup> At the very least, this example demonstrated the impact that the Internet could have

9 Ibid., 72-3

10 Sadiki, *Rethinking Arab Democratization*, 242

11 Franda, *Launching into Cyberspace: Internet Development and Politics in Five World Regions*, 71

12 Ibid., 72

13 All internet usage data is from “Internet World Stats,” *Internet Usage in the Middle East*, <http://www.internetworldstats.com/stats5.htm>. Here, Israel is excluded, though it tops the list at 72.8%

com/stats5.htm. Here, Israel is excluded, though it tops the list at 72.8%

14 Ibid. This statistic includes the Israeli rate.

15 Ibid.

16 Buchstein, “Bytes that Bite: The Internet and Deliberative Democracy,” *Constellations*, 25

17 Ibid., 250

18 Etling and Faris, “Madison and

the Smart Mob: The Promise and Limitations of the Internet for Democracy,” 65

19 *Egypt: Systematic Abuses in the Name of Security*, Amnesty International, 1

20 Ibid.

21 Sadiki, *Rethinking Arab Democratization*, 245

22 Ibid.

in the support of human rights, which is a key feature of democracy.<sup>23</sup>

In other instances, digital networking has served to undermine regime authority and motivate political action. In 2001 in the Philippines activists used their cell phones and SMS messages to organize in opposition to the Estrada regime, successfully helping to overthrow it.<sup>24</sup> In 2008 a Columbian Facebook group called “A Million Voices Against FARC” served as one of the most powerful organizing tools in the country’s history, bringing together some 4.8 million Columbians in 365 rallies across the nation.<sup>25</sup>

Blogs have proven they can have a direct effect in promoting democracy in purely political contexts. During the 2005 parliamentary elections in Egypt, blogs published daily stories, providing the public with various non-mainstream views of the elections, which “included obstruction by police to voting in areas where the Muslim Brotherhood candidates were favorites.”<sup>26</sup> In response to the treatment exposed by the blogs, many Islamic political parties themselves took to the Internet and the blogosphere in order to better inform their supporters about important issues. Egyptian authorities actively tried to block access to such sites.<sup>27</sup> While the effect that blogs have can sometimes be overstressed, Mark Lynch argues:

**Bloggers have had a discernible impact in a wide range of Arab countries, including their role in the Kefaya movement in Egypt ..., political protests in Bahrain ..., the turbulent post-Al Hariri period in Lebanon ..., anti-corruption campaigns in Libya ... and the 2006 Kuwaiti elections.<sup>28</sup>**

Even if blogs do not reach the majority of the Arab public, “they still might form a counter-public, an incubator of new ideas and new identities which evolves alongside and slowly reshapes the mainstream public from below.”<sup>29</sup> The ability of a blog to point out election fraud or implicate state-sponsored torture is original and unique in the Middle East. Even in countries that lack the traditional definition of democracy – “free and fair elections” – the Internet is serving to promote attributes that define democratic society: the fundamental freedom of speech, the right to criticize government, and the right to freely assemble.<sup>30</sup>

Some caution is appropriate when inferring public opinion from the content of blogs and other new media sources. Many blogs, especially many English-language blogs, can be “highly unrepresentative of public opinion in their countries. Their divergence from mainstream opinion often makes them interesting to read, but as dissidents rather than as barometers of local opinion,” writes Mark Lynch.<sup>31</sup> But even if these outlets do not express mainstream opinions, they still provide an opportunity for the general public to learn about other viewpoints. By simply providing the public and the rest of the world with viewpoints that differ from the perceived majority opinions in Middle Eastern countries, bloggers facilitate discussion that might otherwise be repressed.

#### THE ROLE OF AL-JAZEERA

The innovation of satellite television and, more specifically, the introduction of the Arab news channel

Al-Jazeera have also had profound effects on increasing the democratic features of the Middle East. Al-Jazeera gained notoriety after the September 11th attacks and the subsequent American invasion of Afghanistan. The channel was the sole media outlet that the Taliban allowed to remain in Afghanistan following the beginning of U.S. action there. Viewers around the world turned to Al-Jazeera to see live feed from the war in addition to frequently aired interviews with Osama bin Laden.<sup>32</sup> Within the Middle East, Al-Jazeera has had effects similar to those of other new media outlets. Its talk shows and public opinion polls offer the opportunity for citizens in the region to hear viewpoints different from those of the government, thereby promoting deliberation and political activism. Faysal al-Qasim, one of Al-Jazeera’s most widely regarded talk show hosts, commented on the issue:

**Through programmes such as mine,**

**we hope to implement new rules, those that educate the Arab human being to listen, not only to his own opinion, but to that of the other side as well. The debate-based media must enter in force and strongly in the political life of the Arabs.<sup>33</sup>**

These talk shows have not been uncontroversial. Topics have included the question of “whether the blockade on Iraq is an Arab conspiracy more than an American or Zionist one,” and general debates on the efficacy and necessity of the war in Iraq.<sup>34</sup> Again, while these issues may not be directly related to democracy in the Middle East, simply by promoting discussion of controversial issues they have demonstrated the ability of the Arab people to question and to dissent.

Al-Jazeera, like the Internet, also serves as a unifying factor across the Middle East; from Rabat to Riyadh viewers are exposed to the same coverage and the same debates. In the first

<sup>23</sup> The Khaled Said incident has received widespread coverage in the wake of the 2011 Egyptian revolution. The Facebook group “We are all Khaled Said” was one of the organizational tools used by protestors, and the saga of the group’s founder, Google executive Wael Ghonim, itself received substantial media attention. In keeping with the aims of this paper, the stronger causal claims about the impact of social media on popular protests are omitted in favor of an examination of the potential those technologies have demonstrated in recent years. The impact of the Said incident prior to the 2011 protests was substantial, regardless of the

more contemporary, more fluid realities in Egypt or elsewhere.

<sup>24</sup> Etling and Faris, “Madison and the Smart Mob: The Promise and Limitations of the Internet for Democracy,” 67

<sup>25</sup> Ibid., 69

<sup>26</sup> Sadiki, Rethinking Arab Democratization, 244, attributed to an Al-Jazeera program on bloggers in Egypt, found in Arabic at <http://www.aljazeera.net/NR/exeres/E6A0A606-DDE9-49DB-820A-9E0562D9DAF8.htm>

<sup>27</sup> Sadiki, Rethinking Arab Democratization, 245

<sup>28</sup> Lynch, “Blogging the New Arab Public,” Arab Media & Society, [http://www.arabmediasociety.com/topics/index.php?t\\_ar-](http://www.arabmediasociety.com/topics/index.php?t_ar-)

title=32

<sup>29</sup> Ibid.

<sup>30</sup> Etling and Faris, Madison and the Smart Mob: The Promise and Limitations of the Internet for Democracy, 73-4

<sup>31</sup> Lynch, “Blogging the New Arab Public,” Arab Media & Society, [http://www.arabmediasociety.com/topics/index.php?t\\_article=32](http://www.arabmediasociety.com/topics/index.php?t_article=32)

<sup>32</sup> Kelley, “Al-Jazeera: Mouthpiece for Terrorists, Lackey for Israel, or Voice for Democracy?” Washington Report on Middle East Affairs

<sup>33</sup> Sadiki, Rethinking Arab Democratization, 251

<sup>34</sup> Lynch, Voices of the New Arab Public, 127-8



real example of Al-Jazeera's effect on political systems, the channel's live and sometimes graphic coverage of the second Intifada garnered "support for the Palestinians and sustain[ed] their current uprising...."<sup>35</sup> Some have argued that by providing such unfiltered coverage of the Intifada, "Al-Jazeera...united Arabs behind a single issue for the first time since the early 1970s...."<sup>36</sup>

The introduction of public opinion polls on Al-Jazeera's website has also helped in "consolidating democratic struggles."<sup>37</sup> Opinion polling is a recent trend in the Middle East, and Al-Jazeera's work in the field has helped form a real Arab 'public opinion,' which had long been repressed by authoritarianism. Like the new participatory Internet, opinion polls allow any citizen to express his viewpoint, see the viewpoints of others, and see the societal breakdown of opinions: "Online voting exercises can be regarded as a form of unofficial mini referenda – or online quasi tele-enfranchisement...."<sup>38</sup> These measurements of public opinion provide governments with an important gauge on society and demonstrate that diverse viewpoints exist within countries. By continuing to address pressing issues – human rights violations, political inequalities, cases of government corruption, and errant fundamentalism – Al-Jazeera has become a primary weapon in the battle for Arab self-determination, an end to authoritarianism, and regional support for democratic institutions.

#### A ONE-WAY STREET

Now that Arab audiences have tasted Al-Jazeera, they are not willing to give

up such freedom. For Arab viewers, free access to news channels like Al-Jazeera is a significant step toward democracy and the continuing free discussion of political issues.<sup>39</sup>

The effects of the introduction of forms of new media constitute a metaphorical one-way street. Having already been introduced, these forms of press and interconnectivity will continue to replicate. On a public scale this is the result of the cycle outlined at the beginning of this paper. As new media opens channels of communication and educates the populous, authoritarian regimes have the incentive to become more open. As nations open, individual expression becomes commonplace and more citizens are willing to engage. On a more personal level, citizens who have tasted the freedoms associated with access to sources of new media will become less willing to live without them. The trend of increasing political activity in the Middle East will simultaneously drive populations to push for true institutional political change. Nations that fall behind these trends and fail to meet popular expectations will experience serious public disapproval from their citizens, who now have the ability to see firsthand the conditions of their contemporaries in other nations via satellite television and the Internet. These processes are irreversible and will continue to promote grassroots activism and a push for democratic change.

The new media is revolutionizing the Middle East. The combined effects of satellite TV, rapidly expanding access to the Internet, and the growing prevalence of blogs and other forms of participatory media are revitalizing the

Arab public sphere. No longer can the elites of authoritarian regimes monopolize public discourse. As the new media continues to expand and costs of access drop, the debates and opinions expressed through these new outlets will become more representative of true public opinion.

Regimes are not sitting idly through this revolution; attempts at Internet censorship have been widespread, though they are not nearly as effective as the censorship of the traditional press. Growth of the Internet is seen by most regimes as key to their economic development, and thus the impact of the new online media will only continue to swell. Governments will realize that they cannot afford to sabotage all subversive online activity, and political activism and criticism has evidently already begun to blossom as a result.

The new media is also serving to unify Arab populations across the Middle East, as people around the region watch the same images on Al-Jazeera or access similarly subversive opinions on their country's blogs. The combined effect has been a reduction in authoritarian power and an increase in democratic aspects of society, notably the growth of popular debate and expression, increased government accountability, and an awareness of human rights violations. It is possible—even likely—that one immediate effect of the trend outlined in this paper is the series of protests and revolutions that have swept the region in early 2011. And yet, new governments will replace

regimes that have fallen, and some regimes will withstand the current agitation for democratic change. Regardless, both new and long-established rulers will still be subject to the pressures posed by the new media when the world surfaces on "the other side" of the current unrest. There are thoroughgoing, theoretical reasons why the new media can contribute to Middle Eastern democracy, and why those forms of media are durable, their effects in some sense irreversible. Progress may be slow, and bloggers and other new media activists are still continually jailed across the region for the expression of dissenting opinions, but eventually governments will realize the unstoppable force of democratic progress via the new media. — Jeffrey Kaiser is a junior in Saybrook College at Yale.

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<sup>35</sup> El-Nawawy and Iskandar, Al-Jazeera, 57

<sup>36</sup> Ibid.

<sup>37</sup> Sadiki, Rethinking Arab Democratization, 250

<sup>38</sup> Ibid.

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## Explaining the Enabling Environment: the Terrorism-Poverty Nexus Revisited

JULIO GARZON

In the years following the September 11th attacks, much political debate has focused on the professed causal connection between terrorism and poverty. To a considerable extent, this focus has extended to policy and academic studies as well. In a speech in Monterrey, Mexico in 2002, President George W. Bush announced that "we fight against poverty because hope is the answer to terror."<sup>1</sup> Addressing the Woodrow Wilson School in 2007, then-Senator Obama echoed this approach: "We know where extremists thrive... Freedom must also mean freedom from want, not freedom lost to an empty stomach. So I will make poverty reduction a key part of helping other nations reduce anarchy."<sup>2</sup> The notion that poverty causes terrorism, however, is inconsistent with the results of most literature on the economics of conflicts. Notably, the work of political scientist James A. Piazza fails to see any discernable relationship between poor economic development and terrorism.<sup>3</sup> While these studies promise to help reshape public discourse, they suffer from their own shortcomings. By focusing on the insufficient empirical database

regarding international terrorism—a relatively new phenomenon that accounts for only a fraction of terrorist activity—they have neither taken into account the socioeconomic dynamics of the communities in which terrorists operate nor the motivations for low level cadres in terrorist organizations to perpetrate terrorist acts. Most terrorists may not come from poverty but their radical movements gain influence when the communities they purport to represent view them as "the only party that provides security and services while remaining transparent."<sup>4</sup> Thus while poverty may not directly generate terrorism, it still provides a key context in which radicalism and other support structures of terrorism may profit.

Examining whether there is such a correlation between poverty and terrorism, Piazza concludes that most of the investigations have shown that terrorism is not a direct by-product of economic factors. Viewed from the perspective of global poverty, it is apparent that global rates of terrorism are out of sync with changes in global poverty rates. What is more, economic privation

1 "Statement by United States of America at the International Conference on Financing for Development; Monterrey, Mexico; 22 March 2002." Welcome to the United Nations: It's Your World. Web. 28 Feb. 2010. <[http://www.un.org/Hfd/state-](http://www.un.org/Hfd/state-ments/usaE.htm)

2 Obama unveils comprehensive strategy to fight global terrorism. Wilson Center, 1 Aug. 2007. Web. 28 Feb. 2010. <<http://www.wilsoncenter.org/events/docs/obamasp0807.pdf>>.

3 Piazza, James A. "Poverty is a weak

causal link." *Debating Terrorism and Counterterrorism*. [hereinafter Piazza], Washington DC: CQ, 2010. 47.

4 Von Hippel, Karin. "Poverty is an important Cause." [hereinafter Von Hippel,] Id. at 54.

in the poorer world regions does not necessarily lead to the greater levels of terrorist activity popular wisdom might expect. Collectively, only 2 percent of all transnational terrorist attacks from 2000 to 2006 were committed by nationals of the least developed countries.<sup>5</sup>

Somewhat counterintuitively, statistical studies have demonstrated that the individuals more likely to engage in terrorist activities are likely to come from more affluent backgrounds. The demographic profile of the September 11th hijackers as well as the leadership of terrorist groups like al-Qaeda, Baader-Meinhof, and Hamas reflect the new necessities of modern terrorism: terrorists must often perform complex logistical and technical tasks. Al-Qaeda, for instance, operates as an elaborate, highly skilled and transnational entity not that unlike present-day multinational corporations; therefore, the group tends to attract recruits who are “reliable, adaptable, and polished,” such as the 9/11 mastermind Khalid Sheikh Mohammed, who is a U.S. educated mechanical engineer.<sup>6</sup>

Still, a broader view of poverty suggests a partial and nuanced connection between economic deprivation and terrorist activity. As opposed to an exclusive concentration on poverty, a focus on the multiple facets and effects of socio-economic exclusion can help draw out the reasons why some protest movements turn radical. Following Karin von Hippel, while poverty is not the primary cause of terrorism, particular socioeconomic conditions can explain the appeal of radicalism and its growing support structures. For von Hippel, socioeconomic conditions help

us understand so-called “enabling environments,” which significantly broaden terrorist influence.<sup>7</sup> For example, the centrality of Islamic social welfare to the broad agendas of organizations such as Hamas, Hezbollah, and al-Qaeda has contributed to their increasing popularity amongst the populations they claim to represent. Osama bin Laden’s philanthropy in Afghanistan and Sudan made him a household name; Hezbollah sponsored charities and provided cash to families that had lost their homes, whereas the governments of their host countries were considerably slower off the mark.<sup>8</sup> This could lead one to conclude that whoever gets to the region first and delivers social goods will shape the political trajectory of that region and possibly realign community allegiance, which would otherwise be ideologically ambivalent, in the direction of radicalism. Moreover, in “Al Qaeda’s New Front,” FRONTLINE investigates the realities of “Eurabia,” the 18 million-strong community of Muslim immigrants in Europe that has largely failed to integrate into Western societies. High unemployment, cultural ostracism and the ubiquity of perceived injustices in the Muslim world has created a social and psychological climate in which Islamism and other radical sects thrive. In this context, the linkage between poverty and terrorism may be indirect, but it remains significant.

Concentrating on the motivations for low-level recruits in terrorist organizations can also reveal significant economic factors. In addition to ideology and grievances, suicide bombers are often further incentivized by financial rewards offered by their terrorist

organization to their families, a fact that should not be seen as a crude market motive but as one that relieves prospective suicide bombers of competing obligations to provide economically for their families and that may even exceed their own capacities to do so. Suicide bombers are drawn disproportionately from the ranks of the poor, as the wealthy “would rather donate their money than their sons to the cause.” A study of suicide attacks in Afghanistan from 2001 to 2007 conducted by the UN Assistance Mission in Afghanistan (UNAMA) concluded that the young people recruited “may be uneducated, ignorant, impressionable, brainwashed, and seeking money for their families” and that “poverty and lack of education figure in all but one [sic] the interviews of the confessed perpetrators.”<sup>9</sup>

The same is not necessarily true for more peripheral terrorist organizations. Outlaw groups such as the Maoist Shining Path (SP) in Peru, composed of mainly privileged terrorists using the plight of the poor as the justification for committing violence, have been largely rejected by the peasantry. Many formed peasant rounds to resist the SP insurgency in the early 1980s. Furthermore, the suicide bombers of the September 11th attacks are unlikely to have been motivated by financial gain for their families; all were well-educated young men with middle- and upper-middle class family backgrounds. None of them fit the profile of the ignorant, impoverished and ostracized terrorist that UNAMA found in Afghanistan. In this

case, impoverished backgrounds did not lie behind the terrorist acts, an important qualifier to broad-based claims of causality between poverty and terrorist recruitment. Poverty exists only in the pantheon of causes that can be linked to terrorism—it can be a factor in some contexts but not in others.

In a world of greater terrorism, and especially in one shocked by dramatic terrorist activities in major Western cities, there has been considerable focus on trying to explain such actions so as to reduce or eliminate them. A connection to poverty, while motivating development aid and official rhetoric, has been sharply criticized but in some cases unfairly. Poverty, and particularly the broader context of socio-economic marginalization, is an important consideration in accounting for domestic terrorism and even for the low-level recruits of international terrorist groups. At its core, terrorist activity is a multi-causal phenomenon, but the preceding analysis suggests that economic assistance done properly may ameliorate it somewhat. However, the terrorism it is most likely to reduce are the types unlikely to occur in Western countries, though that of course does not mean such aid is not a worthwhile project and perhaps makes it an even more noble and generous one.

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5 Piazza, *supra* note 3, at 39.

6 *Id.* at 48-49.

7 Von Hippel, *supra* note 4, at

52-53.

8 Gunaratna, Rohan. *Inside Al Qaeda global network of terror*. New

York: Berkley, 2003, 21-47.

9 Von Hippel, *supra* note 4, at 58.

## Redefining Gender Equality in the Context of Religion Today

DELLA FOK

While globalization has brought some people and ideas closer together, the feminist movement has struggled to redefine itself in the modern age. After the success of western feminist movements, which liberated women from the confines of traditional gender roles in the 20th century, the globalized 21st century seemingly held promise for the spread of gender equality worldwide. Instead, feminist movements have faced surprising amounts of resistance worldwide, particularly from women. To overcome modern challenges, feminist movements must realize that western definitions and expectations of gender equality are incompatible with the beliefs and values of many people – particularly those of faith – and that bridging this gap is key to truly improving the lives of women in today’s globalized world.

Feminism, faith, and religion are all terms that used and misused by members and nonmembers alike, and it is difficult to define such complex value systems without oversimplification or misrepresentation. Although there are many variations and context-dependent challenges to feminism, for the purposes of this paper, the working definition of “feminist” that I will be using is activists and scholars whose goal is the “absolute and complete equality as far as is humanly possible in any given situation, at any given time.”<sup>1</sup> Feminism comes

from all angles, as does Christianity, Hinduism, or any other type of religion, value system, or ideology, but like all labels, it is certain that there are those in a group who have opinions that differ from the consensus. For the purposes of this paper’s analysis, it is important to acknowledge such nuanced differences, but even more important to examine the fundamental beliefs of feminism and religion, broadly defined, and the implications for modern gender equality.

Feminism was originally about political equality at the ballot boxes, but challenges began when it moved, whether consciously or unconsciously, into cultural and religious spheres such as the workplace, home, church and temple. In the beginning, feminism fought for giving women the same political rights that men enjoyed – this was and is a value that everyone, whether a secular feminist, western Christian, or Indian Hindu, would affirm. However, as western feminism evolved and began to incorporate cultural norms such as equality in the workplace and home, the movement began to alienate those of faith. For someone with a western background, whether secular or religious, the concept and reality of female CEOs and breadwinners does not create cognitive dissonance since cultural norms and religious values are relatively distinct. For others, culture and religion

are very much intertwined: familial and cultural roles may be linked with social and even religious values. Therefore, gender roles such as staying in the home might be perceived as gender inequality to the western feminist, but are actually a source of honor for women in other cultures, particularly those with deep ties to faith.

To the feminist, gender equality means equality in action – women should be able to do everything men do, and not be treated any differently. Equality to many feminists means sameness. To those of faith, gender equality means something quite different – it means equality in value. Consider feminism’s relationship with Christianity, a religion that shares a similar starting point in western culture and allows us to focus in on the disconnect between feminism and faith before its magnification by globalization and manifestations in other cultures. Some feminists say Christianity disrespects women, and some Christians say feminism disrespects religion. In effect, feminism and Christianity are working with two different definitions and expectations of gender equality. These different conceptualizations about what gender is and ought to be create a situation where the two are not on the same page and cannot have a meaningful conversation because they do not even acknowledge what the other is talking about. The Bible, as many Christians interpret it, indicates that God clearly

intended man and woman to have different roles. Most mainline traditional Christians will affirm that gender roles are not a social construct and will point to specific passages from the Bible where men and women given different roles by God. However, as God equally values both genders, most Christians do not see this difference in action as a difference in value. Thus, gender roles and gender equality are not mutually exclusive ideas to the Christian, while, to the feminist, gender roles are the very definition of gender inequality. Where feminism sees a problem, Christianity does not see one. What feminism demands, Christianity cannot and does not want to give.

It is true that there is strong disagreement between feminism and Christianity as the two are traditionally and conservatively understood. The biggest problem, however, is not the disagreement itself but the lack of common language and mutual recognition. Although feminists may disagree with Christians in their understanding of what gender equality is and ought to be, feminists seem to act in a way that indicates a claim of authority over gender equality and does not leave room for others’ values, thinking, and beliefs. Women ought to be as respected and valued as men are – on that all are in agreement – but we should agree to disagree on how that is practiced, as long as the basic principle of respect and value is being upheld.

1 Vasudha Narayanan, “Women of Power in the Hindu Tradition,” in Arvind Sharma and Katherine K. Young, eds., *Feminism and World Religions* (Albany: State University of New York Press, 1999), 26, quoted in Usha Menon, “Does Feminism Have Universal Relevance? The Challenges Posed by Oriya Hindu Family Practices,”

R. Shweder, M. Minow, and H. Markus, eds., *The Free Exercise of Culture* (Russell Sage Foundation, Forthcoming), 97.

Consider Taylor's theory of cultural modernity, to which our current case of feminism and gender equality is quite similar.<sup>2</sup> As modernity arrives in different cultures, it looks different because the cultures it emerges in come from different starting points. Modernity in Europe does not look the same as modernity in Asia, and to expect the two modernities to look similar is almost laughable. As Taylor writes, "The belief that modernity comes from a single, universally applicable operation imposes a falsely uniform pattern on the multiple encounters of non-Western cultures with the exigencies of science, technology, and industrialization."<sup>3</sup> The same argument can be made of feminism and gender equality. What feminists in the west identify as gender equality will and should produce different results in non-western contexts that reflect the different starting points of cultures. Gender equality should look different, and to expect the same kind of feminism in America and in Saudi Arabia is an unrealistic thought at best. Substituting Taylor's modernities with our discussion of gender equality, we come to the conclusion: "The point of the alternative modernities thesis is that these adaptations don't have to and generally won't be identical across civilizations."<sup>4</sup>

This is the core of the issue feminism faces in today's globalized world. Feminists expect that others will have the same definition and expectation of gender equality, and that gender equality will look similarly across different cultures. Even before globalization made things more pluralistic and complicated, however, feminism never

addressed the issue of different understandings of gender equality even with Christianity. Even given shared western culture and societal norms, feminism and Christianity are in unresolved conflict. In a place like India, where religious, cultural, societal norms and values are all different from that of the average western secular feminist, there is even more conflict and it is all the more important to understand what and where the core issue is.

Feminists have yet to recognize and address the issue of different understandings of gender equality. As Usha Menon describes in her piece examining feminism and women's rights in India, the feminist approach there has been particularly unsuccessful and has alienated Indian female activists who believe that this brand of feminism is a perspective exclusive to the western historical and sociocultural context. The western secular feminist sees gender equality as sameness in opportunity and action in all spheres, and is advocating for this on the Indian woman's behalf, but has the feminist stopped to consider what the Indian woman deems as gender equality and what she wants for herself? Indeed, "when feminists challenge family structures and work to dismantle them, the women of the temple town see such efforts as directly threatening their sense of identity and personhood. They do not see their conjugal families as oppressive kinship structures but rather as fluid, organic entities that are continually transformed and reconstituted by the essences and qualities of in-marriage women."<sup>5</sup> To a western feminist, gender equality is sameness in the workplace and home, but to an Indian Hindu

woman, this is not necessarily the case. The western concept of gender equality is so wedded to the values and beliefs of western culture that Indian female activists now say they do not want gender equality, but female empowerment.<sup>6</sup> From this, it is clear that if feminists cannot agree to disagree with socioculturally similar religions such as Christianity, much less religions such as Hinduism, they will only drive away the very people they want to help.

By first understanding the conflict that exists and recognizing the need for reconsideration and redefinition of what feminism and gender equality mean in the globalized contexts of today's world, we can approach the fundamental object of conflict between feminism and religion from a new perspective. This discussion and clarification of what gender equality means is not merely an issue of semantics but rather, a real, practical step that can be the start to transforming and improving the current conversation, and extend it to the different contexts that globalization presents. Redefining gender equality is not meant to divert attention away from injustice against females, but to do exactly the opposite – by redefining the issue, we are re-orienting attention to the true injustices suffered by females around the world. Gender inequality, both in action and in value, is a real issue that we need to understand and address, precisely why a clear and nuanced conversation is needed.

Even if feminism and religion do

not agree on what gender equality should be, acknowledging differences and agreeing to disagree creates the opportunity for a new conversation. The goal is not necessarily to see things the same way, but to come to the table with a basic of understanding so that neither feminism nor religion sees the other as an adversary, but as a partner in promoting women's issues. From this point, we can re-orient the conversation around female empowerment, a universal value that should be upheld by feminists, Christians, Hindus and all people alike. For women's issues to move forward, this conversation is critical. A mutual understanding of terms such as feminism, gender equality, and female empowerment and an acceptance of differing views will translate into more nuanced and respectful relationship between religious groups and feminists. This understanding will allow for fruitful discussion of and solutions to the challenges women face in today's globalized world.

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2 Taylor, "Two Theories of Modernity."

3 Taylor, "Two Theories of Modernity," 180.

4 Taylor, "Two Theories of Modernity," 184.

5 Menon, "Does Feminism Have Universal Relevance?" 96.

6 Menon, "Does Feminism Have Universal Relevance?" 97.

# Webs of Global Regulation: The End of Westphalian Sovereignty and the Harmonization of Norms

THOMAS SMYTH

Classic descriptions of governance embedded sovereign legal authority in the nation-state. Outside of the nation-state was anarchy in the international order; within the nation-state was domestic security provided by the state's ability to enforce the rule of law. Today, the reduced power of the nation-state and the interconnectedness of the world have turned this situation on its head. New modes of private, transnational governance have greater effect in many developing countries than the traditional legal system of the state. The weakening of Westphalian sovereignty has come through evolving, complex systems of new rule-making authorities and enforcement agents. Most importantly, acceptance of these new legal systems has been widespread.

This paper seeks to describe this radical change in the nature of governance from a legal authority which exclusively resided in the state to chaotic, overlapping, and often privately-created legal systems. This new global governance is characterized by five main features: 1. multiple authors of regulation and enforcement; 2. increased regulation with a lack of harmonization; 3. new methods of legal enforcement based on cooperation and economic incentives; 4. governance that is joined voluntarily rather than being mandatory; and 5. a partial, but incomplete, inclusion of stakeholders in the rule-making process. This paper will examine the web of regulation governing an apparel factory as an example of new forms of governance.

After describing the nature of global governance today, this paper will attempt to draw broader conclusions about the conceptual and normative implications of this profound shift in legal authority. Conceptually, this new global governance has begun two dramatic changes: 1. the undoing of the Westphalian system and 2. the harmonization of global norms. This process is not without pitfalls, notably the lack of clear legal supremacy and a democratic deficit. Fundamentally, new forms of private, transnational governance act to harmonize norms across national borders rather than within the nation-state, offering a powerful opportunity for securing peace and justice for the entire world.

## A REVIEW OF THE LITERATURE

The literature on new forms of governance has been rudimentary and inconsistent. Abbot and Snidal (2009) advanced a theory of "transnational new governance" which attempts to

categorize a variety of international regulatory schemes. They argued that the model of transnational new governance is similar in kind to new governance within the state.<sup>1</sup> Kolk and van Tulder (2005) examined the

codes of conduct of transnational corporations, an important aspect of new governance, and propose a matrix to analyze corporate behavior.<sup>2</sup> Murphy (2005) and Wetterberg (2009)<sup>3</sup> discussed similar material less efficiently. Many articles on these topics simply take an old model and apply it to new observations or focus only on a small part of the broader web of global governance.

Scholarship that considers governance more broadly has been more effective in explaining the nature of new global governance. Slaughter (2004) described a "governance deficit" at the international level and the many approaches to filling it.<sup>4</sup> Levy (2005: 21, 23) described corporate social responsibility as "representing the contested terrain of global governance" and "not just a struggle over practices, but over the locus of governance authority, offering a potential path toward the transformation of stakeholders from external observers and petitioners into legitimate and organized participants in decision-making."<sup>5</sup> Jenkins (2005) argued that new modes of governance should open up new areas of political contestation.<sup>6</sup> The conceptual framework in which new arenas of political

contestation offer an opportunity to fill a global governance deficit dovetails neatly with Kaldor's theory of global civil society. Kaldor (2003) argued that the emergence of these new spaces and actors offers an opportunity to build and influence systems of global governance.<sup>7</sup> This paper will use this model as the normative basis for a description of the nature of new governance.

## AN ANALYSIS OF THE NATURE OF NEW GOVERNANCE

New governance includes five major differences from the traditional governance of the nation-state. First, new governance has many actors who hold legal authority, rather than the state exclusively. Private systems of regulation for business transactions are the most common form of new governance. Quasi-governmental agencies, such as boards of investment, are tasked with creating regulations for special economic zones and certain industries. Private transnational corporations write codes of conduct which are then expanded into a more complex and detailed system of regulation. Buyers and suppliers sign on to private, not-for-profit certification programs, which then require compliance with their own rules in

1 Abbot, Kenneth and Duncan Snidal. "Strengthening International Regulation through Transnational New Governance: Overcoming the Orchestration Deficit." *Vanderbilt Journal of Transnational Law*, March 2009.

2 Kolk, Ans and Rob van Tulder. "Setting New Global Rules? TNCs and Codes of Conduct." <<http://biblioteca.hegoa.ehu.es/system/ebooks/15901/original/Set->

[ting\\_New\\_Global\\_Rules.pdf](#)>

3 Murphy, Sean. "Taking Multinational Codes to the Next Level." *Columbia Journal of Transnational Law* 43:2, 2005.

4 Wetterberg, Anna Maria. "Catching Codes: The Institutionalization of Private Labor Regulation in the Global Apparel Industry." Unpublished thesis, University of California at Berkeley, 2009.

5 Slaughter, A.-M. 2004. *A New*

World Order. Princeton: Princeton University Press.

6 Levy, David. "CSR and Theories of Global Governance: Strategic Contestation in Global Issue Arenas." In Andrew Crane, et al., eds. *The Oxford Handbook of CSR*. Oxford University Press: 2007.

7 Kaldor, Mary, *Global Civil Society: An Answer to War*. Polity Press: 2003.

exchange for the mark of certification. Stock exchange listing committees have yet another set of rules for transnational corporations. Even traditional loci of international authority such as the United Nations have rules for transnational conduct, although the U.N. lacks an effective enforcement mechanism to back it up. Rather than a vacuum of governance in the contemporary global economy, there exists quite the opposite: a complex, crowded field of actors who often write regulations independently of one another.

Second, the presence of many self-styled legal authorities has led to a rapidly expanding body of regulations, which often overlap, contradict each other, and fail to create a coherent system of law. So much regulation from so many actors results in a frequently occurring problem of supremacy. If two overlapping sets of rules contradict each other, which is to be followed? In the traditional legal structure of the nation-state, a supreme legal authority (e.g. the U. S. Supreme Court) has the power to resolve these disputes within the law. There is no such legal authority for the new, international system of governance. While new governance has many rules, it has yet to develop meta-rules to govern supremacy and rule-making authority.

Third, new forms of governance have developed new methods of enforcement based on cooperation and economic incentives, rather than the traditional penalties of imprisonment and fines imposed by the nation-state. In old governance, the state had a monopoly on the use of force, which allowed it to impose its laws through the

threat of sanction.<sup>8</sup> Actors today can create governance but usually do not have the ability to use force to ensure demands are met. Instead, governance institutions such as corporations must use different methods to ensure adherence to regulations. The first is cooperation. For example, transnational apparel corporations will work with suppliers to mitigate risks and improve labor standards after violations are found. However, these corporations also hold an economic axe over non-compliant suppliers. Corporations threaten to sever economic ties with suppliers who fail to comply with their regulations. Compliance is often a stipulation within the contract governing their relationship. These new mechanisms of enforcement are more horizontal than previous methods of top-down state enforcement.

Fourth, much of the new governance is entered into voluntarily, in sharp contrast with the mandatory nature of nation-state governance. For instance, factories can choose whether or not to sign a contract with a buyer who has an extremely rigorous code of conduct. But private citizens are unable to choose whether or not to subscribe to their country's laws, especially if they face restrictions on emigration. However, exit is often made quite difficult, because of the brand risk associated with any diminution of labor standards. In part this is because of the nature of the creation and propagation of regulations.

Fifth, the rule-making process includes some, but not all, stakeholders, leaving a democratic deficit in new systems of governance. Some stakeholders,

including global civil society, have been included in the creation of regulation. The U.S. government used informal influence to encourage corporations to join the Apparel Industry Partnership in 1994, an industry group promoting improved working conditions.<sup>9</sup> The United Nations has launched similar initiatives such as its Business & Human Rights Resource Centre.<sup>10</sup> Members of global civil society, such as labor activists, have been instrumental in setting the agenda and sparking media attention around factories' working conditions. However, real democratic representation for the workers – those actually governed by these corporate codes – is almost entirely absent. This democratic deficit presents serious obstacles of legitimacy and sustainability for new governance systems, as this paper describes in greater detail below.

To summarize, new systems of governance outside of the nation-state have more actors writing and implementing regulations; more, and more incoherent, regulation in toto, without clear supremacy; new methods of enforcement that rely on cooperation and economic incentives rather than force; voluntary entrance into systems of regulation; and, finally, some government and civil society input in the writing of regulation but a continued democratic deficit. To illustrate these characteristics of the nature of new governance, this paper will now examine an apparel factory in Sri Lanka.

### GOVERNED BY A WEB OF REGULATION: AN APPAREL FACTORY IN SRI LANKA

Twenty years ago, the laws governing labor standards in a Sri Lankan apparel factory were exclusively from the Sri Lankan government. Today, an enormous and complex web of regulation from a variety of state and non-state actors directs the day-to-day working conditions of employees on the factory floor.

First, the factory has its own internal rules. Executives working in the factory, in particular the CEO, the COO, and the Director of Human Resources, set rules that affect a range of issues such as health and safety conditions. Within the factory, a designated compliance officer works to implement regulations from these executives as well as higher levels. The factory itself is owned by a manufacturing conglomerate, which sets company-wide policies on, for example, the permissible number of working hours. The conglomerate has its own team of compliance officers, who filter compliance requirements from above and implement them with the compliance officers and executives within the factories. Up to this point the implementation of governance is vertical. Above the manufacturer are a number of national and transnational actors which operate on a more horizontal platform.

The factory sits in an Export Processing Zone (EPZ), which was

<sup>8</sup> Hart, H.L.A. *The Concept of Law*. 1961.

<sup>9</sup> "Apparel Industry Partnership's Agreement." United States Department of Labor. 14 April

1997. <<http://actrav.itcilo.org/actrav-english/telearn/global/ilo/guide/apparell.htm>>

<sup>10</sup> "Business and Human Rights Resource Centre." United Na-

tions. <<http://www.business-humanrights.org/Gettingstarted/UNSpecialRepresentative>>

set up by the government with most of the regulatory authority delegated to a quasi-governmental organization, the Sri Lanka Board of Investment (BOI). The BOI has written a set of regulations for the industries within the EPZ, and it conducts regular audits to ensure compliance. The BOI enforces its regulations with a licensing mechanism. Factories in the EPZ are required to have a license, which can be suspended in the case of repeated noncompliance. In practice, the BOI regulatory mechanism is quite weak, because it is also tasked with spurring economic development by creating a business-friendly environment. The BOI is still subject to the laws of the state itself.

The Sri Lanka Ministry of Labour is tasked with enforcing the labor laws of the state, which are passed by the Sri Lankan Parliament. However, these laws are not at all stringent in comparison with the labor regulations applied by private corporations and certification standards. The Ministry of Labour has also delegated much of its authority to the Board of Investment, and does its own inspections only rarely.

Adidas has a corporate code of conduct for its suppliers, which it mandates that they follow as a condition of the business relationship, or contract. In the past 15 years, this code of conduct has grown from a short list of vague standards to an extensive series of documents that now include many specific, or black-letter, rules that govern working conditions for labor. Adidas stipulates compliance with its code of conduct as part of its contractual agreement with the supplier. It enforces the code of conduct through semi-annual

and quite rigorous factory audits by direct employees of Adidas. These auditors do spot checks in the factory itself and also closely examine the policies and licenses of the factory. Instances of repeated noncompliance are referred to Adidas' legal division for possible termination of the contract.

Adidas' code of conduct for suppliers maintains a nominal deference to the supremacy of the state. For instance, on child labor, it states: "Business partners must not employ children who are less than 15 years old, or less than the age for completing compulsory education in the country of manufacture where such age is higher than 15."<sup>11</sup> In practice, Adidas is much more concerned about enforcing its own rules than the state's. However, there is some spillover; to some extent, transnational corporations are subsidizing legal enforcement for governments in developing countries.

Adidas itself is subject to a litany of state and non-state regulation, which it passes on to its suppliers. The United States government has certain laws that apply to companies that export to the U.S. The Customs-Trade Partnership Against Terrorism (C-TPAT), introduced in 2001, requires companies that export goods to the United States to submit to security inspections or face extended wait times at the border.<sup>12</sup> The U.S. sends its own auditors to factories in other countries to ensure compliance. Other U.S. laws extend beyond its own borders as well, such as the Foreign Corrupt Practices Act (FCPA).

Adidas must also submit to another system of regulation in order to be publicly listed on stock exchanges. Each

exchange has a listing committee that analyzes not only Adidas' balance sheet and corporate governance policies but also their risk exposure within its supply chain. Unsafe labor practices or a lack of effective enforcement of a corporate code of conduct is increasingly considered an unacceptable risk.

The factory used in this example also produces apparel for several other large Western brands. Some of these brands, rather than doing their own audits, require an external certification process to ensure proper labor standards are met. One of these certification schemes is the Worldwide Responsible Apparel Partnership (WRAP). WRAP imposes a similar set of demands as Adidas with an equivalent (although not as rigorous) audit process.

This example of an apparel factory only captures the slice of new governance which regulates labor standards in the supply chains of transnational apparel corporations. This particular factory also has one of the best compliance audit ratings in the world. But it is not simply an outlier; instead, this factory exemplifies the complex, interwoven web of regulation which makes up new governance.

### CONCLUSIONS

More broadly, the new governance described in this paper exhibits two main trends. The first is the dissolution of the Westphalian system of nation-state sovereignty. The second is the harmonization of global norms. While

problems for global governance exist, such as questions of supremacy and democracy, increased civil society participation in global governance seems to offer an opportunity for a better world.

The Peace of Westphalia created sovereignty, which allowed for the systemization of rules into laws under a central legal authority. Under democratic sovereignty, legal authority emanated from popular consensus (with the anti-majoritarian protections afforded by the judiciary). New governance has undone the Westphalian system. No longer are states the exclusive authors and enforcers of legal regulations. Instead, new actors such as transnational corporations have created their own systems of regulations.

The web of regulation surrounding the apparel factory in Sri Lanka initially seems confusing and incoherent – more of a shambles than a web. But underneath the various codes of conduct, certification mechanisms, and licensing standards runs a similar theme: making norms for labor standards in the developing world equivalent to those in the developed world. No longer can Nike buy shoes cheaply from a sweatshop in Indonesia and sell them at a large mark-up in America. Consumers and rule-makers today demand equality in working standards, if not wages. This harmonization of norms is perhaps the most important effects of global governance.

Looking ahead, new governance will confront two major problems.

<sup>11</sup> Adidas Group Workplace Standards, 2007. <<http://www.itglwf.org/lang/en/documents/Adidas-CodeofConduct.pdf>>

<sup>12</sup> <[http://www.cbp.gov/xp/cgov/trade/cargo\\_security/ctpat/](http://www.cbp.gov/xp/cgov/trade/cargo_security/ctpat/)>



The first is dispute resolution and the arbitration of supremacy. How will transnational corporations resolve disputes with national governments? Existing international arbitration institutions, such as the International Centre for Settlement of Investment Disputes (ICSID), are hampered by problems of legitimacy and bureaucracy. Without a higher governing body, how will transnational corporations and governments decide on the supremacy of their respective legal systems?

The second problem for new governance is its democratic deficit. Rule-making authority still rests at the top, e.g. at Adidas' headquarters in Germany, despite some limited success by activists to become involved in the rule-making process. Certification schemes often offer seats at the negotiating table to traditional civil society groups such as NGOs. But even these actors do not truly represent the interests of the governed -- in the case of Adidas, the workers themselves.

The traditional form of governance – the nation-state – faced its own problems of legal supremacy and a democratic deficit, as well. Many governments were able to overcome these difficulties through the inclusion of additional actors – what we now call civil society. Perhaps a global civil society, even in a de-centralized and atomized world, can create a web of governance that resolves these problems and harmonizes global norms in order to construct a more free and just society for all the world's inhabitants.

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Much of this paper is drawn from unpublished research conducted in the summer of 2010. I owe thanks to the Georg W. Leitner Program in International and Comparative Political Economy Award, the Saybrook College Master's Office, and the Richter Fellowship at Yale University for their generous support.

### III. BOOK REVIEWS

## NATIONALISM REFRAMED: NATIONHOOD AND THE NATIONAL QUESTION IN THE NEW EUROPE

by Rogers Brubaker

GEORGE BOGDEN

In *Nationalism Reframed*, Rogers Brubaker studies the causes, characteristics, and effects of twentieth century nationalism in Europe and Central Asia. Drawing on geographies with frequently remodeled boundaries, the author examines aspects of the national question in states previously subsumed by multinational empires and influenced by the major political reconfigurations of the last century. Through careful discussion of complex ethnolinguistic and political boundaries, Brubaker describes the factors sustaining conflicting national stances. The collection of essays which compose the book together support an argument against the concept of nation as an immutable or ever-present embodiment of a given constituency.

Brubaker's overarching conclusion is one regarding the framework and vocabulary for analyzing nationalism. Instead of reverting to the persistent paradigm of "nation," he asserts that analysts should adopt the concept of nation as a "category of practice,"<sup>1</sup> and nationhood as the product of cultural and political institutionalization.<sup>2</sup> From these assertions, Brubaker urges that scholars "refrain from using the analytically dubious notion of 'nations' as substantial, enduring collectivities."<sup>3</sup> The result is an analytical framework fashioned for precise theoretical and comparative purposes. This system is primarily developed in Part I of the text. Part II brings the framework to life with rich historical detail that accentuates important aspects of the national question in the "New Europe."

### Summary of the Text

Brubaker's central assertion is that repeated revising of state boundaries has created a "triadic nexus" of interdependent and rival varieties of nationalism in the regions he examines. This core of relational factors provides three categories or perspectives from which to approach nationalism. These are "nationalizing nationalism;" "homeland-" or "transborder

— Rogers Brubaker, *Nationalism Reframed: Nationhood and the National Question in the New Europe* (Cambridge: Cambridge University Press, 1996), 7  
— Ibid., 37.  
— Ibid., 21.

nationalism;" and "minority nationalism." Brubaker extends this framework further in his introduction, asserting that these elements of his theory are more than fixed entities. He ultimately describes them as "fields of differentiated and competing positions, arenas of struggle among competing stances."<sup>4</sup>

— Ibid., 8.

The author describes "nationalizing nationalism" as motivated by the claims of formerly marginalized ethnic groups which have since established states. Such groups often define themselves in ethnocultural terms, claiming that they together compose a "core nation" or nationality. These groups likewise claim that this professed status entitles them to control over the state. In addition to these central claims, those promulgating nationalizing nationalism often couple their demand for legitimate "ownership" of the state with assertions about a region's legacies of discrimination directed against them.<sup>5</sup> Estonian disenfranchisement of Russia, Ukrainian, and Belarusian citizens of Estonia serves as Brubaker's chief introductory examples of nationalizing nationalism.<sup>6</sup> However, he does draw on significant additional examples throughout the text to illuminate this variety of nationalism in his "triadic nexus."

— Ibid., 5.

— Ibid., 31-33.

Brubaker argues that "homeland" or "transborder nationalism" counteracts nationalizing nationalism. He asserts that transborder nationalisms rise from the will to defend the place of "ethnonational kin" outside the borders of their supposed "external national homelands." According to Brubaker, this variety of nationalism obliges states "to monitor the condition, promote the welfare, support the activities and institutions, assert the rights, and protect the interests of 'their' ethnonational kin in other states."<sup>7</sup> This variety of nationalism often arises as a reaction to the perceived threat posed by a nationalizing state to populations living within its borders which are viewed as ethnonational kin. In addition to fomenting a dynamic, if not competing, interaction with nationalizing nationalism, homeland nationalism brings about popular conceptions of nations which transcend boundaries, territories, and citizenships. Such is the power of cultural and political elites when they construe foreign residents as co-nationals, worthy of protection by the same government which recognizes their common nationhood.<sup>8</sup>

— Ibid., 5.

— Ibid.

The author also describes "minority nationalism" as tending to oppose nationalizing nationalism. Brubaker

argues that his variety of nationalism may also compete with homeland nationalism as applied to the same group. Those directly and adversely affected by the policies of nationalizing nationalism may invoke minority nationalism to advance their cause. Brubaker analogizes self-identification as a “national minority” with claims to “external national homelands” and “nationalizing statehood”: despite the views of their proponents, all three represent political stances rather than ethnographic facts.<sup>9</sup> Yet Brubaker describes minority nationalism as characterized by a population’s demands that their state recognize more than that population’s unique “ethnic” status. A group invoking minority nationalism will often insist that their distinctive “ethnocultural nationality,” and the supposedly implicit nationality-based cultural and political rights be recognized by the state as well.<sup>10</sup> Though minority nationalism may work in the same way that homeland nationalism does, tending to undermine nationalizing states and their varieties of nationalism, Brubaker is careful to point out that minority and homeland nationalisms do not always coincide in complementary or harmonious relationships. Indeed, these nationalisms often clash when homeland nationalism is trumpeted for geopolitical, rather than genuinely nationalistic reasons.<sup>11</sup>

### Critiques

Despite Brubaker’s clearly stated delineation of an analytically compelling framework and vocabulary for describing nationalism, there remain significant weaknesses in several of his arguments. The author’s de-emphasis of “class” and contemporaneous factors related to the rise of the Nazi regime and the dissolution of the USSR represent significant weaknesses in his theory and the examples he uses to support it.

Brubaker’s brief and insufficient discussion of socioeconomic class undermines his sweeping assertions regarding the national question in Europe and Central Asia. Though the author avoids the problematical question of a unifying definition for nationalism (itself a disappointing gap in the text), the more fundamental issue with his analysis comes early on, when he describes the idea of “class”:

the working class—understood as a real entity of substantial community—has largely dissolved as an object of analysis... The study of class as a cultural

and political idiom, as a mode of conflict, and as an underlying abstract dimension of economic structure remains vital; but it is no longer encumbered by an understanding of classes as real, enduring entities.<sup>12</sup>

Other than this brief dismissal of class—apparently it is only relevant as a “cultural and political idiom,” “mode of conflict,” and “underlying abstract dimension of economic structure”—represents the author’s only significant explanation of its role in the text. Class is mentioned elsewhere only three times, and these instances are only tangential references to the concept. Despite Brubaker’s frequent reliance on national “elites”—be they of the “political,” “cultural,” or even more vague “social” varieties—as engineers and initiators of nationalism, the reader is left without an explanation of the role of their socio-economic status in shaping the national question in the states Brubaker provides as examples.

Perhaps the most troubling example of this deemphasis comes in the author’s reliance on the heavy-handed role of elites in interwar Poland. By discussing Poland in detail in Chapter 4, he fashions the newly established country into an example of nationalizing nationalism within an existing state. He carefully explains the role of “dominant elites” in promoting the language, culture, demographic preponderance, and economic flourishing of interwar Poland. Yet he pays little to no attention to whether the economic strata of the referenced elites put them in a particularly advantageous position. Were their interests not served by advancing the conceptualization of Polish “national” interests, and the broad economic advancement of the Polish people? It is hard to imagine that the displacement of Germans from “key positions in the economy,”<sup>13</sup> and the Polish government’s broad agenda to “nationalize the urban economy” (an initiative which economically disempowered minorities, particularly Jews),<sup>14</sup> served solely the political interests of the elites who engineered these policies. Even if the obvious economic interests involved in these actions were judged insignificant in the grand scheme of Brubaker’s analysis, class serves as a key example of Brubaker’s tendency to push aside potentially influential interests in his reduction of 20th century nationalisms into struggles between nation-states and ethnic groups. This reader found Brubaker’s focus on the “characteristic structure and style of nationalist politics

in post-Communist Europe and Eurasia”<sup>15</sup> obscured by his willingness to avoid those mundane factors, like class, which often shape and determine domestic politics. — Ibid., 10.

In addition to his discounting of class, Brubaker’s discussion of Nazism and the dissolution of the USSR de-emphasize major distinguishing factors in both cases. In his focus on Weimar Germany, the author carefully catalogues the sustained rise of homeland nationalism. He points to the many factors which led to the ideology’s “crystallization” and ultimate transformation into an aggressive foreign policy platform.<sup>16</sup> Despite this historically rich explanation of the origins and development of homeland nationalism in the Weimar Republic, his section on the ideology’s “legacy” unconvincingly seeks to explain the Nazi regime and its policies as the logical and theoretically consistent results of the homeland nationalism which developed in Weimar Germany. — Ibid., 128-130.

Given the limited scope of homeland nationalism—it entails action which defends ethnationally kin outside the borders of their external national homelands—it is hard to imagine that such an ideology motivated the complex and highly aggressive foreign policy of Nazi Germany, not to mention the state’s persecutory and ultimately genocidal domestic policies. Do these infamous state actions truly amount to an attempt to protect ethnic Germans outside their homeland?

Even a cursory glance at Hitler’s declared objectives and their outcomes indicates that the leader intended to establish a multiethnic empire. He pursued this ultimate objective through much more than simply homeland nationalism. Even Hitler’s intermediate policy of Nazi commitment to establishing a “*grossdeutsches Reich*”—the consolidation of the entire area of German settlement—rests uneasily under the heading of homeland nationalism as described elsewhere in the text. For example, there is considerable evidence that Sudeten Germans were inspired, if not heavily encouraged by the Nazi regime to call for the region’s annexation to Germany.<sup>17</sup> Nurturing sentiments aimed at annexation fall at the extreme boundary of the scope of homeland nationalism, yet they were the beginning of Hitler’s expansionist scheming. This is just one example of many that conveys historical factors in the development of Nazi Germany which remain unaccounted for by the — “Hitler’s Anschluss: a historical timeline,” History Online, UC San Diego, available at [history.sandiego.edu/GEN/WW2tIMELINE/](http://history.sandiego.edu/GEN/WW2tIMELINE/)

“complex web of political stances” making up homeland nationalism in the Weimar Republic. Prelude10.html (accessed October 16, 2009).

The same troubling deemphasis of contemporaneous factors is also present in Brubaker’s discussion of post-communist Europe. The role of western anti-Soviet policies in the dissolution of the USSR is rarely discussed in the chapters describing former Soviet Republics. The protracted efforts of western powers to cultivate nationalist anti-Soviet movements in Soviet states are not addressed in the text as substantial motivating factors. Political historical events like the official visit of Pope John Paul II to Poland, in June 1979, where he inspired the “solidarity” movement of the early 1980s, and the persistent rhetoric of leaders in prominent western countries like the United States and the United Kingdom, which together helped to incite nationalism in Eastern bloc states, are not mentioned as additional motivating factors for the rise of nationalism. These western-oriented political events may not have decided the national questions of the Eastern bloc states in question, but including them could have added context to the decline and dissolution of the USSR, a period in which Brubaker focuses almost exclusively on relations between Moscow and the nominally national governments under the Warsaw Pact.

Taken together, Brubaker’s discussion of the rise of Nazism and the dissolution of the USSR convey a larger flaw in the text. It is often the case that the author becomes preoccupied with his prescribed theoretical principles, leading to his simultaneous deemphasis of contemporaneous factors which shaped the same historical developments he aims to systematically explain through his heuristic framework of the “triadic nexus.” These cases create the unfortunate outcome of the “triadic nexus” occasionally obscuring more than illuminating the development of nationalism in the nation-states Brubaker examines.

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## ZERO-SUM FUTURE: AMERICAN POWER IN AN AGE OF ANXIETY

by Gideon Rachman

RAMON GONZALEZ

Gideon Rachman's *Zero-Sum Future: American Power in an Age of Anxiety*<sup>1</sup> is a revealing account of the past progress and new challenges facing international politics, but it strains to justify its foreboding title. Rachman argues that the generally cooperative political and economic liberalization of the past 30 years has given way to a more fractured world characterized by 'zero-sum' international competition, and his work seizes on the intuition that something important changed in 2008, even if we are still struggling to figure out what.

Drawing on his long career in international journalism—Rachman now serves as the chief foreign affairs columnist for *The Financial Times* and previously spent many years with *The Economist*—the majority of the book is a whirlwind tour of the peaceful, prosperous, and freer world that developed from 1978 to 2008, a period which Rachman divides into an Age of Transformation (1978-1991) and an Age of Optimism (1991-2008). The labels are not necessarily inaccurate shorthand for those periods, but they still come off as a bit silly and forced, like the dutiful product of foreign affairs commentators bound to introduce at least a few capital-letter catchphrases into any of their works.

Rachman begins with Deng Xiaoping's economic liberalization in China, and then, in short but informative chapters, surveys Thatcher and Reagan's conservative economic policies, the contagious spread of democracy across Europe in 1989, the generally undercovered story of Latin America's democratic transformation in the 1980s, and the opening of India's economy to international markets. The more interesting second section of the book highlights the beliefs that underpinned the era: the confidence that an increasingly democratic world would also be a more peaceful one, a deep faith in the free market, the promise of technology to fix current problems, and the might of American military to ensure global stability. Rachman

—Gideon Rachman, *Zero-Sum Future: American Power in an Age of Anxiety*. (New York: Simon & Schuster), 2011.

frames the discussions around key proponents of each belief, and while helpful, some of the choices are idiosyncratic and betray a heavy reliance on popular Anglophone commentators to substantiate the narrative. Though the book is peppered with anecdotes from Rachman's extensive foreign travel and conversations with powerful politicians, the stories mostly are the tired tropes of Western pundits—the Indian outsourcing firm, the impressive bureaucrats from Singapore—that reveal more of the limitations of a type of commentary than they enlighten about other cultures.

The extensive scene-setting gives way to Rachman's bold claim in the book's last third: the emergence of global problems (climate change, economic imbalances, failed states) has combined with a "weakening American power [to replace] the win-win world of the Age of Optimism with a zero-sum world, in which the world's major powers are increasingly and dangerously at odds each other." The last phrase hints at a general confusion over what Rachman means by zero-sum: do we have an international order of set obligations and benefits where conflict will focus on how these are distributed, or is he using zero-sum as a catch-all to characterize growing international rivalry and increasingly prominent collective action problems on global challenges? Notwithstanding many interspersed short paragraphs that assert some foreign affairs dilemma as another example of a zero-sum challenge, Rachman actually means the latter, and the book serves as a prime example of how an overly dramatic title can corrupt its substance.

And that's a pity, because a lot of Rachman's comments on contemporary questions are clear and intriguing. He throws some needed cold water on concern of an alliance of autocracies while redirecting real worry towards the growing independence and distrust of emerging-market democracies (South Africa, Indonesia, and Brazil for starters) for the North Atlantic West. His analysis of global governance enlightens an often dull subject, and he forgets his pessimism for a second to fancifully map out a blueprint of G20 cooperation on a host of vexing issues. Rachman is a little weak on U.S.-China relations and unclear whether their relation actually is zero-sum or only felt that way by leaders of both countries, and in his evidence to support the latter claim I think he over-dramatizes the recent signs of confrontation between the two countries. On the other hand, he is quite

prescient on Egypt and North Africa's simmering problems and the possibility for them to boil over, as they now have.

As we all are, Rachman is weaker on his prescriptions in the book's final chapter, and again, this is partly a consequence of the limitations of the form which compels commentators to sketch, in thirty pages or less, a series of solutions to the problems they just spent so much time detailing. Rachman rightly calls for a focus on renewed growth in the developed world, but such a turnabout may be less important than before with emerging market economies increasingly decoupled from their Western peers, though a richer world in general will make it easier to secure the financial regulation and coordination of global economic policymaking that is still desperately needed. Rachman's proposal for a Manhattan project to combat global warming is less helpful, and perhaps represents a continued belief in technological panaceas that Rachman earlier cautioned against. Unmentioned among his solutions are the forces of empowered civil society, a growing global middle class, strengthening regional alliances, a more aggressive international media, and a general feel for the effect that people (who don't talk to Financial Times columnists) and culture can have on creating and shepherding a more peaceful and democratic world.

Rachman earlier in the book writes that the "Age of Optimism had seen an American effort to remake the world in its own image. But the model formed in America had failed in America." I think the first sentence overstates American foreign involvement and the second misunderstands the causes of the global economic crisis and its attendant problems, but the statement telling for the underlying preoccupation with American policy that lingers into the last line: "A strong, successful, and confident America remains the best hope for a stable and prosperous world." I think that true, but especially to secure a cooperative and peaceful global order, it is important to emphasize that there are many other hopes as well.

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# THE YALE REVIEW OF INTERNATIONAL STUDIES

— Spring 2011  
Volume 1, Issue 1

The Yale Review of  
International Studies is a  
constituent organization  
of the Yale International  
Relations Association.



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