Hemispheres

The Tufts Journal of International Affairs
Volume 14 Spring 1990

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Established in 1976, *Hemispheres* is the Tufts undergraduate journal of international affairs. *Hemispheres*, which is published annually, addresses a variety of social, economic, political and legal issues, both contemporary and historical, within the framework of international relations. The contributors of this scholarly forum are from the undergraduate population and the articles represent the diverse political views found on the Tufts campus. While the Editorial Board is solely responsible for the selection of articles appearing in *Hemispheres*, the opinions of the articles do not necessarily reflect those of the Board.

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From the Editor:

The purpose of *Hemispheres* is to display papers dealing with international relations written by the undergraduate community at Tufts. This year we were especially pleased with the quality of the submissions we received. Over the course of the year, the Editorial Board read each submission numerous times, searching for those which would best complement *Hemispheres*. In selecting the final journal, we tried to choose topics which were varied, contemporary, and provocative. We feel that our final selections are an excellent cross-section of the research which has come from Tufts students over the past year.

All the papers have been placed into four basic categories: Economics, International Organizations, the Middle East, and Asia. There is a short piece written by Professor John Gibson, as well as an introduction written by Professor Bobby Cooley.

The Gibson Award is given every year to the most outstanding paper submitted to Hemispheres. The broadness of this requirement made it especially difficult to choose, since each paper is outstanding in its own singular way. However, there can be only one winner, and we are pleased to present the Gibson Award for 1990 to Jason Sander for his paper, "The Japan Lobby." The Editorial Board based its decision on the paper's originality, clarity, depth, and forcefulness.

Few people will doubt that the world we live in is changing at a dizzying pace. It is no longer rhetorical to ask whether current international systems and structures will still be in place tomorrow. As students, we have been lucky to witness this phenomenal period of global electricity from a contemporary view. Many years from now, perhaps we will be able to look back upon journals such as *Hemispheres* to get a reminder of what it was like to live in this period of such dynamic global change.

Thus, on behalf of the Editorial Board, I welcome you to the 1990 edition of *Hemispheres*. Read through it and let it engulf you. Whether you choose to read one or all of the articles, I think you will come away with a new insight into many of the issues that are shaping our world.

Kendrick Chow

The John S. Gibson Award, named after the first Director of the International Realtions Program at Tufts University, is given annually to the most outstanding, in-depth, and analytical piece written by an undergraduate and submitted to Hemispheres.

The 1990 Recipient of The Gibson Award is

The Japan Lobby

written by

Jason Sander A'90

The New Asia

For many decades, the Pacific Rim has been an enigma to the Western World. The inherent and traditional differences in cultures have acted as natural barriers, preventing more active cooperation between these two spheres. Yet the growing global interdependence of all nations, both economic and political, has started to chip away at this invisible Berlin Wall of the Far East.

As would be expected of any interaction of various social systems, new and unfamiliar issues often arise which call out for attention. The Asian section of our journal contains papers which address two such issues. Jason Sander, the winner of this year's Gibson Award, looks at the mysterious and formidable power that Japanese companies wield in Washington, D.C., in what has become known as the Japan Lobby, and Michael Karsch analyzes the plight of the South Korean labor market in that country's period of starling transition.

The Japan Lobby

How Japan Has Translated Its Economic Might Into Political Influence Within The United States

Jason Sander

When I first decided to write a research paper on Japan's lobby during the spring of 1989, I had a feeling that I was going to cover new ground in U.S.-Japan relations. For as Dr. Ronald A. Morse wrote in his article "Japanese Lobbynomics" in *Ventura Japan* this year, "To date, outside of journalistic accounts, few serious studies have been made of the Japan lobby."[1] Dr. George R. Packard, Dean of the School for Advanced International Studies at Johns Hopkins, echoed this statement in writing: "This is a subject that we do not hear very much about, but it is a critical part of the foreign policy process."[2]

However, when I arrived in Washington and started working in the Asian Studies department of a "think-tank," I was given very discouraging words by a young Japan expert. I got out my note pad and asked him my first question, "Who could I get to talk to me about Japan's lobby?" The reply I received was, "It's going to be very difficult to get people to talk about it." This was uncannily similar to the reply Edward Tivnan received when he began his research on the Israeli lobby. In the preface of his newly published book *The Lobby*, Mr. Tivnan wrote, "That I was onto a good story few disagreed. But there was one problem: 'Nobody will talk to you,' I was informed over and over again. The subject was too hot, too touchy, too politically dangerous for all concerned."[3]

Fortunately enough, people have been willing to speak. I found that the subject was "hot" indeed. However, through all my research, Japan's lobby did not reveal too much danger. Instead, the subject revealed an important debate as to how much political influence Japan has assumed over the last decade or so in the United States. This debate leads to another question which I hope to answer during the course of this paper. That is: should we as Americans be concerned about the amount of political influence Japan wields in our nation's capital and within many of our states?

The subject of Japanese influence in the United States is a natural follow-up to the first paper I wrote on U.S.-Japan relations entitled: *The Emergence of a New Leader in the Global Economy*. Therefore, in this piece I will draw the underlying correlation between Japan's economic power in an increasingly interdependent global economy and its ability to translate it into political influence within the United States.

I. The Japan Lobby And Japanese Direct Investment

Something's got to be done; something's going to happen. It's an attitude that crisis is

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Jason Sander is a junior, majoring in International Relations. He is currently studying at the Center for Strategic and International Studies in Washington D.C. This paper, *The Japan Lobby*, won second prize in a contest sponsored by the Japan Culture Center, Fujitsu Corp., and Yomuri Shimbun.

> inevitable. There is an absence of protest. The legislators can't only hear from lobbyists.[4]
>
> -Representative Tom Hayden (D-California)

> As foreign investment in the United States continues to build, the foreign influence also will widen in government. This is what erosion of sovereignty means— growing control from without.[5]
>
> —Testimony before the Senate Finance committee's hearings on the nomination of Carla Hills for U.S. Trade Representative.

During the past ten years, Japan has assumed more political power in the United States than has any other foreign country. This accomplishment is rather extraordinary given its lack of any U.S. based grass-roots support network. To a great extent, Japan's political influence can be attributed to the Japan lobby, which has become the largest and most effective foreign lobby in Washington. The effectiveness of the Japan lobby can be traced to several factors. In Washington, the Japanese have been able to hire the most influential well-connected former U.S. officials and congressmen. These lobbyists are, as one Japanese journalist wrote, "in a position to cope with literally any eventuality"[6] with respect to Japan's economic interests in the United States. Japan's economic interests have been protected as a result of the increasing dependency of the U.S. on Japan's economy. As Japanese products and Japanese direct investment have spread throughout our nation, more and more Americans have begun to see that their interests are synonymous with those of the Japanese. Therefore, the Japanese have in effect, erected a growing, predominantly American network which is willing to support Japanese economic interests in the U.S. In addition to explaining how the Japanese have accomplished this, during the course of this paper I will answer the question: Should we as Americans be concerned with this unprecedented amount of political power Japan has come to claim? And if so, what is there to be done?

> The Japanese have in effect, erected a growing American network which is willing to support Japanese interests.

In 1988, Japanese companies, trade associations, and Japanese government agencies employed approximately 113 U.S. firms to represent their interests in Washington. The Canadians and the British had 61 and 44 respectively representing theirs. Currently, one out of every five foreign agents registered at the Justice Department works for the Japanese.[7] The overall expense of those representing the Japanese, which is estimated at $150 million is more than the combined budgets of the U.S. Chamber of Commerce, the National Association of Manufacturers, the Business Roundtable, the Committee for Economic Development, and the American Business Conference— the five most powerful business organizations in Washington.[8] According to one senior White House trade official, "The Japanese have far too many lobbyists in Washington. They've grossly overdone their presence."[9]

Meanwhile, as the Japan lobby has grown to such a degree, Japanese direct investment in the U.S. has risen along with our trade deficit with Japan. In recent years, Japanese direct investment in the United States has sky-rocketed. From 1980 to 1988, this investment has increased more than eight times, from $35 million to $280 billion. In 1987 alone, Japanese investments in the U.S. increased more than $80 billion, exceeding the overall investment of Canada and Western Europe. In 1987, Japanese companies owned 50 percent or more in 628 production or assembly plants in the U.S., employing about 250,000 people.[10] Throughout this period, Japanese investment has shifted from manufacturing to consumer products and services, and then to real estate and financial services. Japanese automobile and electronics companies have set up shop throughout most of the Southeast, the Midwest, and Silicon Valley. Meanwhile, as is highlighted in our daily newspapers, the Japanese have begun to buy up much of Honolulu, Los Angeles, New York, and Washington D.C. real estate. They've also begun buying up such high profile companies as CBS Records

and Columbia Pictures Entertainment. Although Japan is only the second largest foreign investor in the U.S. (having just passed the Dutch) after England, it has gotten so much press to a great extent because it has all come within a relatively small time-frame. It has also been predicted that at the current investment growth rate of 35%, Japan will most likely surpass Britain in the mid 1990's.[11]

Such investment has been financed with dollars accumulated largely as a result of the United State's growing trade deficit with Japan. The trade deficit which is roughly at fifty-two billion dollars has long aroused a great deal of protectionist sentiment on Capitol Hill. Furthermore, as John Zysman writes in his article entitled, *Contribution or Crisis: Japanese Foreign Direct Investment in the United States*, "It is the simultaneous surge of competitive advantage in trade that makes the surge in foreign direct investment seem like an invasion."[12]

The fact that the Japan lobby has grown at the same time as Japanese direct investment and our trade deficit with Japan, is hardly coincidental. As a result of increasing assets within the United States and unpredictable waves of protectionist sentiment due to the trade deficit, the Japanese have developed this high-powered lobby in order to protect these assets and reduce such sentiment.

The Japan lobby itself is almost entirely an American enterprise. This is because the Japanese themselves have yet to fully utilize their increasing comprehension of the U.S. policy-making system. Also, as in Japan, it is difficult for foreigners who have no grass-roots organizations or ties with government officials to influence the policy process. Nevertheless, the Japanese, long known as obsessive information gatherers have made remarkable progress in their understanding of our political system. Organizations such as the Japan Economic Institute (JEI) and the Japan External Trade Relations Organization (JETRO) have acted as information vacuums for data relating to U.S. congressional and executive developments for the Japanese. Other private Japanese institutes have in some instances, carried out successful studies which illustrate a clear understanding of certain aspects of the U.S. political system.

In 1984, the National Institute for Research Advancement in Japan conducted a project entitled: *The Role of the Congressional Staff in the U.S. Decision Making Process*, which provided an in-depth study of facts such as (1) the role of staff in the drafting of legislation, (2) which committees and subcommittees had the most influential staff members, and (3) the future employment plans of congressional staff.[13] This highly detailed project illustrates the thirst that the Japanese have for understanding the role of different actors in U.S. policy making. In one section, the analyst discusses that, "there is a high possibility that young staff members of the [Senate] Finance Committee will become high ranking officials in the USTR and that Japan will inevitably be forced to negotiate with them." This strongly implies that the Japanese should create good relations with such staffers early on, in order to ensure fruitful negotiations later at a higher level.

The Japanese Embassy has also increased its ability to understand the workings of Washington D.C. as they relate to Japan. Nevertheless, as is stated by a Japanese journalist in the *Mainichi Shimbun*:

> ...business leaders concede that the Japanese Embassy in Washington is the official route to the White House. But they say their own lobbyists can get results much faster. Given the diversity of present-day U.S.-Japan relations, they claim, the Foreign Ministry is no longer able to represent Japan in all facets of external relations.[14]

As stated before, not only have individual Japanese businessmen come to depend on American lobbyists, but so have trade associations and even the Japanese government. The importance of playing the American political system with American players has been fully realized in Japan.

II. *"The Players"*

> Foreign interests have a right to legitimate representation by their diplomats and to fair treatment under U.S. law. But they should not be permitted to buy influence or to intimidate or tempt U.S. officials. There should not even be the hint of a possibility that U.S. officials could enrich themselves later by trimming their sails to foreign winds while still in office.[15]
>
> —Clyde Prestowitz Jr., author of *Trading Places: How We Allowed Japan to Take the Lead*

As I mentioned before, the extent to which the Japan lobby has grown is at first rather puzzling.

Unlike the highly publicized Israeli lobby, the Japan lobby has no indigenous grass-roots organizations to mobilize. Therefore, it must rely on the availability and whole-hearted willingness of former U.S. congressmen and executive branch officials to advance Japanese interests.

The Supreme Court has defined lobbying as "direct communication with members of Congress on pending or proposed legislation."[16] In practice, this definition is too narrow. Japan's lobby has been extremely effective at having their interests voiced at the executive level. These have in many cases led to executive action which has greatly benefitted Japanese interests. One of the most recent and controversial examples of this concerned the status of J. Michael Farren who was considered the leading candidate for the office of Undersecretary for International Trade at Commerce in 1988. He had been the foremost negotiator in efforts to allow U.S. construction companies to bid for the building of Kansai Airport in Japan. As a tough negotiator, Mr. Farren was not well liked by the Japanese he did business with, or by Japanese lobbyists who are charged with going directly to the White House to "kill" his promotion. The lobbyist who appeared to be the most directly involved was William Morris, president of Global USA which represents the Japanese construction industry. Mr. Morris is a friend of White House Chief of Staff, Howard Baker and of Ken Duberstein, the Deputy Chief of Staff. Although these three deny any allegations, many including Senator Frank Murkowski felt the killed promotion came from the White House. Furthermore, Mr. Murkowski said, "If we have a system in which the Japanese lobbyists dictate who's going to be the trade negotiator, there's something wrong with the system."[17]

One of the more blatant examples of the "revolving door" trend is the case of Robert Watkins, a former Commerce Department official. During 1986 and 1987, Watkins was supposed to be responsible for opening up Japan's market to American auto parts. However, he was highly criticized by congressmen and U.S. companies for being too soft on the Japanese. While the negotiations were coming to a close, Mr. Watkins sent a letter to Japanese auto parts manufacturers offering to head a lobby group in the U.S. that would represent their interests. During the hearings on H.R. 4917 and H.R. 5043 (the lobby reform bills), Congresswoman Marcy Kaptur stated, "Mr. Watkins' actions have disturbing implications for the nation ... this example clearly points to the need for new legislation with indisputable guidelines to prevent this type of behavior from occurring again."[18]

Surprisingly enough, cases such as these are not that uncommon. The Japanese have realized that enough former U.S. official are willing to lobby for their interests at the right price. In fact, the fees of Japanese lobbyists tend to be three times higher than other foreign interest lobbyists. These fees also add up to approximately one third of all fees collected by foreign interest lobbyists.[19] Other well-known former U.S. officials who have gone on the Japanese payroll include: Michael Barnes, a former Maryland congressman, former Senator Edward Brooks, the late Frank Church, former Chairman of the Senate Foreign Relations Committee, Richard Allen, the former national security advisor, William Colby, the former director of the CIA, and Robert Strauss, former Democratic National Committee Chairman.[20] The list includes many other former officials, many of whom maintained high posts in the U.S. trade representative's office or at the Commerce Department. These people are especially gold mines for the Japanese since they understand the issues and the strings which have to be pulled in order to get trade legislation passed the best.

Just as there is a good chance that many former officials will become lobbyists for the Japanese, it is especially disconcerting that there is an equally good chance that Japanese lobbyists will become U.S. officials. During the hearings before the Senate Finance committee on the nomination of Carla Hills for the position of United States Trade Representative (Jan. 27, 1989), Anthony Harrigan, President of the U.S. Business and Industrial Council, stated his view that Mrs. Hills should not be appointed because she and her husband had both lobbied for the Japanese. Mrs. Hills had been a partner in the law firm of Weil, Gotshal, and Manges which was a registered agent for Matsushita Electric Company of Japan. Her husband had been a registered agent for C. Itoh & Co., the Japanese trading firm which was the export broker for Toshiba when it sold U.S. military technology to the Soviets. He had been a part of the company's large lobbying effort to soften U.S. trade sanctions against Toshiba.

Mr. Harrigan said:

> What we have in the case of Mrs. Hills is a sort of reverse revolving door— someone who has represented foreign interests coming in to serve in the most sensitive post regarding American industry and technology, a position that affects the employment security of American workers.

The "revolving door" is predominantly an American phenomenon. As one trade official pointed out, "If you talk to people in Europe or Japan, the very idea of having the trade guy go out and work for the country that's causing the most problems is preposterous."[21] The idea of working against one's own country's interest has been raised in circles which would like post-government employment laws to be stricter. However, lobbyists such as James Lake argue that the majority of those who represent foreign interests, do not pose a threat to U.S. interests. In an interview, Mr. Lake, a highly publicized lobbyist, or self proclaimed "strategic consultant" for Japanese companies who was formerly in the Nixon administration at the Department of Agriculture and acted as campaign advisor to Reagan and Bush, expressed his belief that his job in no way harms any U.S. interests:

> I feel very comfortable doing what I do for Japanese companies. I never asked anybody to do something that I thought was not 100 percent in the interest of this country.[22]

However, many such as Dr. Morse, a Japan specialist who has studied the Japan lobby, believe that in most cases, American lobbyists for Japanese interests are not even concerned with the larger implications of their work:

> He doesn't worry about American national interests. He's just like a medical doctor. He just tries to save the patient.[23]

James Lake has received a great deal of attention in the U.S. media because of his close relationship with Clayton Yeutter, the former U.S. trade representative, and currently Secretary of Agriculture. The two served in the Nixon administration together and have remained close friends ever since. Nevertheless, Mr. Lake says that the idea that he would go to Mr. Yeutter if he wanted an issue to go one way is false. Furthermore, he feels that it is even more "preposterous" to think that even if he did go to Mr. Yeutter if he had a problem, that Mr. Yeutter would simply go along with his position because of their friendship. Fruitful gains for the Japanese as a result of such friendships are hard to gauge.

However, the main argument put forth by would-be lobbying reformists is that friendships between those who have served in a given agency are likely to lead to lobbying abuses. In 1988, a lobbying reform bill was presented to the House by Representative Barry Frank. This bill would have "imposed a one year ban on ex-government employees representing anyone in any trade negotiations on which they worked while employed by the government." The Senate sponsored bill would have prohibited ex-government officials from working for foreign enterprises for 18 months after leaving office. Consequently, the bill went nowhere. During the process of attempting to push his bill through, Mr. Frank conceded, "This is not everybody's favorite piece of legislation."[24] Given the number of former congressmen who have become lobbyists right after office, this is not so puzzling.

Surprisingly enough, Americans are not the only ones eyeing these trends with concern. As early as 1980, the Japanese press has highlighted the public controversy in Japan of paying U.S. lawyers and lobbyists exorbitant fees to represent their interests in Washington. In the Japanese newspaper *Mainichi Shimbun*, these lobbyists were said to be "too busy feuding with each other to worry about the true [Japanese] national interest. "Furthermore, they were compared to the imperial Army "which had dragged Japan into war with the United States ... by conducting its own diplomacy in disregard of the foreign ministry."[25] The article stated that many Japanese officials see their nation once again being led by an autonomous, largely unaccountable force.

Another article which appeared in the same newspaper asked the question, "Why do they [Japanese diplomats] have to ask outside private firms to carry out what ought to be done by themselves?" The journalist arrives at the conclusion that the "Japanese embassy may be giving rise to a loss of independence in Japan's diplomacy toward the United States and to the growing friction in economic relations between the two nations."[26]

The conclusion that Japan is creating greater

economic frictions between itself and the U.S. by hiring former U.S. officials is largely unfounded. In fact, these lobbyists have most likely lessened protectionist sentiment on Capitol Hill and in the White House. The idea that Japan has lost some of its diplomatic independence seems somewhat true. However, there appear to be more advantages to having a powerful core of former U.S. officials working for Japanese interests than disadvantages. There have been no signs that this group of lobbyists are about to drop their Japanese clients. On the contrary, as long as Japanese companies and the Japanese government are willing to spend over 150 million dollars, and as long as U.S. lobbying laws remain ill-enforced and unreformed, the Japanese will have their interest well protected.

III. The Toshiba Incident: The Japan Lobby Put To The Test

> They won, but what they did was very offensive. Toshiba was able to purchase access to those who were writing the legislation.[27]
>
> —Representative John Bryant (D-Texas)

> Toshiba's massive lobbying effort demonstrated that Japan's investment in the United States and the reliance of U.S. industry on Japan for key goods leave Washington vulnerable to economic blackmail.
>
> —Douglas Frantz and Catherine Collins, authors of *Selling Out: How Japan is Buying Friends and Influencing America*

In March of 1987, one of the largest lobbying efforts ever mobilized in Washington D.C. was engineered by the Japanese. This effort was in response to the revelation that the Toshiba Machine Corporation of Japan had sold valuable military technology to the Soviet Union. The facts of the incident were clearly spelled out in Representative Duncan Hunter's testimony before the House Ways and Means subcommittee on trade, July 14, 1987:

> In 1981, contracts were signed between the Soviet Union, Toshiba Machine of Japan and Kongsberg of Norway for the delivery of four 9-axis propeller milling machines and numerical controllers. In addition the contract included service and spare parts for five years. After filing false documents, the equipment was shipped to the Baltic Shipyard in Leningrad starting in 1983 and completed in 1984. Technicians from Toshiba and Kongsberg travelled back and forth from Leningrad half-a-dozen times for modifications ... In April 1983, another contract was signed between Toshiba Machine and the Soviet Union fo four 5-axis propeller milling machines. These were shipped to the Soviet Union, two in April 1984, two in May 1984.

The sales had been for $17 million and had cost the U.S. an estimated $30 billion according to Senator Garn. The reaction in Washington to these transactions was unprecedented. As one Washington lawyer reminisced, "It was like Pearl Harbor and the Rosenberg case combined." It presented the perfect opportunity for congressmen who had been fed up with Japan over trade issues, to lower the boom. In fact, after the incident was revealed to them, several congressmen literally "bashed" a Toshiba radio on the steps of Capitol Hill. At the time, it seemed very unlikely that severe sanctions against the Toshiba Corporation could be stopped. Even after several executives of the Toshiba Machine Company were arrested and the Japanese government promised it would increase its funding of antisubmarine warfare research, it was clear that those such as Senator Garn and Representative Duncan Hunter wanted to make an example out of the parent company, the Toshiba Corporation.

With increasing fears, the Toshiba Corporation spent millions on Washington D.C.'s most well-connected lobbyists. However, only two firms were registered with the Justice Department under the Foreign Agents Registration Act of 1938. This is one reason why the Japanese may spend as much as $200 million on lobbying. These two firms which registered were Mudge, Rose, Guthrie, Alexander & Ferdon (which received in excess of $4.2 million)[28], and Anderson, Hibey, Nauheim & Blair. The key players from these two firms were David Houlihan, Toshiba's leading attorney, and Stanton Anderson, a former State Department official and White House aid. The team also included Leanord Garment, a former Nixon aid relished at the time for his close links to the Defense Department and the press, James Jones, who had served 14 years in Congress and is now president of the American Stock Exchange, and William Walker, a former U.S. deputy trade representative. Roderick Hills, who had been chairman of the S.E.C. during the Ford administration, was the lobbyist for C. Itoh, which was the export company that had carried out the Toshiba sale. Even the head of public relations for Toshiba's lobbying effort, Richard Whalen had

connections to the executive branch as former speech writer for Reagan.[29]

The Toshiba incident not only illustrated the number of high powered former officials which could be mobilized for the Japanese, but it also showed how economically dependent the U.S. has become on Japan. The lobbyists were aided in their efforts by some 4,100 Toshiba employees working in the United States.[30] These employees as well as countless other employees from companies which either manufactured parts for Toshiba or relied on Toshiba products, sent letters to members of Congress in order to warn them of the domestic impact of carrying such sanctions against Toshiba. Many of them claimed that their companies could never survive without such parts. This was spelled out by people such as Patrick Erhardt, an employee at Advance Telecomm in Pennsylvania:

> This is our livelihood, present, and future, that you are talking about banning, and not just a few Toshiba radios being smashed on national television... Now it seems that a dark cloud is on the horizon, and it is a hammer in the hand of the United States Senate and House of Representatives. So before the hammer strikes, take into consideration what the hammer is really going to hit.[31]

Although these U.S. citizens recognized their congressmen's intentions, they nevertheless pleaded for leniency on Toshiba because of their interests, which were clearly linked with those of the Japanese. In the hearings, Bruce Reale, a partner in Advance Telecomm, brought up this idea of dependency between the U.S. and Japan which became such a crucial factor leading to softened sanctions on Toshiba.

> With all due respect to the Senators and Congressmen who sponsored this kind of legislation, while their hearts are in the right place, the cure they prescribe will instead hurt the innocent. Because in this modern world we depend on one another, substantial harm to honest, hardworking American businessmen and employees will result even if there were no international trade repercussions.

The entire lobbying effort was a highly complicated undertaking which involved constant interaction with officials from State, Commerce, the U.S. Trade Representative's office, Defense, the White House, and Congress. The final result was perceived by most involved in the affair as soft sanctions against the Toshiba Corporation. To add insult to injury, the Japanese courts gave extremely light sentences to those involved at the Toshiba Machine Corporation, which itself was only fined $16,000. The outcome was a clear indication that the U.S. could not effectively unite its separate branches in order to punish a foreign enterprise that had threatened our national security.

> The Toshiba incident showed how economically dependent tne U.S. has become on Japan.

IV. The Japan Influence Outside Washington D.C.

As I stated in my introduction and was illustrated in the wake of the Toshiba incident, the Japanese seem to have erected an American based support network as a result of our dependence on their economy. Particularly over the past few months, heated debates about the effects of Japanese direct investment in the U.S. have been widespread. As Lawrence Krause, International Relations and Pacific Studies Professor at UCSD, summarized it, "The good news is that the Japanese are also heavily investing in the United States. The bad news is that the Japanese are investing heavily in the United States."[32] This lack of consensus, which is shared among state politicians and U.S. congressmen, is also spelled out by Akio Morita in his new book, *The Japan That Can Say No*:

> ... they [U.S. governors] are always coming to Japan saying "invest, please invest." Just when I am about to assume that America welcomes Japanese, U.S. congressmen elected from these same states are bashing Japan ... What is the meaning of this?

State and local governments in the U.S. have actively courted Japanese investors. In fact, forty-seven states have offices in Tokyo mostly for the purpose of attracting Japanese investment. According to the Indiana state representative in Tokyo, a deal for the building of a plant in his home state

is closed every week. Japanese capital not only funds our federal budget deficit, but also several state deficits like Kentucky, which issued a $100 million bond in Tokyo.[33] Nevertheless, it has been estimated that by the year 2000, Japanese direct investment will account for nearly one million jobs in the United States.[34]

Not only have governors, other local politicians, and some sectors of the American workforce found that their interests are synonymous with the Japanese, but so have many high-powered American financial companies which handle hundreds of millions of dollars for the Japanese. During the process of trying to pass his bill through Congress that would have required all foreign investments to be disclosed to the public, Representative Bryant met J.D. Williams, the high-powered lobbyist representing First Boston. Mr. Williams told Mr. Bryant, "I've been around a lot longer than you, son. If we have to we can stop you. Too bad, son." (Regardies' June 1989, "Yen at Work," p.98)

Furthermore, the theory that we have become dependent on Japan's product is supported by Dr. Kent Calder, who holds the Japan Chair at the Center for Strategic and International Studies. He has written that "over a quarter of Japan's current exports to the U.S. appear to be structurally linked to production and marketing activities of U.S. firms on their home territory."

Those who fear that we have lost our sovereignty in the policy making process, have become even more fearful after reading *The Japan That Can Say No*. Even though co-author Isihara has been labelled a radical, and in no way represents the mainstream opinion in Japan, the book's ideas seem to have been legitimized by the other co-author Akio Morita. Mr. Morita had probably been the most visible leader from Japan and has made many friends in the U.S., including Robert Strauss, who himself could not explain Akio Morita's participation in the book.[35]

The fear whether well-founded or not, stems from Isihara's view that perhaps Japan should sell micro-chips to the Soviets in order to assert themselves in the eyes of Americans. Given the Toshiba incident, many feel that this could indeed happen. How then could U.S. policy-makers punish a Japanese micro-chip producing company in the year 2000 when tens of thousands of Americans may be directly affected by sanctions?

V. Japan's Political Influence In The United States

> Japan hasn't lost a battle since Nixon acted against Japanese textiles. It can buy its way out of any trouble.[36]
>
> —Robert Angel, former chief of the Japan Economic Institute

> They've learned how to play us like a violin.[37]
>
> —Lester C. Thurow, dean of Sloan School of Management at MIT

The effectiveness of the Japan lobby, particularly in response to the Toshiba incident, illustrates just how much political influence Japan has assumed in the U.S. Many high-paid former U.S. officials had been able to use their knowledge of the U.S. political system in order to lessen sanctions for their client. Furthermore, as journalist Stephen Dryden writes in his article entitled, "The Battle of the Sumo Lobbyists," (Regardies Magazine, Sept. 1988) "The fact that the United States couldn't punish Toshiba without hurting Americans shows how our fortunes have become inextricably tied up to those of our allies."[38]

Certainly lobbying laws as they exist today are ineffective. This view is echoed by many such as Stephen Reed, Professor of Political Science at the University of Alabama, in his paper entitled, *Japanese in the South*, "I do worry about the degree to which the U.S. political system, at both federal and local levels, is open to lobbying by foreign nations."[39]

Several other suggestions have been made in order to limit the amount of political power foreign nations like Japan assume in U.S. policy making. The most commonly accepted proposal is that we lower our budget deficits which are currently financed in large part by the Japanese. Our overconsumption has also maintained our reliance on Japanese purchases of our assets which balance our trade accounts.

It has also been strongly suggested that the U.S. establish a similarly powerful lobby in Tokyo, so that we too could influence policy making in our economic rival's political system. As revisionists such as James Fallows have asserted, the fact that Japan is able to fain access to former U.S. officials while we have no such access in Japan, creates a significant imbalance in how each country is able to influence the other's political

system.[40] Much like its economy, the Japanese political system is likely to remain restricted to American influence, to a large extent due to the strong loyalty of the Japanese government to Japanese businesses. Thus, we as Americans must deal with the imbalance

One of the most important realizations that we as Americans must face, is that the Japanese have been able to gain such political influence due to the nature of our own political system. The United States policy making system is an open interest articulation system. Furthermore, capital is able to flow with few barriers within the United States.

Recently, Karel van Wolferen, the author of *The Engine of Japanese Power*, discussed the rising political influence of Japan in a *Washington Post* article entitled "Japan's Money Machine," (November 5, 1989) he wrote:

> There is no precedent in international affairs for the methods Japan is using to increase its political power through economic pursuits. Americans concerned with the future free flow of goods and capital ought, at least, to investigate how much damage these methods are causing.[41]

Here, van Wolferen stresses how unprecedented Japan's newfound influence is. He also seems to recommend some form of action by the American people. The correct reaction to growing Japanese political influence within the United States should not be hysteria, nor random "Japan bashing." For the Japanese have done nothing illegal or unfair. They have played the American game according to American rules. Instead, more constructive analytical studies must be conducted on this increasingly relevant subject in order to realize its full implications. Most likely, such studies will reveal that the growth of Japan's political influence within the United States is inevitable, as long as the U.S. maintains its current economically dependent relationship with Japan. □

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The Labor Movement And The South Korean Economy

Michael Karsch

Introduction

Nobody ever promised the Republic of Korea that the road to democracy would be smooth. However, its citizens probably never imagined that the path could be so rocky. After decades of life under authoritarian rule, South Korea (in this paper I will refer to South Korea as Korea) began to boil on April 13,1987 when Chun Doo Hwan announced the cancellation of plans to revise the constitution. The anger which boiled in April, overflowed on June 10 of the same year, as thousands of workers rushed to the streets and joined students emphatically demanding an end to the repressive actions of Chun. It was on this day, that the South Korean labor movement finally unshackled the forces which once held it down and burst forward into the forefront of Korean society.

The emergence of Korea's labor movement has already created profound changes in the Korean economy, and promises to play an indelible part in its future as well. This paper sets out to examine the potential effects of labor on Korea's economy by focusing on three key relationships. They are: government-management; government-labor; and labor-management. The nature and significance of these relationships should not be underestimated since the future stability of the Korean economy hinge, to a large extent, on their changing natures.

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Labor: A New Beginning

June 10, 1987 was the beginning of a new era for Korean labor. After decades of exploitation and oppression, workers finally had reason to believe that their voices might be heard in the future.

Less than three weeks later, these hopes were confirmed. On June 29,1987 the ruling Democratic Justice Party's (DJP) candidate for President, Roh Tae Woo, broke with the past by pledging his support for a popular election to determine who should succeed Chun Doo Hwan as president of the Republic of Korea.[1] These promises were substantiated by changes in the country's Basic Law which were amended to provide citizens not only with the right to participate in the process of government decision making, but also in the voting process through popular elections.[2]

> The sudden explosion of industrial disputes that followed the declaration of June 29, 1987 proved that the old system could not function in a new environment. Nor could it function any longer as an effective tool for maintaining tranquility among the industrial workers or as a vehicle enhancing industrial growth. A new system that can accommodate the rising expectations and demands

> among the workers for higher wages and better terms and conditions of employment and which also provides workers with the means for more active participation in corporate and public decision making has become a necessity.[3]

History

The problems which labor reacted against in 1987 were not unique to Chun's regime. Suppression and exploitation have been the norm in labor's history, since pre-World War II when the Japanese colonial administration ruled Korea. Although the Japanese were able to control labor, unions reappeared after 1945 when trade unionism began to develop as a movement. By the end of the Korean War, a federal trade union had already been started in Korea (Federation of Korean Trade Unions), and even though it was closely allied with the governing party it served as a seed for future growth.

> Park and Chun denounced labor as a source of communist infiltration which threatened to destabalize the country.

In 1960, labor flexed its muscles for the first time by playing a significant part in the ousting of Syngman Rhee from power. According to Anthropologist Vincent Brandt, author of *Workers and the Labor Movement*, "the capacity of workers to interfere with public order and obstruct economic progress was demonstrated during the chaotic period in 1960."[4]

Park and Chun : Economic Growth And Security

Although labor helped to overthrow Rhee (the students were largely responsible for Rhee's demise) it was unable to protect itself from the ensuing crackdown on independent unions by Park Chun Hee, and the brutal treatment imposed by Chun Doo Hwan. Park and Chun both attempted to legitimize their policies by stressing commitment to the overriding objectives of national economic growth and national security.[5]

Indeed, the rates of economic growth which were achieved during both Park's and Chun's regimes were phenomenal. By controlling the workforce and providing financial incentives, government and management had formed an effective alliance which helped develop Korea from a war torn, agrarian society into an industrial economic powerhouse within two decades.

However, much of this growth was at labor's expense since workers enjoyed few rights. Not only were they deprived of the right to form independent unions, but they were also denied the right to strike and the ability to negotiate contracts. While large corporation or chaebol owners were earning more money than ever imaginable, blue collar workers were not allowed to share the fruits of their own labor. Many workers did not even earn enough wages to live at subsistence level, yet they worked an average of 54.4 hours per week, the longest work week in the industrialized world.[6] Moreover, working conditions were extremely poor, and a social welfare system was basically nonexistent.

One means by which the government controlled trade unions was through the so-called Saemaul campaigns in which workers "volunteered" their labor and were pushed to increase productivity. At the same time, the Federation of Korean Trade Unions (FKTU), a highly structured industrial union controlled by the national government, was used to promote centralized control through the creation of sixteen national federations. Each federation's membership was limited to a specific industrial sector and all unions in that sector were required to affiliate. This structure served to eliminate union competition, and also stifled dissent since any independent group, by definition, was illegal.[7]

National Security

The threat of national security was the second instrument used by the government to quell the labor movement. Playing upon the people's extreme fear of North Korea, Park and Chun denounced labor as a source of communist infiltration which

threatened to destabilize the country by making Korea more vulnerable to attack.

The Move Toward Reform

The government's firm control of the workers began to crack after Park implemented his Yushin reforms in the mid-1970's, which called for constitutional changes serving to further constrain independent labor organizations.

Despite, or perhaps because of the tight control over union activities, the 1970's saw a substantial increase in labor movement organization, and several independent groups formed during this period who later became significant players in the protests of 1979 and 1987.[8] Overall, union membership jumped from under 500 thousand members in 1970 to about 1.1 million in 1979, and the number of local unions significantly increased from about 3,000 to 4,300.[9] As membership swelled, labor protests also grew despite direct government intervention. These protests had escalated into intense labor conflict and street fighting by 1979, just prior to President Park's assassination, and further contributed to the political instability.[10]

Chun Doo Hwan: The Last Years Before Reform

"Chun did not use the FKTU as much (as President Park) for his political ends, he just repressed everything," observed industrial specialist Kim Hwang Joe.[11] One of the most significant anti-labor measures taken by Chun was the implementation of Article 13-2 of the Labor Disputes Adjustment Act which prohibited third party interference on behalf of the workers. He also conducted a purge in which both FKTU and independent labor leaders were severely punished.

In hindsight, however, Chun's measures were only last efforts to hold back inevitable change. Korea was no longer a starving, uneducated nation, living in fear of its northern counterpart. The economic success of the country had changed labor's expectations. Social activists and students who were concerned with achieving political democracy tried to rally labor behind their cause by challenging labor to step up and demand appropriate compensation for their many years of sacrifice. But, the workers did not need much encouragement. Their generally passive nature began to take on a more militant flavor around 1985 when stories about relative income and issues of industrial democracy were being reported almost daily in the press.[12] The number of strikes (although still relatively very small compared to future years) doubled that year, and then increased again in 1986.[13] Korean workers would no longer stand for past injustices. An era of suppression and exploitation had started to come to an end.

Management: "The Good Old Days"

Today, at Lucky-Goldstar, it is *not* "business as usual."

Then again, it has not been "business as usual" for a while now— since, June 10, 1987 to be precise. The day when the workers of Korea reacted against their employers by spreading unrest across the industrial landscape of the country as workers in both large and small companies went on strike. New unions sprang up in response to labor disputes and served to strengthen a union movement which lay outside of the established national structure creating a significant transition in the nature of management-labor relations which will have significance for years to come.[14]

June 10, 1987 is also the day management's cozy relationship with the government, against labor, came to an abrupt end.

In the "good old days," chaebols like Lucky Goldstar were fortunate. The Korean government gave them direct loans and guaranteed others. It protected the home market from overseas competition and manipulated the currency so that prices of exports to the U.S. stayed low. But, most importantly (with regard to this paper) it gave them protection from the workers.

In essence, Lucky-Goldstar was given all the ingredients for success. With the government's assistance, Lucky-Goldstar grew from a tiny firm into a $20 billion-a-year conglomerate whose products vary from gasoline and escalators, to computer chips and cosmetics.[15]

However, after June 10, 1987 the "good old days" were over for firms throughout Korea. Without government protection from labor, corporations have been left alone to deal with frequent strikes which disrupt production and have significantly increased labor costs which have shot up by over

60% within three years. Labor unrest has coincided with the strengthening of the won on the international market, and the increasing threat of protectionism abroad. Threats of protectionism loom particularly large in the EEC Community, the PRC, where the government is aiming to curb consumer demand, and the United States, Korea's largest export market. These developments have hurt Korean corporations, especially those involved in labor intensive industries.

Samsung : A Case Study Of Recent Problems

The managers at Samsung Electronics Co. have an unusual problem. Four years ago, when Samsung entered the U.S. market with VCRs, its strategy was to win market share by underselling the Japanese. With the help of inexpensive labor rates and a relatively soft currency, Samsung's strategy worked. And as a result, demand for its VCRs is currently at an all time high. Ironically, however, the more Samsung sells to the U.S. the more its managers get upset. On the surface, a negative reaction to increased sales seems unjust. However, due to huge wage increases and a strengthening currency, which makes Korean exports more expensive abroad, profit margins are collapsing. In fact, Park Sang Jin, the general manager of Samsung's division of videocassette-recorder exports, estimates that Samsung lost about 6% or 7% of the cost on every unit it exported to the U.S. last year. Lucky-Goldstar and Daewoo Electronics, the other two major Korean VCR manufacturers, have also been the victims of similar success.[16]

The tremendous increase in labor costs has caused substantial problems for most firms. In 1988 alone, labor costs rose an average of 17.2% while productivity only increased by 10.2% nationwide.[17] The significance of these statistics is heightened by the fact that wages had already increased by 13.5% in 1987, and are expected to rise by another 12% in 1989.[18]

Hyundai: Cuts In Production And The "Save The Company" Brigade

The Hyundai Co., Korea's largest automobile chaebol, has suffered from the rise of the labor movement. Not only has it lost profits through wage hikes, but its production has been significantly reduced because of work stoppages. Massive strikes have plagued Hyundai's subsidiaries since 1987 largely because of the chaebol's decision to rely on force and intimidation rather than compromise when dealing with worker's demands. This method is consistent with Chung Ju -Yung's (the founder of Hyundai) philosophy "that the owner is always right".[19]

Hyundai's strong arm tactics are most readily seen through its use of the Kusadae or the "Save the company" brigades. These brigades are squads of hired thugs who are disguised throughout a plant or office, and called upon to try to discredit workers often through physical means.[20] These brigades are used by many Korean corporations, and have been used more frequently in the last few years as government intervention has diminished.

Despite its hard line stance, Hyundai has not been able to prevent its employees from striking. In 1989, the corporation expects that U.S. exports will decrease by over 18% largely because of lengthy production delays caused by labor disputes.[21] Long production delays not only hurt companies in terms of short run profits, but also in the long run since reduced outputs could lead to the loss of market share. As one executive of an electrical appliance company said; "we can survive a one-month strike. But we can't hold out for two or three months."[22]

Fewer But Longer Strikes

Hyundai's experience is an extremely important case study since it reveals a potentially lethal trend in the nature of labor strikes. That is, a trend toward longer strike delays. Optimists would disagree with my analysis regarding this trend, and would argue that the labor crisis has been significantly improved since 1987. They would most likely support their statement by pointing out that the number of strikes in Korea have been reduced over the last two years. In fact, the reductions have been substantial. In 1987, there were over 3,500 strikes as opposed to approximately 2,000 in 1988. This argument is furthered by a recent report (April, 1989) issued by the Economic Planning Board which claims that "81% of the strikes had been settled, and the rest are expected to be settled soon."[22]

Despite these statistics, there is good reason to believe that management has not felt the full effects of the labor crisis yet. This is because the decline in number of strikes has been offset by increases in the length of strikes. In 1987 the average strike lasted 5.3 days, but so far in 1989 the average strike has lasted 15 days. According to the Economic Planning Board, these 931 strikes (as of April 19,1989) have cost Korean corporations almost $4 billion U.S. dollars in lost production.[23]

The recent saga of Union Steel Corporation, Korea's second largest steelmaker, is a prime example of the potential effects of longer strikes. Last July, workers at Union stopped production and demanded that the corporation be sold to a more "conscientious entrepreneur". Production still has not resumed at its factories, and it is expected that the corporation will file bankruptcy in the near future. The shutdown has also exacerbated a domestic steel shortage which has prompted the government to slap export controls on steel products.[24]

Worker Demands

The essence of this paper comes down to a seemingly simple question: What do the workers want from the managers ? Unfortunately, the answer to this question is not easy since labor has not clearly defined its demands on certain issues, and has made impossible demands on others.

One of the most noticeable problems with the current labor structure is its extreme diversity. Diversity of interests and ideologies have created significant problems for both workers and management as it has prevented labor from taking unified stances on certain key issues. Until some standard of unity is reached, labor-management relations will never fully develop since one of the most crucial prerequisites to any successful negotiation is gaining an understanding of the opposition's point of view. Without this, compromise is not possible.

The labor structure may be divided into two broad categories: official government sanctioned institutions and unofficial activist groups. Each claims to be the legitimate representative of the workers interests.[25] The FKTU is the largest and only government sanctioned union in Korea, and arguably is the union which most managers would prefer to deal with due to its close ties with the government. However, many laborers have refused to join the FKTU for that very reason. In an effort to improve its reputation, the FKTU has begun to distance itself from the government in order to become a party which more closely represents labor interests.[26] While the FKTU has made some strides recently, it is doubtful that it will ever regain the confidence of the workers.

The second broad category within the present labor structure is the activist unions. Although these unions have only been in legal existence for a short time, many of these groups have backgrounds which date back to the Park regime. Activist unions are extremely varied in their origins, missions and ideology. Many espouse a Marxist viewpoint and regard the changing nature of labor relations in Korea as part of the historical workers' struggle against the oppression of management and government. Often these oppressors are considered one and the same.[27]

Although the FKTU is still the dominant union confederate in Korea, it is quite possible that its status could eventually be challenged by a new federal union such as the one currently being formed by a group of smaller activist unions with the help of white collar workers. [28]

Basic Demands Of The Workers

While labor should be faulted for failing to develop unified demands, management should also be blamed since it is has not fully grasped the most basic demands of the workers.

Many Korean managers feel that Korean corporations have repaid their workers for past injustices. With wage increases of 60% over the last three years, it seems that workers should be more than satisfied with their recent gains. There are several reasons, however, why they remain dissatisfied.

First, the Korean labor market has many divisions which are most clearly defined by wage rate differentials. These divisions are segmented by several characteristics which include: regional disparity, gender gap, firm size, and education level.[29] They have prevented certain workers from sharing equally in the recent gains.

Of these divisions, discrimination against women has been the most severe. Although women constitute a significant percentage of the

work force in Korea, their needs and demands have been systematically overlooked by management. The role of women in the development of the Korean economy should not be underestimated as their work, especially in the labor intensive industries, greatly contributed to the export oriented growth of the Korean economy. Korean women have begun to react against wage differentials and other discriminations, and they promise to become an increasingly important force in the labor movement in years to come.

A second reason laborers are not satisfied with their wage increases is seen through their reaction to a substantial wage increase given to workers at a Samsung subsidiary. When Samsung officials learned that a wildcat strike was being planned at its subsidiary in Puchon, they tried to appease the workers by offering a substantial raise. But, to the leaders and to the workers in general, "this wage increase did not serve to pacify as much to demonstrate the huge profit margin which Samsung is working from."[30]

This example illustrates the deep rooted distrust which workers have developed for managers. This distrust dates back to the beginning of economic prosperity in Korea when chaebol leaders refused to allow the workers to share in the success of the corporation. It is important to keep this distrust of management in mind since it will have an undeniable effect on future labor-management relations.

The third reason for worker dissatisfaction is more straightforward. Workers simply feel that wage increases have not been sufficient, especially in light of huge housing cost increases in Korea. Traditionally, the Korean "IRS" has been known to appraise land, from which property taxes are calculated, at a price well below its true market value in order to help investors minimize their costs. Moreover, since property taxes are already extremely low in Korea, wealthy citizens have found land speculation to be a tremendously attractive investment. This attraction has caused a tremendous increase in demand for land in Korea which, in turn, has driven land prices to unprecedented highs.

The boom in the real estate market would not adversely affect Korean laborers if they owned their houses. However, since most workers lease (most can not afford to buy) their homes, and have therefore been forced to pay substantial increases in housing costs which claims a large percentage of their income.[31] The Korean government is presently examining legislation which will aim to ease this problem.

Several other basic demands of the workers include; a more adequate system of social welfare, better working conditions, and a shorter work week. It should be noted that the long work week of the Korean workers distorts wage comparisons with other countries since most statistics depict weekly income rather then hourly wages.

Politics And Labor

The infusion of political demands by workers into the labor movement has become one of the most hotly contested issues between management and labor. Labor's point of view is probably best understood in the context of decades of anti-democratic, anti-collective bargaining, and anti-strike policies.[32] For them, freedom in the workplace came hand in hand with the political freedoms granted in 1987, and therefore it only seems natural that a link between politics and labor should exist. Today, the two key political issues for laborers are further political reforms and reunification with North Korea.

From a manager's point of view, the link between the two issues is unfair. Managers argue that political reforms are out of their control, and that many of the worker's are being manipulated by radical students who are using them to further their own political ideals. Radical students have been known to sneak into factories disguised as workers in order to raise the consciousness of the workers. These students make labor more political and obscure the basic goals of better working conditions and higher wages.[33]

Jungil Yu, a former leader of radical student activity at Seoul National University, in an interview said:

> Students should be credited for their past contributions to the labor movement. Politics have a right to be connected to labor issues. The ability to do so, distinguishes Korea from a communist nation... However, in the long run, radical students will not be a significant factor in the labor movement since their idealistic thoughts are not grounded in the reality of worker's demands and needs.[34]

Government: Prospective Challenges

After analyzing the fundamental problems underlying the labor-management relationship it becomes apparent that the government has a formidable task on hand. In essence, there are several challenges which the government must confront in the near future. First, it must gain acceptance as a fair regulator not a bystander. Second, it must build a social infrastructure that will support a modern industrial relations system. A social infrastructure is built through updated labor laws, regulations, and other practices. Third, it must develop an administrative organization to enforce and regulate labor policies and procedures. Fourth, it must develop a process through which dispute resolution will be improved.[35]

Now, unfortunately, the government threatens to violate its recently acquired role as an innocent bystander by moving back to the other extreme which is direct intervention against labor. The roots for the reshifting of policy may have been planted last April when South Korean police in riot gear stormed the Hyundai Industries Co. shipyard in Ulsan, by land, by sea, and by helicopter, to break a strike that had closed the shipyard for 109 days. More than 700 strikers were reported arrested and at least 54 were reported injured [36]

Although the government claims that its intervention was only in the name of preserving national interests it remains to be seen if government remains a bystander in future strikes. As two key government officials noted; "The government should no longer be an onlooker," says Minister of Justice Huh Hyung Koo. "People are thinking that now is the time to restore law and order to the Korean Labor System," echoes Minister of Trade and Industry Han Seung Soo.[37]

The Future

In many ways, it appears that Korea's economy could be heading for serious problems in the near future. Already, Korea has begun to feel the macroeconomic effects of the labor problem. Last March, Korea recorded its first monthly trade deficit since August 1987. This one million dollar deficit is seen to be even more significant when compared with the $578 million dollar surplus registered exactly one year earlier. [38] Moreover, worries began to heighten in August 1989 when the country posted its first current account gap since February 1986.[39] A current account gap is a significant indicator similar to a trade deficit, but it not only takes goods into consideration, but services as well. In any event, as a result of these setbacks people have begun to ask the same question: "Has Korea's magic run out ? "

> As a result of these setbacks people have begun to ask the same question: "Has Korea's magic run out?"

Although this question can not be answered with certainty, there are many optimists who would quickly answer "No." Indeed, the Korean economy is far from dead. In fact, despite its trade deficits during parts of 1989 it seems that the Korean government will still end the year with a fairly substantial trade surplus.

In the long run, however, Korea will only be able to maintain its economic balance if it finds a solution to the crisis on hand. The recent lags in the economy should be viewed by Korean officials as warning signals. Without working toward a solution to ease the current labor crisis, these warning signals will loom even larger in the future.

Solutions

To a large extent, the future of Korea's economy comes down to its ability to shift gears. Although Korea has already changed gears, shifting from a labor intensive economy to a higher value added economy, it is faced with the need to shift to an even higher gear in the future. In order to do so, Korea must step back and realize that it is can no longer rely on its inexpensive labor force to gain competitiveness in the global economy. It

only has to look out across the Pacific Rim to realize that it can no longer compete with other developing nations in this category.

Thus, it is necessary for Korea to move into the next economic gear, the high technology level. By making this transition, Korea will be forced to move into the big leagues. Its competitors will be economic giants such as Japan, the United States, and West Germany. It seems difficult to imagine that Korea is capable of surviving in this category, but then again history shows that the Korean economy is capable of achieving the impossible.

Of course, in order for Korea to be successful at this level certain changes will have to be made. One of these changes must include a stronger commitment toward R&D investment. Currently, Korean corporations only spend one and a half to two percent of their total revenues on R&D, but this percentage must become significantly higher in the future.[40] It would be advisable for the Korea government to investigate the "sharing" system of R&D which is used so effectively in Japan.

Labor Strife: The Killing Of A Dream

Korea's economic potential to a large extent relies on one condition: the future condition of labor relations in Korea. Although it does not seem likely that the labor crisis will come to a sudden halt, there is reason to believe that future relations can be improved between labor and management.

One reason why many believe that reconciliation is possible may be seen by studying the sociological side of Korean workers. Despite their deep distrust of management, workers still feel a very strong connection with their corporations. For example, during a strike at Hyundai workers were seen burning Chairman Chung Ju Yung in effigy in protest against hierarchical management style and organization of company, "written" trade unions. Yet the workers appeared to be drawing a distinction between ownership of the conglomerate and Hyundai itself. During the dispute, strikers were reportedly singing company songs, demonstrating their loyalty to Hyundai despite opposition to the Chung family.[41]

Management hopes that these bonds will allow a labor relations system like Japan's to develop, a system based on trust and cooperation rather then attacks and threats. This type of system will certainly not be implemented overnight, but there is hope that a similar system could gradually evolve. After all, Japanese workers also went through a confrontation period with management in the early stages of Japanese development.[42]

Another reason why improved relations seems possible is seen through the homogeneous nature of the Korean population. Many point out that Korea's Confucian heritage and homogeneous background were largely responsible for the economic success of Korea during its early stages. As a result, people feel that these characteristics will help Korea overcome their present problems.

In my opinion, all of the reasons presented above are sound arguments. However, my optimism for the future of labor relations is more paradoxical in nature since it is grounded in the cynical belief that desire for continued economic prosperity will be the ultimate saviour of management-labor relations. For management, the bottom line is very easy to see. With the rise in the value of the won, and increased protectionism, management can not afford to ignore the demands of workers. A strong bond between the two groups is crucial if Korea is going to successfully shift gears and challenge Japan and the U.S. economically.

On the other hand, workers will eventually learn to modify their demands on management. They will begin to understand that Korea has the ability to "have its cake and eat it too." That is, both management and labor can be satisfied in the long run, if the transition to a high technology economy is successful— in which case profit margins will be substantially higher. □

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The Middle East

The Middle East remains a hotbed of political, ethnic, religious, and economic disputes. The intervention of the superpowers, constant media coverage, and sensitive religious issues have increased its importance in the international political framework. The current disunity in the Middle East is partly a long-felt repercussion of the defeat and the dismemberment of the Ottoman Empire after World War One.

The three following articles explore various facets of the Middle East problem. From a new perspective of the Israeli-Palestinian conflict, *Israel and Norms of International Law* deals with the legal implications of the occupation of the West Bank and the Gaza Strip. The article *Islamic Fundamentalism in Turkey* explores the possibility of an Islamic revolution in Turkey. Finally, the struggle of an important ethnic group, often forgotten in favor of the more "international" Middle Eastern issues, is covered in John Bruno's *The Kurds: Pawns of Instability*.

Israel And Norms Of International Law:

A Conflicting Relationship In The West Bank And The Gaza Strip

Andrew Enschede and Khaled Rabbani

"There are ways— narrow to be sure— to reconcile what is usually referred to as the realistic approach to international politics, with the demands of morality."[1] This statement addresses the dilemma between politics and ethics concerning the manner of Israeli occupation (read: not administration) of the West Bank and Gaza Strip. In particular, Israel states that it can only maintain order, which it perceives to be the primary goal, by sacrificing justice through its "iron-fist" policies. Clearly, in light of the escalation of the Palestinian uprising, the Intifada, Israel's political argument has failed to secure its desired goals. Precisely because Israel has violated human rights and justice through its refusal to abide by principles that should guide an occupying power's behavior, order will be very difficult, if not impossible to achieve. In the interest of all the major parties concerned, it is of paramount importance for the Israeli authorities to recognize and adhere to internationally recognized and accepted human rights standards. This paper will thus concentrate on the legal ethics of the means of the occupation, and its subsequent consequences, rather than its specific historical development. However, in giving a moral judgment to this matter, the question regarding the legality and morality of the occupation as such will necessarily be raised. Nevertheless, that is another matter, one that will not be discussed within the scope of this paper.

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Brief Historical Overview and Relevant Definitions:

This paper deals primarily with human rights violations in the post-1967 era. Unfortunately, it will be impossible to incorporate a comprehensive historical analysis covering such pertinent developments as the establishment of Israel, the war of 1948 and its effects on the Palestinian people, the 1967 war, and a host of other complex issues and events. Nevertheless, current Palestinian attitudes towards the Israeli occupying force cannot be fully understood without a brief commentary regarding the 1967 war, and its implications for both the Palestinians and Israel. However, before embarking on this crucial discussion, a number of relevant terms must be defined.

Definitions:

A nation is a society in which people identify with one another on the basis of ethnic, cultural, linguistic, or other similarities.[2] Thus, regarding the geographic area in question, the two nations of importance are the Israelis and the Palestinians. Movements of nationalism can lead to the formation

of a state, which is a society in which enforceable authority is distinguished from other forms of authority within a clearly defined set of boundaries.[3] At this point in time, while the Israeli nation has achieved statehood, the Palestinians remain stateless. Depending on the political attitude of a government, certain values take priority within a state. Two distinct, and in some cases, conflicting values are order and justice. The existence of socio-political order is defined as the condition in which the conduct of the populace permits the government to implement its policies without unmanageable dissent. In the case of occupied territory, socio-political justice exists if the state uses its authority to uphold certain principles which respect basic internationally recognized human rights until a peaceful settlement is reached and the areas are returned. It will later be argued that Israel should follow the principles outlined in numerous United Nations conventions, declarations, and covenants.

> It is of paramount importance for the Israeli authorities to adhere to accepted human rights standards.

Brief Historical Commentary on the 1967 War:

The 1967 war must be analyzed in terms of its effects on the state of Israel on the one hand, and the Palestinian nation on the other. On June 5, 1967, Israel initiated the war in the form of a "preemptive strike" against the main airfields of Egypt, followed by those of Jordan, Syria and Iraq. Within the first hour, Israel had complete control of the air.[4] Jordan's King Husayn had signed a military pact with Egypt a week before the war, effectively putting his military under Egyptian command. Subsequent to Jordanian attacks on Israeli parts of Jerusalem, Israeli forces quickly invaded the northern parts of the West Bank, formerly ruled by Jordan. Consequently, the Israeli Defense Forces (IDF) pushed back Husayn's troops until they reached the Western shore of the Dead Sea. In the wake of the invasion, 200,000 Palestinians fled to the Eastern Bank. By June 10, 1967, Israel had secured its control over the Gaza Strip and the Sinai Peninsula (formerly controlled by Egypt), the West Bank, and the Golan Heights (formerly controlled by Syria). In other words, Israel had expanded its land area by 300% in six days.[5] Approximately 800,000 Palestinians residing in the West Bank and Gaza Strip came under Israeli rule. The Palestinians were greatly dismayed by the military defeat of the Arab armies. Indeed, the 1967 war strengthened Palestinian nationalism immensely. Throughout the following decades, Israel would continue to rule the Occupied Territories with harsh policies, fuelling Palestinian frustration against Israeli rule which was largely embodied in the form of the IDF. Furthermore, Israel's "settlement policy" of the following years (giving inalienable ownership of the land to Israeli settlers and Zionist agencies for the exclusive use of Israelis) served as a catalyst to Palestinian revolt. Moreover, the fact that Israeli military laws and policies explicitly favor settler "rights," while denying the Palestinians their political, socio-economic and cultural rights, inevitably led to increased tension between the two nations.

> The Israeli settlers...enjoy full Israeli citizenship and are spared the disadvantages suffered by the Palestinians in being subject to local law, namely the remnants of Jordanian law as amended by over 1,100 Military Orders now in force.[6]

In spite of protests by both the Palestinians and the global community against oppressive Israeli policies, Israel maintained, and currently maintains that it has no legal or moral obligation to abide by international norms of conduct. Indeed, since 1967, Israel claims that it merely "administers" the territories. However, by definition, (in accordance with paragraph 1 of Article 42 of the Fourth Geneva Convention of 1949, Israel is currently occupying the West Bank and Gaza Strip; after taking possession of captured enemy territory by seizure, Israel has placed the Territories under a hostile army. Hence, most writers of international law agree that the territories are being occupied.

Consequently, Israel is legally obliged to act in accordance with international law, part of which deals with the behavior of an occupying force. Unfortunately, however, Israeli strategists have implemented policies based on "realist" assumptions. This has caused the Israeli Defense Forces to completely ignore international human rights law since 1967 with regard to the Occupied Territories. It is no surprise that the collective anger of the Palestinians crystallized into the "Intifada," which started on December 9, 1987 and still continues at the time of writing.

Weaknesses in the Realist School of International Relations

The realist school of thought holds certain assumptions concerning the structure, units, and processes of international politics. In our opinion, some of these assumptions are simply archaic, if not false. Furthermore, many realist tenets severely limit a place for ethics in politics, and thus inhibit the ethical amelioration of the world in general. Unfortunately, Israeli policy makers share many of these beliefs.

First, realists believe that the fundamental actors in the world are states, since states are the highest form of authority in the international order. Correspondingly, the official Israeli policy has been only to negotiate with states. While it is true that states are fundamental actors, this privilege is certainly not exclusive. This quite apparent in the Middle East where, in the case of the Occupied Territories, the Palestine Liberation Organization and indigenous groups of Palestinian individuals have been significant to the extent that they have been largely responsible for the civil unrest as a result of their frustration with Israeli occupation policies. This has resulted in a dramatic escalation of the use of force by Israel in an attempt to restore order. Israel has been unable to ignore the importance of these non-state political actors.

Second, realists believe that since the aim of all states is to survive, the means to secure survival is to gain power. The pursuit of power is necessarily in the national interest. Furthermore, since the greatest obstacle to the accumulation of power is disorder within the boundaries that the state controls, order rather than justice is the highest condition that a state should strive for. Accordingly, Israeli government officials have repeatedly stated that they will use any means to secure order, even if that means using force to a degree that is unacceptable to the majority of world governments. This narrow approach to politics leaves very little room for ethics. Indeed, this entire competitive political attitude can easily serve as an incentive for a state to engage in repression and to justify it on the basis of security. Throughout the paper, it will become clear that this behavior will further serve as an inducement for a state to engage in "disproportionate repression," where the costs of repression will outweigh the benefits of security and order. The fact that the national interest is often invoked to justify disregard of moral principles, that would otherwise constrain choices among alternative foreign policies can easily lead to unjust and immoral behavior.

This becomes even more clear when one looks at Israel's management of the Occupied Territories. As stated above, Israel maintains that it has no choice but to use violent means to achieve order. Further, Israeli officials hold that since disorder, such as the present uprising on the West Bank and Gaza, is a threat to Israeli "national interests," any means that would eliminate the uprisings are justified. Even if one accepts the view that "national interests," rather than justice, are paramount, they are only considered so, to the extent that they are derived from the interests of the persons living within the state.[7] Although Palestinians living in the Occupied Territories are not legal citizens of the State of Israel, they have the right to fair and just treatment by Israel, as it rules the territories.

Just Treatment— The Case for United Nations Principles:

The Geneva Convention (1949), The Universal Declaration of Human Rights (1948), The International Covenant on Civil and Political Rights (1966), and the Standard Minimum Rules for the Treatment of Prisoners (1957)

The Geneva Convention of 1949, the Universal Declaration Human Rights (UDHR), the International Covenant on Civil and Political Rights

(ICCPR), and the Standard Minimum Rules (SMR) for the Treatment of Prisoners are four documents which, we will argue, should be the guiding principles of an occupying power's (i.e. Israel) behavior, as they secure justice and the subsequent prospect for world peace. Before arguing why an occupier should adhere to these principles regarding the management of the population residing within the Occupied Territory, a brief introduction to these four principles is in order. Moreover, the fifth principle which Israel adheres to, the Defence Emergency Regulation of 1945, will be analyzed and subsequently repudiated as a viable basis for rule in the West Bank and the Gaza Strip.

The Four Norms of Conduct:

The Universal Declaration of Human Rights was ratified by the United Nations, the supreme supra-national institution of the world, in 1948. This treaty maintained that while recognizing cultural and historical differences between all the diverse nations existing within the international order, several basic and overriding rights (which a majority of states agreed with), regardless of the political, jurisdictional or international status of the country or territory in question, are to be protected. A majority of world states also voted to ratify The Fourth Geneva Convention Relative to the Protection of Civilian Persons in Times of War of 1949, which outlines specific principles of civil management that a state should adhere to in times of war. Specifically, it also provides provisions for the protection of civilians living within the occupied territory.

The third principle, the ICCPR, adopted by the United Nations in 1966, constitutes a treaty between the signatories to the document. It defines and calls for the unconditional protection of civil and political rights. Having received a designated number of ratifications, it has entered into force. The Standard Minimum Rules for the Treatment of Prisoners was adopted by the United Nations General Assembly in 1957. It outlines acceptable conditions of confinement, and provides for the humane treatment of prisoners.

The Documents and International Law:

Since the first three documents outline general principles of behavior, they must be seen as sources of international law. There are a number of points which support the notion that in addition to outlining general principles, they form a source of customary behavior, and hence constitute customary international law.

First, the UDHR, the ICCPR and the Geneva Convention have been used as standards of state conduct and as bases for appeals in urging governments to take measures to observe human rights by the United Nations in numerous decisions.[8]

Second,

> a number of global and regional treaties have been prepared that transform the Universal Declaration into international conventional law.[9]

Third, the domestic law of a significant number of states, especially those with generally better human rights records, specifically the United States and Western European states, have "shown the marked influence of the Universal Declaration."(3) Indeed, the agreement has had an impact far beyond what its authors probably anticipated. Regarding the Geneva Convention, since most world states are signatories to the document, its status as part of global customary law is implicit. Indeed,

> it remains today the most comprehensive international document on the treatment of a civilian population under the occupation of an enemy army.[10]

Concerning the ICCPR, many of its provisions codify customary international law.[11] While the rules in the SMR are in themselves not legally binding,

> they are widely accepted as laying down the norms to which states are expected to adhere...in addition, some of their provisions do reflect international legal obligation.[12]

As a result, many scholars of international law firmly believe that these documents have acquired the force of customary international law.

Whether individuals and/or nations are subjects of international law in the sense that they have basic specific rights regardless of the state of political affairs is a matter of continuing controversy. Furthermore, much debate has centered around the question of whether non-state institutions, such as the United Nations, have the legitimate authority to enforce these rights without the

consent and/or aid of the state that is allegedly violating international standards of behavior regarding inhabitants within the boundaries that it controls. Further dispute exists that questions the nature of U.N. agreements; are they to be interpreted as binding laws, even in reference to states that chose not to sign agreements?

Israel's Argument on International Legal Obligations:

Israel is party to the Fourth Geneva Convention, but since it contends that these regions are not occupied, it claims that it is not legally bound to adhere to the principles outlined in this document, with regard to those areas. Regarding the second crucial document, The Universal Declaration of Human Rights, Israel holds that while it is a signatory, the declaration's preamble simply described the document "as a common standard of achievement for all peoples and all nations." Israel maintains that since its authors did not view it as a statement of law or legal obligation, Israel does not have to adhere to its principles. Israel also maintains that since it is not party to the ICCPR, it is not bound by them to a treaty obligation. Lastly,Israel officials claim that the SMR simply lacks any binding legal foundation. In spite of the above, however, several arguments clearly diminish Israel's position relating to the four instruments of global jurisprudence.

The Case for Human Rights:

In the past, Israel has held that it would not recognize the Palestine Liberation Organization because the latter allegedly refuted U.N. resolution 242. Thus, Israel based its argument on the premise that it accepted certain U.N. agreements. In general, if states expect other states or actors to behave in a certain manner according to particular principles (i.e. U.N. agreements), which led to international stability, than those states cannot simply isolate themselves from that standard of conduct when they choose to do so. States have a duty of maintaining reasonable consistency in their relations with the world. If no attempt to attain clear standards exists, the credibility of a state as a responsible and ethical institution is seriously diminished. Since Israel has referred to international law in the past as the basis for its political arguments (e.g. its alleged right to occupy captured enemy territory), it is extremely inconsistent and immoral to negate certain laws for the sake of political convenience.

> Therefore, Israel...is bound by those provisions [i.e. the UDHR, the Fourth Geneva Convention, and the ICCPR] which have acquired the force of customary law.[13]

The case has been set forth supporting the notion that the declarations are indicative of emerging international law. It follows, therefore, that it is appropriate to morally judge Israeli occupation practices in the context of the provisions set forth by the four conventions.

Israel's Human Rights Argument and the Fifth Norm

The Defence (Emergency) Regulations of 1945 are the basic guidelines by which the Israeli government justifies its actions in the Occupied Territories. After a brief historical overview, it will be discussed why the Defence (Emergency) Regulations are used by Israel in the context of "security." Subsequently, the Israeli legal arguments will be presented. We contend, however, that the Israeli arguments lack credibility; hence, Israeli legal arguments will be refuted.

The Defence (Emergency) Regulations of 1945

A. Brief History

Four days after the state of Israel was established on 15 May 1948, the Provisional Council of State declared a state of emergency in pursuit of the Defence (Emergency) Regulations of 1945. Since then, the Regulations have been extended consistently throughout Israel's more than forty years of existence. Consequently, military law presently exists alongside civil law in all of Israel. Not surprisingly, the negative effects on the Palestinian people are very real, and affect all aspects of Palestinian daily life.[14]

The Regulations were first used in Palestine during the British mandate. At the time of their

introduction, both the Jewish and Palestinian inhabitants of Palestine were vehemently opposed to the Regulations. The populace believed that the Regulations infringed severely on rights which they viewed as inalienable to all human beings. It is interesting to note that the Jewish Lawyers Association determined in a resolution of 1946 that:

> "they [Emergency Regulations] undermine[d] law and justice, constitute[d] grave danger to the life and liberty of the individual and establish[ed] a rule of violence without any juridical control." [15]

Jacob Shimshon Shapira, later Minister of Justice in Israel, used even stronger words to describe and criticize the Regulations:

> "It is our duty to tell the whole world that the Defence Regulations passed by the government in Palestine destroy the very foundation of justice in this land. It is mere euphemism to call the military courts 'courts'. To use the Nazi title, they are no better than 'Military Judicial Committees Advising the Generals.' No government has the right to draw up such laws..." [16]

In this context, it is quite upsetting and disheartening to find that the Israeli government has paid little or no attention to the views of some of its most astute citizens.

The Karp Report, which was produced by a commission of enquiry established by Israeli Attorney General Yitzhaq Zamir, is a prime example depicting the apathy of the Israeli government towards the Palestinian problem. Even though the commission was set up under the auspices of the Israeli government, its findings were such that the government was unwilling to make the contents of the report public knowledge. The process of publication (described below) shows the difficulty with which the Israeli government admits to its faults.

On 25 May, 1982, the Karp Report was submitted to the ministers of Justice, Interior, Defense, and Police. Twenty months passed before the findings of the Commission were finally published. During this time, however, Yehudit Karp (after whom the report is named) resigned from her post as Deputy Attorney General because she was frustrated with the government's failure to act on the findings.[17] Needless to say, the negative publicity which the Israeli government would receive due to their own commission (which, they had hoped, would produce a more positive report) would be hard to swallow. The report was partially published after much teeth pulling. Subsequent debates raged about Karp's findings in the Israeli media.

The main lesson to be learned is that the Karp Report is based on truth and it is this truth which the Israeli government wants to deny the world. In addition, the Karp Report provides substantial evidence that the application of the Defence (Emergency) Regulations is inappropriate for enforcement on Palestinians in the Occupied Territories. Indeed, we believe that the Defence (Emergency) Regulations should not be applied at all. Yet the Israelis irresponsibly continue their practice of implementation of these barbaric laws. We must explore Israel's rationale in order to explain their reasons for continued oppression of Palestinians in the West Bank and Gaza.

B. Israel's Concept of Security

Israel's occupation of the West Bank and Gaza is based largely on the argument for defensible borders. Official Israeli government rhetoric states that pre-1967 borders will not suffice as Arab states have proven to be extremely unreliable and untrustworthy on several occasions. Israel claims that this is the primary reason which has compelled it to continue the occupation.

In doing this, however, Israel has violated many principles of customary international law. Israel's concept of security has not been in accordance with international law and has, in fact, imposed itself on areas where it never should have. The justification which Israel uses for the establishment of Jewish settlements is a prime example.

According to Article 49 of the Fourth Geneva Convention of 1949, "The Occupying Power shall not deport or transfer parts of its own civilian population into the territory it occupies." [18] In answer to this article, Israel has stated on several occasions that the Geneva Convention does not contain any restrictions on the freedom of people to take up residence in the West Bank or Gaza. Clearly, the Israeli government has found a loophole through which it has justified its encouragement of settlement within the Occupied Territories. It must be emphasized, however, that Israel

has not held itself to the specific provision set forth in the Geneva Convention and has not adhered to a convention (which has taken on the force of customary international law) at all.[19] To top it off, Israel is a signatory to this treaty. Notwithstanding that Israeli actions with regard to settlements have commonly been viewed as illegal, continued insistence by Israel on the elementary right of Jews to reside in any part of the Jewish historic homeland has persisted. Although Israeli government sources claim that no Palestinians have been displaced as a result of this practice, many instances have been documented where, first, the military has displaced Palestinian citizens according to Article 114 of the Defence (Emergency) Regulations for alleged security reasons.[20] Subsequently, the vacated land was transferred to settlers. These highly unethical actions were exercised with the idea of security in mind. We must, therefore, question whether or not the settlers represent a source of security for the Israeli state.

> We do not accept the ludicrous argument that individuals represent a threat to the security of the state.

The official Israeli view is that the Israeli civilian presence in the Occupied Territories is necessary for maintaining security. They argue that the settlements constitute part of the IDF regional defence system. In times of calm, it is projected that these settlements will serve to control vital areas and maintain observation. In times of war, it is argued that the settlements will be sources of security control. In spite of these claims, there are military experts who believe that the settlements would not be assets in a war, but rather would be liabilities in security. [21]

It seems, therefore, that Israel's concept of security is conflicting. On the one hand, it has what could be termed as a well-founded fear of renewed Arab attack, but on the other hand it defeats the security of its "buffer zone" (West Bank) by placing settlements there which, according to military experts, represent more of a burden than an aid to the security of the Israeli state. Consequently, Israel's warped concept of security violates the Geneva Convention on the basis of the autocratic Defence (Emergency) Regulations instituted by the British in 1945.

C. Israel's Legal Argument

The reasons why Israel wishes to stick by the Defence (Emergency) Regulations are rather obvious. First, and foremost, Israel considers the Occupied Territories to be in a perpetual state of emergency, thus allowing Article 78 of the Geneva Convention to be implemented:

> "If the Occupying Power considers it necessary, for imperative reasons of security, to take safety measures concerning protected persons, it may, at most, subject them to assigned residence or to interment."[22]

Although this reasoning may seem acceptable on the surface, Israel has repeatedly surpassed the limits placed on it by Article 78. In addition, the very fact that Israel continues to apply the Emergency Regulations consistently throughout the territories means that, by default, it can never live up to the behavior prescribed by the Geneva Convention. In effect, it is not Article 78 which affects Israeli activities in the Occupied Territories, but the continued use and acceptance the Defence (Emergency) Regulations.

Israel uses several other articles to justify its actions in the Occupied Territories (which it, once again by default, cannot live up to). The enactment of the articles of the Geneva Convention to be cited below, do not violate international law per se, as they are part of it. But in many cases the articles are applied in a manner which is not related to the security of the state and, hence, become oppressive.[23] Indeed, the enacted articles are often taken out of context.

Since the Israelis view the Regulations as legal, they only justify themselves according to the Geneva Convention in order to make themselves accountable to the international community for their actions. This is, of course, unacceptable.

Article 64 of the Geneva Convention states that:

> "The Occupying Power may, however, subject the population of the occupied territory to provisions which are essential to enable the Occupying power to fulfill its obligations under the present Convention, to maintain the orderly government of the territory, and to ensure the security of the Occupying Power" [24]

In and of itself this provision should not represent any threat to the occupied peoples. The Israelis, however, do not apply this article in good faith. Many instances have been noted where individuals (usually intellectuals) have been put before military commanders and were placed under some type of restriction or detention.[25] We do not accept the ludicrous argument that individuals represent a threat to the security of the state. Yet, Israel seems to think so. Hence, Israeli detention policies should be ascribed to Article 111 of the [illegal] Defence (Emergency) Regulations which allows Israel to punish individuals at will.

Another interesting article of the Geneva Convention which is consistently misrepresented is Article 53 which states that:

> "Any destruction by the Occupying Power of real or personal property belonging individually or collectively to private persons, or to the State, or to other public authorities, or to social or cooperative organizations, is prohibited, except where such destruction is rendered absolutely necessary by military operations." [26]

Israeli authorities claim that house demolitions are legal in pursuance of the above mentioned article. This, of course, is not true at all. Al-Haq, the West Bank affiliate of the International Commission of Jurists argues, and we concur, that house demolitions are a clear form of collective punishment since non-offenders are also punished. In support of this argument, it should be noted that in many cases there are no military grounds for these demolitions. In this case it is once again important to cite an article from the Defence (Emergency) Regulations. Article 119 ensures the demolition of property along the lines which Israel practices. It is quite clear that Israel has maliciously attempted to mold an article of the Geneva Convention to justify its actions. Israel's actual reasoning, in this case as well, lies in the Emergency Regulations.

If one studies Israel's rhetoric in past years, one cannot help but notice the emphasis which it has placed on security. Even though, the Israelis often use Articles from the Geneva Convention to justify their actions, they do not follow the provisions set forth by the convention. They have tried to mold the convention to fit their own needs, and this has been the major flaw in their reasoning. The truth remains that the main source of law governing activities in the Territories has been and will be the Defense (Emergency) Regulations. Israel's legal argument, therefore, has been discredited insofar as it has attempted to mislead the public into believing that its actions have been justified, due to security considerations.

The Illegality of the Defence (Emergency) Regulations

Several compelling arguments point to the illegality of the Emergency Regulations. The first refers to the actual status of the Defence (Emergency) Regulations after the end of the British mandate over Palestine and during Jordanian rule over the West Bank.

According to Palestinians, the Defence (Emergency) Regulations had been revoked explicitly by the British at the end of their mandate and implicitly during Jordanian rule when they were not used. It has been confirmed by the British government that the Emergency Regulations were, in fact, revoked by the King and that the nature of this revocation was absolute and irreversible.

Palestinian lawyers have studied Jordanian law to see whether or not the Regulations would still have been in force during their occupation. It was determined that the Regulations would no longer have been in force under Jordanian law since the Jordanian Army Commander issued a proclamation which stated that existing laws would remain in force except where inconsistent with Jordanian laws. [27] In response, the Israelis have consistently argued that the revocation of the Regulations was not published in the Palestine Gazette, and as such would have no effect. In order to cover themselves from the implicit revocation which took place under Jordanian rule, the Israelis issued an order stating that the Emergency

Regulations would remain in force unless specifically revoked by name.[28]

Second, according to all relevant international conventions, the Emergency Regulations are illegal, regardless of whether the Israelis should or should not have continued to invoke them. We have shed some light on their illegality by pointing to contradictions between the Geneva Convention and the Regulations. In and of itself, this should be sufficient proof of the fact that the Emergency Regulations are illegal.

Lastly, Israel has consistently held that a state of emergency has been present since 1948 in the Occupied Territories. According to most international legal experts, this is a ridiculous argument which has been misused to serve Israeli political interests. Just consider the proposition that a state of emergency has existed for forty years. A state may easily take advantage of such a claim by enacting most oppressive laws, and subsequently justifying them on a "legal" basis. Unfortunately, Israel seems to believe that this condition is acceptable and necessary.

The basic argument which supports that fact that the Emergency Regulations are illegal lies in customary international law. In addition, several arguments have been exposed which suggest that Israel was not legally empowered to continue implementing the Regulations as they had been revoked by both the British and the Jordanians. Finally, the claim that there has been a constant state of emergency is very far fetched and does not really carry any credibility among experts. The illegality of the Regulations is unquestionable. In addition, Israel's arguments with regard to their implementation are easily refuted. However, Israel continues to invoke the Emergency Regulations on the Palestinians of the Occupied Territories in spite of their illegality on all fronts.

Effects on the Palestinian Populace

The effect of the Emergency Regulations on the Palestinian populace in the Occupied Territories has been tremendous. It is interesting and disheartening at the same time when one looks at some of the more pernicious articles of the Defence (Emergency) Regulations. According to the Regulations, Israel may detain someone at will for one year; it may deport someone at will; it may take possession of land; it may demolish property; and it may close areas which it deems "necessary" for closure. These measures and others have been applied by the Israelis extensively. Consequently, the suffering and humiliation which this has brought upon the Palestinian people is immeasurable.

The Current Means Of Occupation: A Policy of Political Stagnation

International law holds that the purpose of occupation is to administer captured enemy territory until a negotiated settlement is reached between the parties formerly at war, such that the territories are returned to the former owner. Technically speaking, in the case of the West Bank and the Gaza Strip, they would have to be returned to Jordan and Egypt respectively. However, it has become quite clear that the Palestinian inhabitants, which make up the overwhelming majority of the population, would favor the fulfillment of their right to self-determination. This right is secured by both the UDHR and the ICCPR. Hence, the ultimate Palestinian demand for the end to occupation and the creation of an independent Palestinian state is certainly warranted. The question regarding who would come to rule the territories in the future is another matter. The transfer of control of the territories from Israel to the P.L.O. (internationally recognized to be the sole legitimate representative of the Palestinian peoples), would necessarily eliminate future ethical injustices committed by Israel in those areas. However, we are arguing different venues of policy that Israel should practice, given the fact that it currently occupies the region in question.

Since 1967, Israeli has attempted to achieve order by completely negating the call for justice in the West Bank and Gaza have failed, especially in the last two years. In the case under discussion, it is inevitable that the unjust occupation policies practiced by Israel have lead to a situation of socio-political disorder. The Israeli state has, at least in part, inflicted an emergency situation upon itself. Indeed, the Intifada has directly caused the downfall of the current Israeli coalition government.

Clearly then, justice should be the highest priority on the Israeli political agenda, for only then can order be reached. This would greatly facilitate the achievement of a negotiated settle-

ment between all the parties involved. For the time being, this would include the state of Israel, the P.L.O., and the United States.

In order to achieve justice, Israel must uphold the tenets set forth by The Fourth Geneva Convention of 1949, the Universal Declaration of Human Rights (1948), the International Covenant on Civil and Political Rights (1966), and the Standard Minimum Rules for the Treatment of Prisoners (1957). In our opinion, Israel does not risk its sovereignty by abiding to these principles. Of greater significance in the context of this paper, however, is the fact that it would constitute a much more just policy. □

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Islamic Fundamentalism In Turkey

Peter Lewiss

The Western fear of an Islamic Revolution in Turkey and its acceptance by various groups within Turkish society is a major consideration among Western leaders when planning and executing their own Middle East policies. The strategic location of Turkey at the crossroads between Europe and Asia has given it a unique role in world history. The Soviet invasion of Afghanistan, the recently concluded Iran-Iraq war and the political turmoil over the Palestinians have combined to increase the political importance of Turkey for the West. But the most significant contributing factor is the loss of a modernized, pro-West Iran under the Shah. Before the Iranian Revolution in 1979, the Shah was looked upon by Western leaders as the cornerstone of Western geo-political strategy in the Middle East. These events have reinforced the importance of Turkey in Western minds. The question of whether or not an Islamic Revolution such as Iran's can be successfully exported to Turkey to cause such radical changes as occurred in Iran, is a preoccupation of Middle East experts, Western leaders, and the Turkish population itself.

Definition of Islamic Fundamentalist Revolution

Before proceeding any further, a definition of Islamic Fundamentalist Revolution is necessary for a more complete understanding. Also, a brief historical background on Turkish secularism and on Islamic movements in Turkey would place the present situation in a simpler perspective. One current definition of an Islamic Fundamentalist Revolution is "the establishment of an Islamic republic by means of a mass movement as in Iran."[1] Less extreme definitions include 1) a more pronounced observance of the Islamic tenets among the populace; 2) Islam as a focus for identity; and 3) a domestic Muslim revival which influences national policies.[2] Although the latter three definitions will be addressed, this paper will work within the context of the first definition. It is also important to keep in mind that the phrase Islamic Fundamentalist Revolution is a self-contradicting term because Islam, as a religion opposing all destructive action, does not accept the concept of revolution.[3]

Historical Perspective of Secularism and Islam in Turkey

For the purpose of this section I have divided the past 160 years of Turkish history into five distinct stages. These stages represent the coexistence of Islam with nationalism and secularism. Chronologically, these stages are: 1830-1919 Tanzimat Reforms and the Fall of the Ottoman Empire; 1919-1923 War of Independence; 1923-1946 Kemalist Era; 1946-1980 Multi-Party Era;

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and 1980-1989 Turkish-Muslim Synthesis. A possible sixth phase can be said to have emerged with recent Turkish elections but it is too soon to judge accurately.

The secularization movement in Turkey has its roots in the Tanzimat reforms starting in the late 1830s in the Ottoman Empire. The then-corrupt religious establishment of the ulema was stripped of its power and made subservient to the state. Unlike their Shiite brethren, the Ottoman ulema did not equate temporal power with injustice; instead they thought that cooperation with, and official status in, the political realm was the only way of exercising an effective restraining influence on the temporal power.[4] From the period of the Tanzimat on, policies of the Ottoman bureaucracy did not need to be complementary to basic Islamic laws and values. Later in the century, Sultan Abdulhammid II's policy of Pan-Islam, an international rather than a supranational ideology, did not prove to be a serious obstacle to the emergence of a secularist nationalism[5] The Young Turks, drawing on Ziya Gokalp's idea of the separation of religion and state, enterprised for the replacement of Islam by nationalism. They developed a conception of nationalism that brought with it a secular image of government and introduced the notion that the nation is the source of all authority. Traditionally, the ultimate source of authority had been Islam.

> The fear of an Islamic Revolution in Turkey is a major consideration in Middle East policy-making

As Serif Mardin points out

> from the time of the Tanzimat to that of the republic, there was an evolution which consisted not only in increasingly the number of secular institutions, but more importantly...in developing an understanding of the ethical content of society. This content underlined the increasingly large responsibility that the individual citizen has to shoulder in a modern society. It is because he believed that Islam as a state religion denied such autonomy to the citizen that Ataturk secularized Turkey as drastically as he did.[6]

Mustafa Kemal Ataturk led Turkey's War of Independence in the early 1920s. He realized that jihad, an Islamic holy war, was a viable means to mobilize the populace and to legitimize the national struggle. The subsequent Treaty of Lausanne gave Ataturk the prestige and authority needed to lead the new emerging state.

Shortly after the establishment of the Turkish Republic in 1923, the caliph wrote Ataturk asking for increased privileges. He replied

> Let the caliph and the whole world know that the caliph and the caliphate which have been preserved have no real meaning and no real existence...no more importance than a historic memory.[7]

On March 3, 1924, the Grand National Assembly abolished the caliphate. The Kemalists subsequently succeeded in abolishing the Ministry of Religious Affairs and Pious Foundations, transferring the waqf to the treasury and eliminating sharia courts.[8] These actions had a dual purpose: "to cripple the ability of the old ruling class to organize and fight back" and "to establish secularism."[9] Thus any Islamic threat to the political establishment of the state was thought to have been abolished.

Kemalism is composed of six ideologies written into Article Two of the Turkish Constitution: Republicanism (Cumhuriyetcilik), Nationalism (Milliyetcilik), Populism (Halkcilik), Revolutionism (Inkilapcilik), Secularism (Layiklik), and Statism (Etatism) and the Economic Development of the Turkish Republic. The first four components reflect the ideological basis of his political structure while the last two are vehicles for his reforms.[10] The Kemalists' goal was "to create a Turkish national identity." But Islam was diametrically opposed.[11] For this reason, the tarikats,the Sufi path or way of spiritual development, brotherhoods which had been part of Turkish cultural and social life for centuries, were outlawed in December 1925. It is important to note that they did not disband but merely worked underground.[12] Islam maintained its influence in social spheres through which it became an important political force. Institutionally, Ataturk made Turkey a secular state with Islam as its cultural

basis and Kemalism as its dominant political philosophy. Although Ataturk passed away in 1938, his policies were strictly adhered to until the Multi-Party experiment in 1946.

In sum, during the War of Independence Islam was an indispensable tool for Ataturk. Once he was ready to establish the Turkish Republic, however, he considered it to be his most serious threat. Thus, Islam's sphere of influence had to be first reduced to the national religion and ultimately reduced to the non-constitutionally recognized culturally religious identity of the Turks.

Turkish merchants, who had accumulated new wealth during World War II, "chafed at the fetters imposed by the Kemalist bureaucracy and searched for alternatives to its etatism."[13] Meanwhile, the peasantry had suffered from the shortages of the war and the emergency measures taken by the government. These groups combined in 1946 in the Democratic Party. The Democratic Party became the rival party to the ruling Republican People's Party. [14] The two were "hardly distinguishable ideologically" except that the Democratic Party "demanded greater respect for religion and less government intervention in religious affairs."[15] In effect, the Democratic Party reintroduced Islam into the politics of Turkey. For the next two decades, no Islamic Fundamentalist Revolution occurred because this was "a prosperous time for the peasantry and the provincial middle classes, the two classes which would constitute the popular base of any Islamic resurgence."[16]

Rapid industrialization, growing peasant and worker militancy and the emergence of student led guerilla movements combined in the late 1960s to change the players in the Multi•Party system.[17]

> The Justice Party [successor of the Democratic Party] assumed an identity as the party of big business and consequently lost support of other constituencies...the National Order Party (later the National Salvation Party) emerged as the first party...to openly espouse an Islamic political philosophy.[18]

The National Salvation Party platform was typically Islamic, basing society on the concepts of morality (*ahlak*) and spiritual values (*maneviyat*) and a move away from Western, capitalist influences.[19] Dankwart Rustow claims that the National Salvation Party was

> emphatically Sunni in orientation and would feel profoundly repelled by any regime of shiite ayatollahs. The elaborate hierarchy that made the Shiite clergy the best organized opposition to the Shah is absent among Sunnis.[20]

This lack of a hierarchy is also due in part to the transition of the ulema in the first three periods from bureaucracy to abolition under the Republic.

The military takeover in Turkey on September 12, 1980 was partly a reaction to the increased anti-secularism of the National Salvation Party.

> The impact of the military intervention of 1980 on the Islamist movement was twofold. On the one hand, the military leaders prosecuted the National Salvation Party leaders for violating Article 163 of the penal code which outlaws the exploitation of religion for political purposes. On the other hand, the National Salvation Party's middle and lower-tier cadre were very quickly to enter Prime Minister Ozal's new party and organize within it as a distinct and influential faction.[21]

Despite the outlawed leftist organizations, the infiltration of Ozal's Motherland Party by the remaining Islamic political actors has strengthened the Islamic movement in Turkey.

Political Philosophy In Turkey 1980-1989

According to Binnaz Toprak,

> In the seven year period since the coup there has been a discernable change of outlook towards Islam at the level of the political elite. This shift in outlook stems from two factors: 1) the strength of religious groups within the ruling Ozal government and 2) the implicit recognition by state elites, including the military, that the solidarity factor inherent in the concept of a Muslim community might prevent ideological conflicts which led to the anarchy of the street in the 1970s. Hence, we are witnessing the emergence of a new state ideology, an effort to arrive at some sort of a syncretism between Kemalism and Islam; a state ideology which is trying to accommodate Islam in order to reconstitute a basis of social integration.[22]

The Intellectual's Hearth (Aydinlar Ocagi), a small right-wing organization composed of conservative intellectuals and academics, formulated a new legitimizing ideology for the Turkish Republic called the Turkish-Muslim synthesis.[23] This ideology argues that "Turkish culture is a synthesis between pre-Islamic Turkic culture and Islam."[24] It "rejects the pagan Turkism of Kemalist

ideology and attempts to combine nationalism with Islam."[25] This synthesis was an appropriate ideology for the leaders of the new military government because of its "emphasis on authoritarian politics and social control through the use of cultural and religious motifs."[26]

Accordingly, critics of the Ozal government claim that he has encouraged a trend of Islamic resurgence.[27] It is also well-known that key members of his cabinet and the Motherland Party previously had close ties with the National Salvation Party.[28]

The Socioeconomic Structure and the Key Factor of Education

Understanding the historical relationship between Islam and secularism in Turkey and the inclinations of the Ozal government, it seems that questions as to whether or to what extent Turkey will be Islamicized in the future can only be answered within the socioeconomic structure.

> Religious and political movements, and politicized religious ones, appeal to specific social strata. They are rooted in the beliefs and discontents of particular kinds of people. And we need to know something about these people if we are to explain why one movement is able to topple a government while seemingly similar ones are not.[29]

History dictates that the middle class, the intelligentsia and the peasantry have been the three main societal groups to support revolutions, in general. Keeping this in mind, this paper now endeavors to critically analyze the role of students and women within the socioeconomic context of 1989's Turkey. There is a noteworthy lack of published material regarding the role of the peasants and the working classes in Turkish Islamic movements.[30] As some scholars believe, one reason for this may be that these groups did not participate in the Islamic resurgence, with the partial exception of Iran. Those in the working classes who did participate were usually former students.[31]

The Islamic movement in Turkey is unquestionably stronger today than it was before the military coup in 1980.

> Quran classes bring in the very young; university entrance examination courses where students receive free tuition and live in hostels run by the [tarikats] attract the educated youths of the future; recruitment among military academy students aims to gain influence within the armed forces...All the sects are involved in these activities...[33]

The Tarikats have most often appealed to students. These people were usually educated in secular schools and universities.[33] Whatever the students' social origins, most were of the middle class, if only by virtue of their education and the subsequent social and economic mobility.[34]

Two major trends emerge from interviews with Turkish university students: 1) only a minority of students are activists and 2) a university education has a secularizing effect. Although students constitute a majority of the activists in Islamic movements, such activists did not constitute a majority of students.[35] In interviews with Turkish university students this trend holds true. Namik Ilksoy, a non-practicing Sunni Turk student of computer engineering at Bosporous University felt that "university students are apart from the events. Only two to three percent of the whole university population is active [in Islamic movements]."[36]

The other major trend as perceived by students themselves is a university education having a secularizing effect. Husayn Ertugrul, a practicing Hanifi Muslim Turk and student of economics at Anadola University has experienced this metamorphosis.

> I changed in the past five years at university. Before I was very religious. I thought about what Islam means to me and it effected my beliefs. It [the secularization process] started very little but increased [steadily]. Now I think Islam belongs in a religious and traditional sphere.[37]

Oguz Akpinar, a non-practicing Shii Turk and second year law student at Istanbul University, attributes the decline in religiosity among students to two factors. First, "when you believe in God that means you're afraid of death. I'm not afraid of death. Other students are not afraid."[38] In other words, religion in general has been used for centuries to explain phenomena previously uncomprehendable. Today such phenomena can be explained by modern science and technology and no longer need to be explained by stories. Therefor, in his view, there is no need to fear and consequently no need to believe in any higher power.

The second factor evolved from the economic realm of Turkish society.

> People are getting happier, more materialistic. Money gives more happiness and therefor is more important to many individuals than being holy.[39]

Every person interviewed stressed the economic differences between today and the period prior to the military coup in 1980.

Consensus maintained that how religious a student was before entering university depended upon family environment and education. Oguz Akpinar maintained "problems [derive from] Muslims trying to be Europeans...[there is] contradiction with everything...education, lifestyle and traditions."[40]

As is true with any society, social strata and social classes can have an effect on an individual's exposure to an idea or a movement. Turkey is no exception. For the individual, the family has been the most important mechanism of integration. Arif Ilhan, a non-practicing Sunni who recently received his masters in Business from Cambridge University, grew up in a religious home of very wealthy and prestigious parents. "My family and my social group live above Islamic Fundamentalism. We are removed from the issue."[41] In contrast, Varol Toron, a non•practicing Shii Turk student of economics at Istanbul University, grew up in a working class home. His mother and sisters moved to Istanbul from Western Anatolia after his father went to work in West Germany. He said his family "was influenced by their friends who live near us to become Sunni and [to become]religious."[42]

Toron continued to point out the relationship between family roles, education and Islamic tradition in Turkish society.

> I have a lot of problems with my mother. She is uneducated. When [someone is] not educated, [he/she] stay[s] with tradition. [He/She] can't accept anything new. My mother is so closed that she doesn't want me to even have a girlfriend. I think in general relationships between men and women in Turkey are difficult and that's why social groups can't improve themselves.[43]

Educations seems to be the crucial factor whether a student, or anyone else for that matter, turns towards or away from Islamic Fundamentalism. Children are exposed to two cultures: the traditional Turkish-Islamic one taught in the home and the modern, Westernized, secularized one formally instructed in school. Ilksoy believed

> young children in the East[ern] part of Turkey must [be] educate[d]; if not then problems in our country. [We] must teach [that] Islam is changeable. Every century we understand more and therefor we have new interpretations. I read many books on Islamic religion and would like to read more.[44]

Toron agrees that "reading adds something. To read, sit and think is much more important than just living" according to prescribed sharia laws.[45] In terms of public schools in Turkey, Toron felt

> the education system is very bad...We learn [that] we won this war...student[s] go to the library and copy out of books for papers. We are not taught to think on our own.[46]

The educational factor is further enhanced by the encouragement and growth of Quranic schools and religious education. University authorities have found women to be one of their most challenging obstacles.[47] More women are wearing long dresses covering the whole body (*carsaf*) and the veil (*pece*). According to Kemalist law, they are supposed to conform to a Western dress code.[48] Thus, the use of these garments is both illegal and banned on campuses. Liberal intellectuals support the ban claiming "We must not allow the fundamentalists to have this show of influence."[49] Allowing women to wear these clothes at universities will not undermine the well-established secularism but is a definite show of support for a greater Islamic influence in Turkish society.[50]

Although secular women have enjoyed constitutionally awarded equal rights for years, barriers continue to be broken down and the availability of opportunities is constantly increasing. Secular women consider themselves fortunate to have these rights and do not want to lose them. On Tuesday April 11, 1989 some of Turkey's most prominent women staged a march in Istanbul protesting fanatical trends in religion.[51] The purpose of the demonstration was "to show the loyalty of Turkish women to the principle of secularism."[52] On the same day in Ankara, Semra Ozal, the prime minister's wife, visited Ataturk's tomb and wrote in the memorial book:

> We are determined to practice the rights you have given us in the best possible way. We declare our devotion to your principles until the very end.[53]

The press asked her what she thought about Konya's mayor's decision to segregate women students in commuter buses to the Selcuk University campus. She replied "if what the press has reported is correct, it is a cause for concern."[54] Thus, if university women who formerly composed the secular force are now turning to a more religious ideology, then it is a "cause for concern."

Tarikats Today

The most plausible reason for a turn to Islamic Fundamentalism is that Kemalism could not perform the metaphysical function of a religion. These people must have felt the need for moral and ethical principles that could not be derived from Kemalism. Because Prime Minister Ozal's government has fostered an Islamic discourse, the tarikats have reemerged from underground and have been publishing and promoting their ideas.

> The new Islamic groups differ significantly from their predecessors...In the past Islamic movements were confined to marginal groups...Now it is an elite phenomenon. At the same time, the new Islamic movement has important connections with outside groups...no longer a local phenomena. This new elite include a number of Muslim entrepreneurs who use their connections with the Ozal government and their connections with Muslim companies in the Middle East to build financial empires for themselves...[55]

Only a small minority of the Islamic groups support an Iran-style revolution. Quite contrarily, most support cooperation with the state via center-right parties.

Tarikats have been part of Turkish cultural and social life since the Ottoman period. Their members compose the majority of the small segment of the population which demands a reversal in the secularism of Turkey. Most of their attempts to implement any changes have not been successful primarily because these groups are not politically united.

The Naksibendi, the largest tarikat, dates to the fourteenth century. It is not surprising that the Naksibendi supports Prime Minister Ozal's government and Motherland Party since Ozal's brother, Korkut, holds a top position in the organization.[56] Divided into fourteen branches with half a dozen publications, the Naksibendi is less effective than smaller, more united factions.[57] Yet its influence over the present regime should not be minimized. The party daily, *Milli Gazete*, published articles favorable towards the developments in Iran throughout 1979 before withdrawing its support for no apparent reason.[58]

Similarly the Kadiri, organized in the Marmara and the Black Sea regions even earlier than the Naksibendi, has been "non•committal" and even "silent on Iran."[59] The Isikci is an offshoot of the Naksibendi advocating the unquestionable submission to the present regime and the unyielding support of the Motherland Party.[60] Its newspaper, *Turkiye*, considers Khomeini to be exploiting religion for political purposes.[61] The Nurcu adheres to the principles of Saidi Nursi. It consistently supports a pro-American foreign policy and has been against the Iranian Revolution from its very beginning.[62] Its daily, *Yeni Asya*, argued that the Iranian people had not learned the historical lesson that "disorder and instability breeds nothing but despotism."[63]

While these tarikats and their publications constitute the majority, there are nevertheless pro-Khomeini groups with their own propaganda. The majority of the radicals who reject nationalism and secularism in Turkey as un-Islamic are followers of Cemalettin Kaplan, a former government religious official now in West Germany.[64] In 1985 he established the pro-Khomeini Union of Islamic Associations and Communities (Islami Cemiyet ve Cemaatler Birligi). His activities including a monthly magazine, *Islam Cagrisi*, and videos of Kaplan's speeches are regularly distributed in Turkey and financed by Iran.[65] In Kaplan's view, Islam cannot be separated from politics and Turkey is in a state of Dar-ul-Harb; "the only possible and legitimate way to capture the government is jihad or the Islamic revolution."[66]

Toprak outlines four major points employed in Islamic writing favorable towards Iran, Khomeini, and the revolution. First,

> Iran has proved the Muslim world as well as underdeveloped countries the possibility of establishing an independent state which has liberated itself from the influence of the superpowers and relies on its own internal resources.[67]

The presentation of Islam as a world force capable of fighting both Western Capitalism and Soviet Communism is one of the major arguments against

secularism in Turkey. Second, it has shown the revolutionary aspects inherent in Islam.[68] Even though, as I pointed out above, this is a contradiction in terms, it is important as the fear manifest in the West. The third theme is the importance of establishing an Islamic regime.[69] While the minority groups strongly desire this, the military and the secularized majority will never allow it to occur. Finally is the sensitive issue of differences between Sunni and Shii.[70]

> Most writers try to explain...that the Caferi branch of Shiism is very close to Sunni...Apparent differences of belief and practice are minimized.[71]

This is almost outrightly rejected by the majority of the Turkish population. Sunni Islam considers, as it has for centuries, Shiite practices as heresy.[72] Evidently, those who advocate an Iranian-style revolution are a minority within Turkish society.

Pro-Khomeini press in Turkey covers both domestic and foreign policy news of Iran. The central purpose is the justification of Iran's politics.

> The Iran-Iraq War is viewed as the consequence of a conspiracy against the Iranian regime by the imperialist powers who have used Iraq as a frontier in their fight with Islam...Iran's purchase of weapons from the United States and the scandal it caused is again interpreted as part of the imperialist conspiracy to discredit the Islamic revolution.[73]

One democratic weekly sees the Islamic magazines promoting these ideas with such vigor that they "almost compete with each other in worshipping the Iranian regime."[74] With the exception of this minority, the Islamic Fundamentalist Movement has not been popular among the majority of Turkish Muslims.

Conclusions

The Islamic resurgence in Turkey can be viewed as a cultural revolution. The degree of religiosity is up to the individual, whether old generation or new generation, worker or elite, student or feminist. The revival in Turkey has not been an increase in the force of religiosity but in the range of social contexts within which religion is considered relevant. Successful institutionalization of political democracy has provided alternatives to religious protest. The secularization process has been a cumulative process since the earliest Tanzimat reforms. Kemalism strengthened this trend and provided for its longevity via the military. Finally, if for no other reason, the fragmentation and severe competition between rival factions in today's Turkish Islamic movements will prevent a Khomeini-style revolution encompassing the majority of the population. □

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The Kurds: Pawns Of Instability

John Bruno

In the winter of 401 B.C. an army of 10,000 Greek mercenaries was retreating from Persia after failing to defeat the Persian king, Artaxerxes. Passing through the Taurus Mountains they encountered the Karduchoi. These fierce warriors inflicted more damage upon the Greeks in one week than the Persians did in an entire campaign. This tribe was most likely what we now call the Kurds. The Kurds are revered warriors, as rugged as the mountains in which they live. The greatest Moslem General, Salahadin, who recaptured most of the holy lands from the Crusaders and joined the kingdoms of Egypt, Syria, and Iraq, was a Kurd.[1] The Kurds are no strangers to revolt and warfare, as they have fought for centuries against efforts by ruling powers to subjugate them. The weapons these tribesmen yield have changed from slings and bows to AK-47's, but the Kurds are still fighting to attain their autonomy.

Because they are resistant to authority of these governments, the Kurds are an unstable element for the governments in which Kurdistan is located. Most Kurds live in Turkey, Iran, and Iraq. There are also small communities of Kurds in Syria and the USSR, but they are not in large enough numbers to be significant factors. The governments of Iraq, Iran, and Turkey have responded to this threat to their stability by oppressing the Kurds. The situation in Iraq is the most illustrative example of the states' reactions to the threat of Kurdish nationalism within their borders. However, the roots of the unrest in Iraq are characteristic of the Kurdish situation in Iran and Turkey. An alienated people, the Kurds are being forced to accept the direction and control of a modern state in which it is not historically inclined to be incorporated. The Kurds have a nationalistic history which has led them to view themselves as an autonomous people and to reject determined efforts of central governments to control them, which has resulted in the Kurds being an agent of instability in the gulf.[2]

The exact population of th Kurds is not known. The governments of the countries in which they live understate their numbers to downplay their significance, while Kurdish groups inflate their numbers. A conservative estimate is that there are a total of about 7.5 million Kurds: 3 million in Turkey, over 2 million in Iran and Iraq, and small numbers in Syria and the USSR.[3] The Kurds are a separate people from the Iranians, Iraqis and Turks. It is the importance of the Kurdish region that makes governments so concerned with their stability. The Iraqi Kurds live in the northern part of Iraq, which contains over 50 percent of Iraq's

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oil. This is also the region through which the Iraqi pipeline passes to Turkey.[4]

The modern history of the Kurds began during the Ottoman Empire. The Ottomans ruled over the Kurds, but were not able to substantially control them. Ottoman efforts to assert control over Kurdish areas resulted in major uprisings in 1837-1853 and 1880-81. The defeat of the Ottoman Empire in World War One resulted in a power vacuum in the Middle Eastern area that the Kurds inhabited. The British quickly moved in to fill this vacuum and influence local rulers to assure its role as kingmaker in Mesopotamia.[5]

The British in effect created the idea of an independent Kurdish state with the Treaty of Sevres in August 1920. Britain and Turkey tried to settle the hostilities of World War One and agreed upon a treaty which provided for the autonomy for the part of eastern Anatolia where the Kurds constituted a majority. In article 64 the Allied powers and the League of Nations supported the establishment of an independent Kurdish state of Kurdistan. This nationalist recognition was also accentuated by the revolution in Russia and Wilson's Fourteen Points, calling for the independence of states under colonial control. However, the treaty was never ratified because of the defeat of the Greeks in 1921 by Mustafa Kemal, who managed to create a new Turkish state and was able to demand the revision of the treaty, excluding the independent Kurdish state.[6] By 1923 the British thought they could secure their interests just as easily through their client state of Iraq, making it unnecessary to create a Kurdish state.[7]

> An alienated people, the Kurds are being forced to accept the direction and control of a modern state.

Shaikh Muhmud, the man the British had originally picked to govern Kurdistan, captured the major city of the Kurdish area, Mosul, and proclaimed himself king of Kurdistan in September 1922. The British succeeded in driving Muhmud out in 1924 by the extensive bombing of the Royal Air Force. The Kurdish nationalist movement continued to grow in Iraq as the British government increased its ties with the Iraqi government by concluding the Anglo-Iraqi Treaty in 1930, which included a twenty-five year provision of British influence, but no mention of minority rights of the Kurds.[8]

A major Kurdish victory occurred in Iran at the end of World War Two. The Soviet Union supported the establishment of a Kurdish state in 1945, the Mahabad Republic, while it occupied norther Iran. The Russian saw this as an opportunity to counter British influence in the region by encouraging instability and revolt. It was hoped the establishment of an independent Kurdish state would encourage other Kurds in areas under British control in Iraq to join the state in its search for independence. However, with the Soviet withdrawal in 1946 Iran was able to crush the Kurdish rebellion and solidify control over the Iranian oil fields.[9]

Mulla Mustafa Barzani emerged as the primary Kurdish leader in Iraq during this period and continued to maintain this prominence until his death in 1979. The Hewa party, a loosely formed organization of a variety of political orientations centered on Kurdish autonomy, was created under the inspiration of Barzani. In the summer of 1945, the Iraqi government managed to expel Barzani from Iraq into Iran during a major offensive. Barzani was force to flee to the Soviet Union after the collapse of the Mahabad Republic offered him no safe sanction.[10]

The most important development from 1947 until the Iraqi revolution was the emergence of the Kurdish Democratic Party (KDP), which was the result of a joining of Barzani's followers and the leading political force in Mahabad under Qadhi Muhammad. A split resulted in the divergence of the movement into two separate parties, forming both the Iraqi and Iranian segments of the KDP. The Iraqi military was successful in keeping the Kurds from presenting a serious military threat to the stability of the Iraqi government throughout

the 1950's.

The Kurds welcomed the Iraqi Free Officers revolution in 1958 in the hope that the new government would be sympathetic to their cause. This hope was not to be long-lived. Many of the officers involved in the revolutions were involved in the fighting against the Kurds under the monarchy, and any suggestion of autonomy for the Kurds was not a policy Qasim and the other officers could have followed, even if they committed to such a development.[11] During this time the Iraqi Communist Party (ICP) had grown increasingly popular among Iraqi Kurds and, as a result, rivalry developed into fighting between the KDP and the ICP. Barzani returned from the Soviet Union and led the Kurds in another revolt. Fighting against government forces began in the summer of 1961 and developed into a civil war that would not end until 1975. This was a war that the government forces were unlikely to win, for the Kurds were able to hide in the mountains and enjoyed the support of a majority of their own people. The Kurds, however, were just as unlikely to win for they lacked the military and political strength to effectively damage the Baghdad government.[12]

After a failed government offensive that ended in a stalemate in 1969, it seemed as though the war was going to come to an end. The government offered the Kurds autonomy within the Iraqi state. However, the international situation allowed the Kurds to be coaxed into continuing their fight against the Iraqi government. Reza Shah of Iran was concerned about the threat that Iraq posed to compete with Iran as the hegemonic power in the region. The prospect of a resolution to the Kurdish revolt would allow Iraq to focus its attention against Iran. For these reasons and because of the long-standing historical rivalry between the Persian state and the Arab state, the Shah encouraged the Kurds to continue their revolt. The Shah also feared that the Iraqi Kurds would channel arms to the Iranian Kurds to carry out subversive activities in Iran. The Shah promised arms and aid to Barzani and his Pesh Mergas ("those who face death") to continue their struggle.[13] Barzani would not accept such aid without the guarantee of American support. The release of the Pike report shows that the United States agreed to provide $16 million for the Kurdish revolt. Nixon approved this action, despite the advice of the CIA and the State Department. This was most likely due to a view of Iraq as being clearly in the Soviet camp, given the Iraq-U.S.S.R. Treaty of Friendship in April 1972 and the nationalization of the Iraqi Petroleum Company also occurring in 1972. The Iraqi government nationalized the IPC just two weeks prior to the U.S. agreement to provide aid to the Kurds, which had weeks earlier been turned down.[14]

The aid, mainly supplied by Iran, proved to enable the Kurdish rebels, now numbering 50,000 to 60,000 Pesh Merga fighters along with another 50,000 irregulars, to control a significant part of the Kurdistan area in Iraq. By 1975 fighting had intensified and the delivery of Rapier missiles and 155 mm canons from the Iranians had enhance the Kurdish military situation. In January 1975 the fighting had escalated to involve Iranian bombardment directly upon Iraqi Forces.[15] This escalation was to end at the expense of the Kurds when Iran and Iraq reached an unexpected agreement just as the situation appeared to be escalating out of control.

The Shah had used aid to the Iraqi Kurds to pressure the government of Iraq towards terms more favorable for Iran in the Shat-al-Arab dispute. The Algiers Agreement, reached in June 1975, settled the Shat-al-Arab dispute in Iran's favor in return for the ending of Iranian aid to the Kurdish revels in Iraq. With the end of Iranian support and the closing of the Iranian-Iraqi border, the Kurdish rebellion finally dissolved. The Iraqi government, under the leadership of Saddam Hussein, used this termination of border hostilities to undertake a more permanent solution to the perceived Kurdish problem in Iraq.[16]

An active policy of Arabization in Kurdish areas was undertaken in Iraq. This harsh resettlement plan consisted of moving tens of thousands of Kurds from the northern Iranian-Iraqi border to southern parts of the country where government saw as such a vital interest to fully control.[17] The total number of relocated Kurds is somewhere between 250,000-300,000 people. Despite this brutal attempt to pacify the Kurds it took awhile for the Kurdish resistance parties to reorganize and regroup. Small guerilla actions by the KDP

and the Patriotic Union of Pakistan (PUK) began late in the 1970's. However, infighting between the Kurdish groups continued to weaken the effectiveness of Kurdish activities against government troops.[18]

Two events reversed the Kurdish misfortune after the Algiers Agreement. The lack of centralized authority created by the Iranian revolution in February 1979 provided a catalyst for the uprising of Iranian Kurds in Mahamaban, the lost Kurdish Republic. However, a more substantial development was the outbreak of the Iran-Iraq War in September 1980. Hussein saw the turmoil created by the Iranian revolution as an opportune situation to reverse the concessions that he had been pressured to make in the 1975 Algiers Agreement. President Hussein also had larger ambitions to make Iraq the dominant power in the Gulf. The Kurds took the opportunity of the war to take on the Iraqi government. Hostility between the KDP and the PUK kept the effectiveness of the Kurds to a minimum during the first few years of the war. This changed in 1983 when Iraqi forces were pushed from Iranian territory taken in the early stages of the war and Iranian forces extended the battlefront into northern Iraq.[19]

The KDP Pesh Mergas joined the Iranian troops in battle against Iraqi forces as they crossed the border. More significantly, the Pesh Mergas received sophisticated weaponry from Iran which they used effectively against government forces. At this time, Hussein was seeking to negotiate a cease-fire with Jalal Talabani and the PUK in return for Kurdish autonomy. Negotiations broke down into a stalemate and Talabani lost much of his support for his dealings with Hussein. Mas'ud Barzani, the son of Mulla Mustafa Barzani, emerged as the leading spokesman for the Kurdish movement. The PUK and the KDP closed ranks, clearly moving into a closer bond with Iran. A series of victories in 1986 resulted in the Kurds emergence as a major factor in the Iran-Iraq War. The Pesh Mergas took the city of Mangesh, close to the Turkey-Baghdad highway and pipeline. that battle they reportedly captured fifteen hundred troops and Saddam Hussein had to deploy his Presidential Guards to contain the situation. This Kurdish victory coincided with a deteriorating situation against Iran in the norther sector of Iraq and in the south, with the Iranian capture of the Fao peninsula in February 1986.[20]

The success of these operations and the increased importance of the Kurds in the war soon took a drastic turn with the cease-fire reached in August 1988, ending open hostilities between Iran and Iraq. The Iraqi army, being freed from its engagement with Iranian forces, turned against the Kurds. The *Arabization* policy of the 1970's was continued with new intensity and brutality. The security zone of 30 kilometers along the Turkish and Iranian borders has been extended and villages throughout Kurdistan were leveled and entire populations forced to relocate. This attempt to finally crush the rebellion that has effectively existed since 1961 has turned into a deliberate effort to destroy Kurdish nationalism and the Kurdish people. The recent reports of the use of mustard gas on Kurdish villages, firmly documented in March 1988, but most likely having been used for a substantial period prior to the cease-fire, are indicative of the government's methods used to crush the spirit of the Kurds, no matter what the cost in life or international opinion.[21]

This confrontation of the Kurds with the Iraqi government stems back to a recurring struggle of the Kurds to resist outside authority. The Treaty of Sevres was the instrument which created the idea of a Kurdish state and gave rise to the nationalist movement among the Kurds. It was this treaty that formed "... the basis of the Kurdish nationalists' claims to an independent state of Kurdistan as they [related articles] explicitly recognize that the Kurds exist as a people and that they are entitled to a separate state."[22] This recognition by the European states was vital to any creation of a Kurdish state, as these states, most notably Britain, were the major power brokers in the region. The recognition of the Kurds as a separate people strengthened the nationalist sentiment and reinforced the autonomous nature of the Kurds from that of the Iraqis, Iranians, and Turks.

This nationalist movement has been used by powers in the Gulf as an instrument of instability. These brokers want anything but a successful revolution and establishment of a Kurdish state. They provide arms and support to create problems

for the Kurds' respective host nations, using the Kurds as pawns for their foreign policy objectives. The Shah of Iran's support for the Kurds was designed to put pressure on the Hussein regime to gain leverage in the Shat-al-Arab conflict and to counter any attempt of the Iraqi Kurds from spreading their revolt among the Iranian Kurds. The United States agreed to provide aid to the Iraqi Kurds for two reasons. The first deals with the oil interest in the region. The Iraqi Petroleum Company had just been nationalized and Barzani had promised that, if successful, Iraqi would "... turn over the oil fields to the U.S."[23] The Soviet Union and Iraq had just signed a military and economic treaty in April 1972, and it seemed to many that Iraq was practically a Soviet satellite. The concern for the Kurdish struggle showed its true color when the Iranians and Americans ceased all aid to the rebels with the conclusion of the Algiers Agreement in 1975.[24]

Iran, Iraq, and Turkey have all been involved in the manipulation and simultaneous containment of the Kurds. This scenario shows itself particularly well in the period around 1986 in particular, but is representative of these nations' dealings with the Kurds over the last five decades. The Iranians were providing the Pesh Mergas with substantial material aid. Iranian troops were also joined by Kurdish forces, particularly the KDP, in attacks deep inside Iraqi Territory. At the same time, the Iraqi government was transporting weapons to Iranian Kurds fighting against Iran.[25] The Iraqi government even arranged for safe passage of weapons deliveries with the Iraqi Pesh Mergas for their brothers fighting in Iran. Neither Iran nor Iraq desired an independent Kurdistan, rather they sought to use the Kurds as pawns in the greater Iran-Iraq conflict.

Turkey has the largest population of Kurds within its borders. For this reason it also has a stake in the actions of the Kurds. Turkey has made a deliberate effort to repress the Kurds which dates back to the reign of Attaturk. Turkey has denied that there is any such people as Kurds, referring to them as "Mountain Turks," in an attempt to destroy the Kurdish identity. Turkey is concerned about the position of the Iraqi Kurds for two reasons: the implications upon Turkey's own Kurdish population, and for the security of its southern border and the economic and transport routes through the area, notably Iraq's oil pipeline. When the Iraqi Kurds achieved their military successes in 1986 Turkey found it threatening its own interests. The PUK was extending its control along the entire Turkish-Iraqi border, which was a bade for the Kurdish Workers Party (PKK), Turkey's main rebel group. Throughout late 1987, Turkish forces pursued the PKK into Iraqi territory to engage the Turkish rebels.[26] The Iraqi government was unable to prevent the PKK from basing and operating across its northern borders, and for this reason consented and depended on the threat of Turkish intervention to limit Kurdish activity along Iraq's northern border.[27]

Manipulation is not the only fate of the Kurds. The Treaty of Sevres acknowledged that the Kurds are a separate people in an area dominated by other groups. The states in which Kurdistan lies would like to destroy this sense of a Kurdish identity. Turkey is doing this by alienating the Kurds and refusing to allow Kurdish customs and culture to be shown in public and attempting to prevent young Kurds from embracing the culture of their ancestors. In Iraq the hatred of the Kurds has intensified due to their activities in the Iran-Iraq war. The Arabizations policy of the late 1970's has turned into a brutal attempt at the permanent disposal of not only the Kurdish problem, but the genocide of the Kurdish people.

The Iran-Iraq war necessitated a tremendous increase in the size and arsenal of the Iraqi army. Once the cease-fire was reached, the Iraqi government focussed these forces against the Kurds. In 1988 the Iraqis launched an offensive consisting of 60,000 men supported by armor, artillery, and aircraft against the Kurds in northern Iraq. This offensive was aimed at the approximately 30,000 Pesh Merga rebels as well as at the Kurdish population in Kurdistan.[28] Iraq has also resorted to the use of chemical weapons against the Kurds. The first verified instance of such use was in March 1988 when Iraqi use chemical weapons against the village of Halabja which resulted in the death of an estimated 5,000 men, women, and children. The Iraqi use of chemical weapons against its own citizens has continued and has drawn outrage from a variety of international organizations and pushed the United States Senate

and House of Representatives to approve sanctions against Iraq.[29]

At the same, the Iraqi forces are conducting a campaign, reminiscent of the Arabization policy in the late 1970's, to depopulate sections of Kurdistan. An *Economist* correspondent in Iraq described the fate of one Kurdish village near the northern Iran-Iraq border:

> Kurdish exiles claim that the 200,000 or so residents of Gala Diza, a town in the province of Arbil, have been given 17 days to pack and leave before the army demolishes the place on April 25th [1988]. Some Kurds think that the population will be moved to other parts of Kurdistan, many fear that they will be deported from Kurdistan altogether to camps near the Jordanian or Saudi Arabian border, where thousands of earlier Kurdish deportees have apparently been sent.[30]

The situation is not confined to this particular village. One estimate reports that three out of every four Kurdish villages have vanished, levelled by government forces. As many as 500,000 Kurds have been relocated from Kurdistan. In many cases Arabs have been settled by the Iraqi government in place of the Kurds.[31]

The Pesh Mergas have pledged to continue fighting the Iraqi forces. These rebels were heavily armed during the Iran-Iraq War and continue to hold out against government pushes to dislodge them. The people of Kurdistan, however, are unable to resist the chemical attacks and the destruction of their villages. This has caused a massive flow of refugees over the borders to Turkey and Iran. There are over 60,000 refugees now in Turkey. The families are mainly civilian, but contain a significant number of Pesh Mergas rebels. These rebels are required to surrender their weapons to the Turkish authorities. This large number of refugees poses economic and administrative problems associated with resettlement and threaten to disturb Turkey's stability. The Turks fear that the Pesh Mergas may try to use Turkey as a base of operations against the Iraqi's. They also fear that the Kurdish Workers Party will ally with the refugees and create more problems for Turkey.[32]

There are approximately 20,000 Kurdish refugees in Iran. On October 15 the Iranian government stated that it would accept as many as 100,000 refugees. These refugees pose similar problems to Iran as they do to Turkey. The London-based Minority Rights Group states that the Iraqi government "... seems to be intent on destroying the Kurdish community by deliberately inflicting ... conditions calculated to bring about its physical destruction, in whole or in part."[33] As this genocide against the Kurds in Iraq continues, the number of refugees is certain to increase. The massive effort in the late 1970's to crush the Kurds failed to do so and only planted the seeds of rebellion that grew during the Iran-Iraq War. The Pesh Mergas were heavily armed during the war and vow to continue their fight against the Iraqi government and Saddam Hussein. No outside authority has been able to subdue the hardy Kurds for 4,000 years. They have never faced such a threat as they do now.

Unfortunately, this slaughter is not limited to the Kurds or to the twentieth century. There are examples of peoples and states performing acts of genocide throughout history and this continues to be with us today. The Kurds themselves took part in the massacre of Armenians in 1894. Kurdish warriors in the Hamadiya cavalry were involved in the Ottomans' brutal policy to subdue the Armenians, who were being encouraged by the Russians at the end of the nineteenth century to seek nationalist ambitions.[34]

It is also difficult for states outside the Gulf to influence the plight of the Kurds. The Kurds are an instrument of instability. The dominant powers desire stability in this crucial area of the world. The encouragement of a free Kurdistan would promote anarchy in the region. The superpowers, therefore, find it difficult to intervene on the side of the Kurds and are consequently forced to deal with the states presently in power. This limits the pressure they can place on the Iraqi, and other governments for their treatment of the Kurds, if they seek to maintain stability in the region.[35]

The situation of the Kurds does not look promising. The Iraqi government clearly appears intent on destroying the Kurdish population. However, these determined people have survived for thousands of years and will most likely continue to do so. There is no telling how much damage to the Kurdish identity the repression of Iraq, Turkey, and Iran has caused, but even the smallest loss is one the Kurds cannot afford. □

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Economics

The importance of economics in almost all international issues makes it particularly difficult to partition an exclusively "economic" section. Because of this, the Economic section of our journal contains three papers on a wide variety of topics. Matthew Torrey's paper analyzes past and present U.S. governmental attempts to deal with the Latin American debt crisis. *The End of Bretton Woods* compares two historical interpretations of U.S. economic policies under this once-prominent monetary order. Mark Fang examines the future status of the U.S. economy in light of the growing international economic competition in his article, *U.S. Decline or Renewal*.

The Latin American Debt Crisis:

U.S. Foreign Economic Policy Initiatives During The 1980's

Matthew C. Torrey

The Latin American Debt Crisis is one of the most important United States foreign economic policy issues of the 1980's and will in all likelihood remain one of the key issues on the U.S. policy agenda through the 1990's. Since the onset of the Latin American Debt Crisis with the Mexican declaration of a temporary moratorium on interest payments in August 1982, three U.S. foreign economic policy initiatives have attempted to resolve the crisis: The Reagan Debt Rescheduling-Austerity Plan from 1982-84, the Baker Debt Rescheduling-Growth Plan from 1985-1988, and the Brady Debt Reduction Plan since March 1989. The second and third U.S. plans represent an acknowledgement on the part of the United States government that the debt crisis is fundamentally an American problem, since the principal debtors are Latin American nations and the chief lenders are U.S. commercial banks.

The Debt Crisis represents a dual crisis for the United States, threatening both the U.S. commercial banks and the Latin American debtor nations. The U.S. banks, which lent a great deal of money to Latin America during the 1970's, have faced insolvency since the mid-1980's due to overexposure to developing country debt. The Latin American debtor nations, which borrowed a great deal of money from U.S. commercial banks in the 1970's, have been caught in the vice of declining terms of trade and demand for their commodity exports, due to structural factors and the international recession of the early 1980's, and rising interest rates on variable rate loans in the mid-1980's, due to the enormous U.S. budget deficit and the restrictive monetary policies of the U.S. Federal Reserve Bank. The cumulative effect of these conditions has been the severe limitation of the ability of the debtor nations to service their external debts, a situation which has politically and economically endangered the Latin American nations and financially endangers the U.S. banks.

U.S. foreign economic policy approaches to the Latin American Debt Crisis have progressed through several stages of development since the early 1980's. The first strategy, the Unified Creditor Strategy which developed during the Mexican debt Crisis of 1982, based upon the rescheduling of debt and the implementation of adjustment and/or austerity packages, proved to be not only politically controversial by economically unfeasible. The second strategy, the Baker Plan, recognized and focussed upon the need for capital infusions to Latin America to promote economic growth in order to service debt, but failed to generate sufficient new loans to the debtor nations. The third and most recent strategy, the Brady Plan, recognizes

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and focuses upon the need for debt reduction in order to resolve the crisis and promote economic growth. Although to make an assessment of the Brady Plan at this point would certainly be premature, the debt reduction accord reached in July 1989 between the Mexican government and commercial banks has raised strong doubts about the viability of the newest strategy of the United States government towards the resolution of the Latin American Debt Crisis.

I. The Unified Creditor Strategy

The approach of the Regan Treasury and the commercial banks, the Unified Creditor Strategy, was based upon a recognition of the Latin American Debt Crisis as a temporary liquidity problem." It consisted of case-by-case rescheduling of debt accompanied by new lending in return for economic adjustments, i.e. IMF austerity packages and the achievement of trade surpluses in order to acquire hard currency and service the external debt. The dominant underlying principle of this approach is the fact that while the U.S. and the commercial banks have defined the nature of the problem and have prescribed the solutions, primary responsibility for the resolution of the debt crisis lies with the debtor nations of Latin America. According to Gilpin, with the implementation of the strategy, "the creditors successfully imposed their will on the debtors." Of perhaps greater significance is the fact that the creditor approach failed to recognize either the extraordinary nature of the debt problem or the inherent political dangers which it presented to the Latin American debtor nations.[1]

> The Latin American Debt Crisis is an everyday fact of life for millions of Latin Americans.

I. The Baker Plan

The Baker Plan, unveiled by former Treasury Secretary James Baker at the October 1985 meeting of The International Monetary Fund and The World Bank in Seoul, South Korea, represents an acknowledgement on the part of the United States government that the Latin American Debt Crisis is a long term economic and political problem threatening both the development of the Latin American debtor nations and the international economy of the industrialized nations. The Baker Plan is based on the recognition that inadequate cash inflow can thwart a debtor country's ability to adjust by growing out of its difficulties.

The Baker Plan proposes a four way strategy to resolve the Debt Crisis, one based upon an agreement between the debtors nations, the industrialized nations, the large commercial banks, and multilateral lending organizations in order to reach a debt solution through economic growth rather than austerity. In his presentation of the plan in October 1985, Baker declared: "Economic growth, not IMF-imposed austerity, offers the only genuine hope of an improvement in the fortunes of debtor nations, and the end of a threat to the U.S. financial system."[2]

According to step one of the plan, the debtor nations were to make structural changes in their economies to increase growth, produce sound balance-of payments positions, and cut inflation. The debtor nations were to reduce the role of the state in the economy through privatization, strengthen their private sectors, reduce budget deficits, implement supply-side market-oriented programs (such as tax reductions), liberalize trade, and promote foreign direct investment. According to then Treasury Secretary Baker, these policies would build confidence in the Latin American economies, encouraging savings and reversing the flight of capital.

Step two called for commercial banks to loan debtor nations about $20 billion over the next three years to facilitate the shift to the new policies and increase the overall rate of economic growth. At the same time, in step three, the industrialized nations were to stimulate their economies and open them to debtor exports. Step four consisted of an enlargement of the role of multilateral development banks, the Inter-American Development Bank, the International Monetary Fund, and the

World Bank in assisting the debtors. Multilateral lending organizations were to supply another $20 million of the Baker Plan's proposed capital infusion.

Virtually every major point of the Baker Plan contained fundamental weaknesses which prevented its implementation, inevitably leading to the failure of the plan. First, the structural changes proposed to take place in the debtor nations are of an extremely controversial political nature and are impossible to put into effect quickly, if at all. Second, to elicit the support of commercial banks to lend $20 billion to the debtor nations represents an organizational nightmare. One of the fundamental weaknesses of the plan stems from the fact that the U.S. government cannot force its commercial banks, or those in Western Europe and Japan, to make new loans to debtor nations. As so aptly put by *The Economist*: "The banks told [Baker]— politely, of course, what he could do with his plan."[3] Third, domestic protectionist pressures and balance-of-payments considerations prevent the industrialized nations from substantially increasing imports from Latin America. Fourth, the lending positions of the I.M.F. and the World Bank represent major obstacles to the implementation of the plan. In fact, by restricting the flow of capital to the debtor nations, the World Bank played a key role in undermining the success of the Baker Plan. The I.M.F., through its insistence on conditionality prevented new loans to debtor nations by linking them to politically unrealistic economic reforms. Hardly representing a significant shift of policy, continued I.M.F. insistence on conditionality for new loans to debtor nations prevented the implementation of the Baker Plan. Overall, in the first three years of the Plan, while the Baker Plan proposed a capital infusion of roughly $40 billion, the amount owed by the Latin American debtors amount to roughly $80 billion. Therefore, even if it had reached the expectations of the Treasury Department, the Brady Plan would have only reduced the net capital outflow from Latin America by one-half.

Thus, the Baker Plan contained several foundational weaknesses which doomed its success. One, the structural changes proposed by Baker to take place in the Latin American debtor economies are of an extremely politically controversial nature and are extremely difficult to institute during a period of financial crisis and economic hardship. Two, the call for the industrialized nations to stimulate their economies in order to increase imports from Latin America is equally unfeasible for many of the same reasons. Three, commercial banks needed more than polite arm twisting by the Reagan Administration and the Federal Reserve Bank to commit more money to Latin America, a practice which they view as throwing more "good money after bad." Four, the conservative lending posture of the World Bank prevented the provision of much of the international organization capital needed to take the pressure off already heavily involved commercial banks. Five, the policy of the I.M.F., based on conditionality, prevented the proposed inflow of much-needed capital.

The Baker Plan exemplifies the Reagan administration "containment strategy," for the debt crisis. In reality, the Baker Plan did benefit the commercial banks by providing a political context to press the debtor countries to keep paying the interest on their loans. According to Jeffrey Sachs, the Baker Plan was a debt strategy designed to save the commercial banks, not the debtor countries.[4] The main problem with the Baker Plan is the fact that it prescribed more debt for Latin America, with no relief in the foreseeable future.

Indeed, the debtor nations of Latin America have recognized this fact and illustrated dissatisfaction with the proposal. At the January 1986 meeting of the Cartagena Group in Montecideo, Uruguay, the ministers of eleven Latin American nations charge that the Baker Plan does not provide enough resources to both service debt and promote growth. Further, they complained that the plan does not address the problems of high interest rates, protectionism, and weak commodity prices. In the opinion of the debtor nations of Latin America, the Baker Plan provided little in the way of concrete progress while prolonging the economic and political crisis.

While presenting the plan in 1985, Treasury Secretary Baker compared it to "a chain, which like a strategy, is only as strong as its weakest link."[5] In fact, the failure of the Baker Plan to resolve the debt crisis through renewed international lending and economic growth revealed itself to be more like "a rope of sand" than a chain-like strategy towards the resolution of the debt crisis.

III. The Brady Plan

The Brady Plan, unveiled at the March 1989 Conference on Third World Debt of the Brookings Institution and the Bretton Woods Committee in Washington, D.C., represents an implicit recognition of the failure of the Baker Plan strategy to resolve the Latin American Debt Crisis. Treasury Secretary Nicholas Brady's plan, the embodiment of President Bush's pre-inaugural promise of "a whole new look at the issue," presents a voluntary, market-oriented menu option approach to the Latin American Debt Crisis through debt reduction.

The plan proposes a reduction of as much as 20 percent for all debtors over the next three years through voluntary reductions of principal and/or interest by the commercial banks. The I.M.F., the World Bank, and the Japanese government agreed to supply capital to both finance the debt reduction and provide collateral guarantees on the reduced value of debt. The I.M.F. and the World Bank will supply $25 billion while the Japanese government will provide $4.5 billion.[6] In total, $29.5 billion will be available to finance debt reduction according to the "menu approach," whereby commercial banks are presented with several debt reduction options, from which they are free to choose desired policy. The Brady Plan also relies on the return of "flight capital" to the Latin American debtor nations to provide a portion of the financing necessary for debt reduction as a precondition for renewed economic growth. Proposals have been made which would enable the U.S. government to identify and tax foreign deposits in U.S. banks on behalf of Latin American governments, thereby discouraging, limiting, and ultimately reversing the flight of capital.

The Brady Plan, unlike its predecessor, represents an implicit acknowledgement on the part of the Bush administration that many debtor nations will be unable to repay their commercial bank debts in full, even if repayment is stretched out over time. According to Brady, the new approach is needed to "reinvigorate a process that has become debt-weary," reflecting a growing consensus in the financial and political community that the prevailing strategy was in serious need of reform.[7]

The Brady Plan maintains certain key elements of the Baker Plan, while eliminating others. Case-by-case negotiations between debtor nations and creditor banks will continue under the Brady Plan, as will the issue of conditionality for the extension of new loans. Debt reduction will be limited to countries which are prepared to commit themselves to "genuine economic policy reforms." On the other hand, the Brady Plan rejects the concept of rescheduling debt as it is viewed unlikely to restore prosperity while perpetuating the crisis. The fundamental distinction between this strategy and that of the Baker Treasury is the fact that the Brady Plan insists upon debt reduction as a precondition to restoring credit worthiness.

A related distinction is the recognition by the Brady Treasury of debt discount according to market values. As of February 1989, the face value of Latin American medium- and long-term bank debt totalled $279.4 billion, with a secondary market value of $96.7 billion, or an average market price of 35 cents per dollar of debt. For example, the market price of outstanding Latin American debt, as a percentage of face value ranges from a low of 10 percent for Bolivia to a high of 61 percent for Chile. The percentages for the three largest Latin American debtor nations, Brazil, Mexico, and Argentina are 34 percent, 38 percent, and 19 percent respectively.[8]

The Brady Plan introduces three methods to reduce Latin American Debt: One, repurchase of discounted debt by the debtor nations; Two, conversion of discounted debt into bonds with discounted interest rates; Three, debt-for-equity swaps, whereby debtor governments would repurchase existing discounted bank debt using local currency which holders of the debt would then use to make a direct foreign investment in the debtor country.

The first option, buyback of discounted debt by the debtor nations, is extremely attractive from the debtor point of view. For example, Brazil's foreign debt of $62.2 billion has a present market value of $21 billion, or 34 percent of face value. Thus, with a one dollar loan from the I.M.F. or the World Bank, Brazil could "buyback" three dollars worth of its face value debt. In other words, Brazil could repurchase its external commercial bank debt with $21 billion in I.M.F. or World Bank loans, reducing its net debt burden by one-third, at the same time reducing the level of interest payments on the debt.

The first debt reduction strategy, sovereign debt buyback, has thus far been widely implemented

only in Bolivia during March 1988. With the approval of the I.M.F., Bolivia bought back forty-seven percent of its commercial bank debt at a price of eleven cents on the dollar.[9] Although the most attractive to the debtor, debt buyback has several weaknesses for the creditor and multilateral lending organizations. First, many commercial banks oppose this strategy because it involves taking a "book loss" on their outstanding loans. Although the market value of the institution remains constant given that the debt is sold at or slightly above market rate, many banks have and will continue to resist selling discounted debt because of the "book loss" it involves, believing that full repayment on the loan will be made eventually by the debtor nation.

Second, the amount of new capital that would be needed by the Latin American debtors to repurchase the debt is enormous. As mentioned above, for Brazil to repurchase its debt would require an infusion of $21 billion, or roughly half the amount of capital called for by the Baker Plan from commercial banks and multilateral lending organizations. The fact that the national and international money centers failed to come through with the targeted amounts of capital under the Baker Plan highlights the difficulty that debtor nations have and will continue to have in borrowing capital on an individual basis in order to repurchase debt.

The second option, conversion of debt into bonds with lower interest rates, provides another attractive alternative to "staying the course." Under this option, individual debtor nations would negotiate with the commercial banks holding the loans to convert the debt into bonds with lower fixed interest rates. Debt-Bond Conversion contains two extremely attractive elements, one for the debtor nations and one for the commercial banks. One, it lowers the contractual debt service burden of the loan on the debtor nations. Two, it has the advantage of maintaining the book value of the commercial bank loans while backing up the new asset with guarantees or collateral, provided by the debtor nation and/or the I.M.F. and the World Bank, making the bond safer than the original loan for the commercial bank.

While providing an extremely attractive alternative to the debtor nations, Debt-Bond Conversion hinges on the willingness of the commercial banks to convert the loans into bonds and reduce the level of debt service income. This method, by reducing interest payments through Debt-Bond Conversion and linking the new debt to either escrow accounts (established with I.M.F. and/or World Bank funds) or future export earnings, reduces current debt service income in order to guarantee the remaining debt. Debt-Bond Conversion avoids the book loss which discounted debt buyback calls and is, in that respect, a more realistic approach from the banks' perspective. The main problem with Debt-Bond Conversion is the fact that it requires the debtor nations and the I.M.F. and/or the World Bank to finance the guarantees on the new bond, without which the commercial banks will refuse to cooperate with Debt-Bond Conversion.

The third debt reduction mechanism proposed by the Brady Plan is the Debt-Equity Swap. Debt-Equity Swaps have been implemented in several Latin American countries, including Argentina, Brazil, Costa Rica, Mexico, and most extensively in Chile. This type of debt reduction scheme requires the cooperation of the debtor country in liberalizing its regulations towards foreign investment. While this method significantly reduces the level of outstanding bank debt, it is not clear whether in the end an exchange of external debt for domestic debt is economically beneficial for the domestic economy of the debtor nation. Direct repurchase of debt for local currency represents an increase in the domestic money supply which tends to induce inflation. In order to offset the inflationary monetary effects of the transaction, the debtor government may be forced to sell bonds in the local financial market to absorb the increase in the money supply. Thus, the debtor government eliminates its external debt by increasing the overall level of foreign direct investment and its level of domestic debt. While high levels of domestic debt may be preferable to high levels of foreign debt and the financial involvement of investors in the local economy may enhance their interest in the economic health of the nation, increased foreign direct investment may limit national economic autonomy. Many Latin American nations harbor grave doubts about the efficacy and the macroeconomic consequences of Debt-Equity swaps.

An important element of the various debt conversion-reduction strategies is the fact that they offer an "end run" around some of the legal

and institutional obstacles to debt forgiveness. Sarah Bartlett has called debt reduction "the only way for debtor countries to break the cycle" represented diversion of domestic and international resources away from growth-oriented investment towards debt service.[10] As a result of this vicious economic cycle, the Latin American economies have stagnated, poverty has increased, and outbreaks of violence, as illustrations of declining living standards, are on the rise throughout the region. On the other hand, debt reduction programs decrease the credit worthiness of the debtor nations and, at the same time, decrease the bank's incentive for further lending. A pivotal illustration of Latin American response to the economic and political pressures of the debt crisis is that of Peru.

IV. The Debtor Perspective: The Peruvian Case

Throughout the 1980's, Peru has been crippled by the pressures of an enormous external debt and the emergence of a strong revolutionary insurgency, El Sendero Luminiso. In July 1985, President Alan Garcia Perez responded to these pressures by announcing that Peru's foreign debt would not be serviced as scheduled but instead, ten percent of Peruvian export income would be assigned to interest and repayments each year. According to Jeffrey Sachs, for Garcia, it was "a matter of honoring debt or democracy. He chose democracy."[11]

The Peruvian export-debt service linkage strategy illustrates a fundamental issue concerning cross-border borrowers: in the end they will pay only what they are willing and able to pay. Indeed, following the Mexican and Russian revolutions of the 1910's and during the international economic crisis of the 1930's, the creditors nations had no effective bargaining posture vis-a-vis the governments which chose to repudiate their debts other than the control of future sources of capital and the freezing of debtor nation assets abroad. The same situation continues to exist in the 1980's. In fact, to date, none of Peru's exports have been seized nor any of its foreign assets attached. Peru is reportedly able to attract adequate trade financing by paying slightly more than standard market rates.[12] The erosion of creditor credibility has been due in part to the fact that few legal precedents exist to establish the right of international lenders to take action against sovereign borrowers, and in part to the large number of debtor nations.

V. The Debtor Perspective: The Consensus Of Cartagena

The position of the large debtor nations has come to be known as the "consensus of Cartagena." These nations demand that responsibility for the problem and for its solution be shared by the creditor nations. The Cartagena Group views the debt problem as a "growth problem" created by the overly restrictive economic policies of the advanced countries. The debtor nations have sought a solution to the Debt Crisis through growth, pushing for lower interest rates, the continued inflow of foreign capital, trade liberalization by the creditor nations, commodity price stabilization, and the tying of interest payments to export earnings and the ability of debtor governments to service the debt on existing terms. They complain that the creditor strategy is one of "cooperation without reform" which, by dealing with the Debt Crisis on a case-by-case basis, eliminates the possibility of a systematic overall solution.[13]

VI. The Commercial Bank Perspective

The Latin American Debt Crisis highlights the symbiotic relationship between commercial bank creditor and sovereign Latin American debtor. The new U.S. focus on debt reduction is rooted in the evolution of U.S. interests in the developing country debt crisis. The new U.S. strategy represents a change in U.S. interest and priorities, reflecting changes in presidential administration and changes in policy focus. According to Jeffrey Sachs: "Until 1988 concern over the banks took precedence; in 1989 the foreign policy concerns over the deteriorating situations in the debtor countries finally came into the fore."[14]

In 1982, the emergence of the debt crisis put the nine major banks with loans in Latin America at profound risk. At the end of 1982, the percentage of capital of the nine major U.S. banks with

loans in Latin America amounted to 176.5 percent of total bank capital. According to Sachs, if even a third of the Latin American debt had "gone bad," many of the major U.S. banks would have been insolvent, unleashing a domestic and international financial crisis.[15] Thus, early U.S. policy was designed to maintain pressure on the debtor nations to service the debt in an effort to protect U.S. commercial banks. Overall, Latin America did service its debt, imposing harsh austerity policies in order to service the debt. During the mid-1980's Latin America paid $25 billion more in interest and principal each year to the banks than it received in new loans, which "slowed to a trickle."[16]

The Baker plan, introduced with the stated goal of the reduction of the net outflow from the debtor nations in order to stimulate economic growth, attempted to reverse this capital outflow. The administration's argument for the Baker Plan held that lending new money would protect the old money lent to Latin America. According to Schwartz: "Continued lending was originally urged to preserve the financial solvency of U.S. banks."[17] Between 1982 and 1988, banks received most of the interest due on the old debt, while reducing new lending to the debtor nations. At the same time, U.S. banks have massively increased loan-loss reserves on the Latin American loans in their portfolios. A minimum provisions of 25 percent against overall LDC claims has become a new standard for American lenders.[18] By the end of 1988, total exposure of the nine major U.S. banks with loans in Latin America had fallen to 83.6 percent of bank capital which, according to Sachs, is "still high, but low enough to put the banks out of danger of insolvency."[19] This situation was a crucial precondition to the change in policy embodied by the debt reduction strategy of the Brady Plan.

> The Latin American Debt Crisis has in effect thrown down the gauntlet of world economic leadership.

The commercial banks have generally opposed debt reduction and the extension of new loans to the Latin American debtor nations. Mossberg and Truell have proposed two regulatory and financial incentives to encourage investment: One, tax benefits based upon more liberal deductions for losses on Latin American loans; Two, regulatory changes based on the reduction in certain required loan-loss reserves.[20] On the other hand, according to Michel Camdessus, the Managing Director of the International Monetary Fund, in the long-run banks will continue lending to Latin America for the same reason they did in the early 1980's, because "the only way to get paid is to continue supporting these economies."[21]

Obviously, the banks have a critical vested interest in resolving the Latin American Debt Crisis. The market has been very responsive to the policies of the major commercial banks towards the debtor nations. In fact, banks rose strongly during early 1989 in anticipation of the fact that the Brady Plan's new emphasis on debt reduction would, in the end, lessen the burden of third world debt on the banks. The July agreement between Mexico and U.S. commercial banks provides the Mexican government with $3 billion per year in new capital for debt reduction. During the trading week following the agreement, the stocks of U.S. money center banks with loans in Mexico and elsewhere in Latin America rose, even though the agreement is likely to translate into losses or increased reserves for many banks, either of which would hurt earnings. During that week, CitiCorp stock rose 37.5 points, Bank of America stock gained 17.5 points, and Chemical Bank rose 37.5 points while the Dow Jones Industrial Average fell 22.4 points.[22] The strong gains of commercial bank stock following the Mexican Debt Accord illustrate the responsiveness of the market to the resolution of the Latin American Debt Crisis through debt reduction.

VII. The Debtor Perspective: The Brazilian Case

The Latin American Debt Crisis has severe and immediate consequences for Latin America. Brazil provides a clear illustration and an

approximately representative case of the situation in which Latin America stands. Brazil has twice been forced to declare a moratorium on its external debt service, in 1983 and 1987. Its 1988 trade surplus of $19 billion is the world's third largest, after only Japan and West Germany.[23] However, ordinary Brazilians have little to show for the success of the government's program of "assertive industrialization" and their achievement of huge annual trade surpluses. According to Luis Inacio de Silva, a presidential candidate of the Brazilian Worker's Party: "Our debt by the hunger it provokes in our people, kills more people than wars."[24] Indeed, Brazilian debt service represents 14 percent of annual budgetary expenditures, or roughly twice the percentage spent on health service nationwide, in a country characterized by extreme inequalities in income and living standards.[25] Governmental and popular acquiescence has characterized most, but not all of Latin American responses to the Debt Crisis.

VIII. The Debtor Perspective: The Venezuelan Case

The violent popular reaction of Venezuelans to the implementation of austerity measures by the government highlights the explosive economic and political nature of the Latin American debt crisis. The I.M.F. Austerity Package for Venezuela calls for an offensive against inflation, through wage controls and price increases for gasoline. It is estimated that three hundred people died during the rioting which raged for days in Caracas and other major Venezuelan cities, pitting the army, the national guard, and the police against the looting masses on the streets of what had previously been considered one of the most stable Latin American democracies.

Thus, it is clear that the Debt Crisis has powerful immediate impact upon the debtor nations of Latin America, reflected not only by the rioting in Venezuela, but by falling wage levels, real income per capita, and standards of living throughout the region. Significantly, within individual countries throughout Latin America, the burden of "economic adjustment" has fallen most heavily upon those groups that are least able to affect the process of government policy formulation: unorganized labor, peasant farmers, small businesses, civil servants, and the urban and rural poor— in short, the majority of the Latin American population. Private industrialists, large landowners, managers of state enterprises, and the military are able to influence the process and the outcome of policy formulation and are often successful in extracting special treatment from the government. Benjamin Cohen has compared the constraints imposed by the debt crisis to a pressure cooker which "heats up conflicts of interest among societal forces, eroding the political basis for continuing the acquiescence to creditors."[26]

IX. Conclusions

Indeed, the Venezuelan protests offer the most compelling evidence yet of the collapse of the 1985 Baker Plan. According to *The Economist*: "The Brady Plan, like the Baker Plan before it, is long on hopes and much too short on specifics."[27] Treasury officials reply that they did not intend to propose a definitive plan, but rather a "framework for discussion."[28] The plan's reliance on market solutions, based on the voluntary action of creditors, is not a new concept and there are reasons to doubt that this approach will lead to significant and adequate debt reduction. Clearly, the success of the Brady Plan depends on the amount and structure of debt reduction implemented. Meanwhile, the debate concerning who will determine the allocation of responsibility for the Brady Plan among the commercial banks, the debtor governments, the international institutions, and the creditor governments continues to rage. According to Cohen:

> "The good news in the Brady Plan is the administration's willingness to acknowledge the failure of the old strategy and to conclude that direct relief of troubled debtors is necessary... The bad news is the administration's unwillingness to move beyond the past reliance on essentially voluntary approaches initiated by the banking community."[29]

X. Mexican Debt Accord of July 1989

The first priority of the Bush Administration Debt Crisis policy, as reflected in the Brady Plan, lies in stabilizing the economic and political situation in Mexico. According to *International*

Currency Review:

> "The Mexican accord— with a country which has by far the most convincing adjustment program in Latin America, with a newly elected and serious government, and with an unimpeachable record (since 1982) of fulfilling its debt service obligations— was the most difficult agreement ever negotiated in the tortuous history of Latin America's poisonous relations with its commercial bankers."[30]

The fact that the Brady Plan proved largely ineffective in the case of Mexico, by far the most important debtor in political terms for the United States, and the nation with the most effective economic adjustment and reform program in Latin America leaves little hope of debt reduction for other debtors. It is estimated that the maximum savings in annual debt service payments for Mexico will be about $1.5 billion, considerably less than President Salinas' target of $4.5 billion and only slightly more than the commercial banks initial offer of $1 billion.[31] The hope is, however, that the secondary benefits of the debt reduction accord, principally in the form of increased confidence in the Mexican economy, will be substantial. Indeed:

> "The sounds of triumph with which the Mexican debt accord was finally announced on 24 July had a distinctly hollow ring... The agreement, which was the fruit of four months of exhausting and acrimonious negotiations, was a big disappointment to everyone involved, and has sown the seeds of considerable further discord... Despite the fanfare to the contrary, the Brady Plan has yet to pass its first real test. The Mexican deal, far from being the triumph U.S. Treasury propaganda purports it to be, had merely underlined the immense difficulties which still remain in the path of achieving meaningful debt relief for Third World Borrowers, let alone the assurances of solvency for the rash and greedy banks which poured so much good money after bad on the unwarranted assumption that their clients could be trusted to pay it back."[32]

In essence, the Brady Plan "represents no more than a refinement of the prevailing strategy than a fundamental reform."[33] However, after seven years of economic instability and stagnation and debt-related political violence, Latin America has listened to more than enough discussion about the depth of the economic and political crisis in which it is mired: it is ready for a definitive solution to the Debt Crisis.

XI. Prescriptions

The U.S. foreign economic policies of the 1980's have failed to resolve the Latin American Debt Crisis. Judging from its record of performance thus far, it is clear that the Brady Plan does not represent the solution, due to its level of logistical complication, its exclusive and voluntary nature, and the depth of the Debt Crisis. The fundamental question remains unanswered: How can the crisis be solved? H. Robert Heller provides a possible answer which echoed the trade-growth strategy of the Baker Plan:

> "Ultimately, the international debt crisis can be overcome only by enlarging the economic pie through economic growth and increase exports by the debtor countries. This involves not only a concerted effort by the debtor countries to increase their exports, but also continued access to markets in the industrialized countries... The proper way to re-establish the credit worthiness of the developing countries is through more trade..."[34]

However, as mentioned above, domestic protectionism tends to accompany import trade expansion within the industrialized nations. Countries with balance of payments deficits will be politically and economically constrained from the expansion of Latin American import consumption. On the other hand, "the balance of payment surplus countries are in a unique position to make a contribution toward overcoming the international debt-service problems and increase international financial balance and stability."[35]

The Latin American Debt Crisis has in effect thrown down the gauntlet of world economic leadership which the United States has thus far unsuccessfully attempted to pick up. In order to retain its privileged status as protector of the world economic order, the United States government must redouble its efforts to resolve the Latin American Debt Crisis by utilizing the domestic and international economic and political leverage it possesses. With this in mind, the U.S. government should pursue the following three-part strategy: first, it should use the General Agreement on Tariffs and Trade framework to induce its allies with balance of trade surpluses, namely West Germany and Japan, to liberalize trade with Latin America in order to promote exports and encourage economic growth. Second, it should pressure the U.S. commercial banks to undertake wide

scale debt reduction in order to reduce the overall debt burden on Latin America by implementing a policy which would combine positive and negative incentives. It should design a policy based upon the prescriptions of Mossberg and Truell, one which would provide taxation and regulatory disincentives for commercial banks to continue to hold debt at face value. The commercial banks, which are partially responsible for the crisis due to the greedy and irresponsible lending policies in the 1970's, should be made to bear partial responsibility of its resolution. Third, it should wield its considerable influence in the I.M.F. and the World Bank in order to increase international lending organization financing of the Latin American debt reduction.

It is imperative to realize that the Latin American Debt Crisis is not simply a relationship between indebted governments and commercial banks. It is an everyday fact of life for millions of Latin Americans, which will continue to directly affect Latin American society throughout the 1990's. The legacy of the Latin American Debt Crisis is certain to be long and serious. According to Sachs: "A decade of development has been wiped out throughout the world. The crisis of confidence has led to a collapse of investment, which will create a legacy of hardships in the 1990's."[36] □

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The End Of Bretton Woods

The Standard-Economic-Text Interpretation and The Official Views Of The Nixon Administration

Richard Conlin and Paul de Zwart

The Standard Economic Text Interpretaion

Standard texts on political economy dealing with the demise of the Bretton Woods monetary order commonly present factual abstracts of the succession of events that distinguished the post Second World War international monetary scene up to 1971. It is unlikely that any text will express a heavily weighted opinion. Some texts are sympathetic to national American interests, and view the nature of events as discriminatory against the United States; this view would seem to reflect the opinions of President Nixon in 1971. On the other hand, revisionist texts are typically less sympathetic to American policies and charge the U.S. of abuse of power during the sixties.

The objective of this part of the research is to present the interpretation of standard academic texts, and to submit possible elements of contrast with the views expressed by the Nixon administration. In order to understand the nature of the decisions reached in 1971, an attempt will also be made to give an overview of the salient problems that afflicted the Bretton Woods monetary order.

The problems that arose in the three decades following the original agreement at Bretton Woods were distinctively of political and economical nature. The main economical problems were heavily interrelated: the huge U.S. balance-of-payments deficit resulting from three decades of export of American capital; the dollar overhang in the sixties which was part of the cause to an overvalued American currency; a depleting gold reserve which undermined the guarantee of dollar convertibility; and finally U.S. inflationary policies which by the end of the sixties posed a threat to foreign economies. The political grounds at the basis of the collapse of the system were a direct result of the economic changes; a new pluralistic economic order which commanded multilateral cooperation; an international economic stability which no longer depended on the U.S. balance-of-payments deficit after the recovery of Europe and Japan; and lastly the U.S. period of "benign neglect" prompted by domestic political and economical resentment caused by the inflexible position of the dollar.

The key elements on which the Bretton Woods monetary system was conceived were a system of fixed exchange rates and the convertability of dollars in gold.[1] Despite the good intentions, it was clear that by 1947 the system did not work. The main reason was that the organizations designed to aid countries in the recovery such as IMF and the IBRD depended, by the rules of the agreement, on financial contributions by individual nations. The majority of contributing nations, however,

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were in state of devastation after the war. As a result the United States emerged as both political and economical leader, and "after 1947 ... began to manage the international monetary system by performing two necessary functions: providing liquidity and adjustment."[2]

The largest share of the American balance-of-payments deficit was spent during the years of American unilateral management which lasted to about 1960. It had become clear that only a U.S. balance-of-payments deficit could provide the world economy with the necessary liquidity needed for investment and trading. Aside from such huge economic expenditures as the Truman Plan, the Marshall Plan, the European Recovery plan, and outright grants totalling $17 billion to sixteen Western European nations, the American commitment to western security required enormous military expenditures. In the case of Korea, it required the financing of a war effort.[3] Moreover, after the formation of the EEC in 1958, American investments tripled, further depleting U.S. dollar reserves.[4]

> Nixon claimed, "We must protect the American dollar as a pillar of monetary stability around the world."

In the sixties, with the problem of the dollar overhang, confidence in the dollar started to erode, and the growing U.S. balance-of-payments deficit was regarded as damaging to the international economy. Difficulties first arose as political interests between the U.S. and its allies, especially France, diverged on issues of security matters; secondly, confidence in the dollar was related to confidence in the American economy, its capacity to control its payments position, and its guaranteed convertability of dollars into gold. As dollars continued being funnelled abroad, it became clear that the U.S. would no longer be able to fulfill its commitment of convertability; by 1971, dollar reserves exceeded the gold reserves by 300%.[5] An ensuing condition resulted in which the U.S. refrained nations from trading their dollar holdings for gold. Blake and Walters, in a revisionist but objective text, write: "the problem of the dollar overhang continued to worsen. Everyone, including U.S. officials, realized that international monetary and economic interests were no longer served by America's persistent balance-of-payments deficits. There was a widespread belief that the United States should bring its balance of payments back into equilibrium. Failure to restore the U.S. balance-of-payments to equilibrium would result sooner or later in a gold and dollar crisis."[6] The political implications of this will be analyzed subsequently.

Economically, the implications of the dollar overhang were manifold. The large amounts of Eurodollars[7] increased the interdependency of nations with the U.S. dollars were steadily losing value because gold reserves could no longer guarantee convertability. This compelled holders of Eurodollars to maintain their reserves because converting them would undermine international economic stability. (This was part of the reason no nation followed de Gaulle's solicitation for en masse dollar conversions.) Furthermore, the capacity of running a deficit put the United States, in the words of de Gaulle, in a position of "exorbitant privilege", as long as there existed no measures which could coerce the U.S. to bring its payments deficit back into equilibrium. This permitted the U.S. to get away with inflationary policies during the Johnson and Nixon years.

The notion of inflationary policies is one of the issues on which economic texts and the Nixon statements are in contrast. During the sixties, the overvalued dollars caused an increase in imports and a decrease in exports. This growing trade imbalance created, along with the Vietnam war effort, rising inflation in the U.S. During the Nixon years, this inflationary trend continued. Joan Spero writes: "The Europeans and the Japanese demanded a deflationary American policy, arguing that the dollar outflow and the expansion of the American economy were causing inflation abroad. This call for restraint was in direct conflict with President Nixon's political desires for reelection in 1972— and his desire to reinflate the American economy in 1970 to provide a better setting for that election."[8]

In the words of Henry Brandon in his *The*

Retreat of American Power, "[a]fter twenty years of generosity (it was argued) and an outward-looking policy, the United States had to switch to a policy that would give priority to America's own national interests."[9] Brandon analyzes the retreat of American power mainly from a political standpoint, and in close terms with the views of the administration. In the above statement, he captured the majority of the Nixon administration tenets, which contrasts sharply with several standard interpretations.

In 1968, in view of the need of a devaluation of the dollar, the U.S. demanded a revaluation of other currencies, in an attempt to maintain the dollar's pivotal role on the international scene. "The resultant dissatisfaction" resulting from its partners' refusals, "led to the United States' abnegation of monetary leadership and monetay cooperation and to a policy of 'benign neglect.'"[10] This lasted until 1971, during which time the United States permitted massive foreign dollar buildups, and was passive during the currency crises of 1969 and 1970. The United States also pursued indiscriminate inflationary policies (in its attempt to reinflate the domestic economy), no longer sought to reform the monetary system (in part because it no longer led the system), and ultimately incurred its first balance-of-trade deficit in 1971. In correlation to what Susan Strange refers to as "top currency syndrome,"[11] the U.S. viewed any attack on its economic policies as "a perverse assault upon global monetary and economic stability."[12]

Resulting from the economic crises were increasingly dissimilar political views between the U.S. and its partners. With the recovery of the European and Japanese economies and the convertability of European currencies in 1958 and of the yen in 1964, the U.S. faced increasing international competition. On strictly political and defense matters, the efforts of detente initiated by Nixon prompted demands for reduced American military expenditures in Europe; ergo less American intercession. These were all signs that the world economic and political scene had become pluralistic and reguired multilateral cooperation; no more could the U.S. run the system alone, and more importantly no longer could it indiscriminately pursue unilateral policies in disregard of its partners. Following this argument was that the U.S. balance-of-payments deficit, which was the source of both American military and economic expenditures abroad, was no longer beneficial to the world economy.

In spite of the general inclination of the texts reviewed for this work to argue for U.S. abuse of power, there are a few points that support Nixon's arguments in 1971. One of these is the role and the restrictions imposed upon a leading currency and the resulting strains on the domestic economy. As top currency, the dollar could not be devalued under the system of fixed exchange rates, while other currencies were freer to do so because of the much smaller impact they had on the international economy. The top currency is also very sensitive to imbalances in the world economy, and needs a strong domestic economy to back it up. The U.S. assumed the leadership after the war for its economy possessed the necessary strength; by the end of the sixties, however, the American economy no longer possessed this strength.

An attempt has been made in this essay to outline the arguments of standard economic texts regarding the demise of the Bretton Woods monetary system in 1971.[13] For a better understanding of the official views of the administration which will follow, a general, concise overview has been included of the events that led up to 1971, and which served as justifications to Nixon's decision. Brandon describes the feeling of the Secretary of the Treasury John Connally in the summer of '71: "Connally thought that after twenty-two years of balance-of-payments deficits, the emergence of severe trade competition, and permissiveness in allowing other countries to erect trade barriers against the United States, and with no effort having been made to realign the world's currencies, the United States was no longer in its desired position of pre-eminence."[14]

Connally perceptively and precisely reiterated the changes that had occurred over the three decades since the agreement at Bretton Woods. A U.S. balance-of-payments deficit had reached immense proportions by 1971, (between 1970 and 1971 it tripled from approximately $10 billion to approximately $30 billion[15]). A dollar overhang had flooded capital markets worldwide, gold reserves which formed the backbone to dollar confidence and security had depleted, and finally the U.S. was pursuing economic policies which had become unacceptable to its partners, and ultimately to the U.S. itself. On the political front, the U.S. faced a new pluralistic economic order which

demanded multilateral action, and a new international position which signed its fall from preeminence.

The Official View

The Bretton Woods system was negotiated at the end of World War II for the purpose of rebuilding an economically destroyed Europe. Before Bretton Woods, no rules existed to govern the international economy. Governments therefore had no problem devaluating their currency or imposing import tariffs in order to protect their trade position or domestic situation. "These actions contributed to the collapse of international trade in the 1930's. Between 1929 and 1933, world trade plummeted from $65 billion to less than $25 billion."[16] Bretton Woods was conceived within this framework.

The system survived in various stages of disrepair for almost thirty years. It was president Nixon who sounded the death knell for Bretton Woods, beginning with his famous "We Change the Game Plan" speech on August 15, 1971. Nixon proposed fulfillment of two of America's greatest ideals: "to bring about a full generation of peace, and to create a new prosperity without war."[17] In order to bring about these goals, the domestic economy had to be stimulated; inflation, which had been a persistent problem, had to be relieved; and, concerning Bretton Woods, "we must protect the position of the American dollar from the attacks of international money speculators."[18] Despite the need to protect the dollar, Nixon also claimed "We must protect the position of the American dollar as a pillar of monetary stability around the world." [19]

Nixon asserted that there had been one international monetary crisis every year since 1964, all instigated by "international money speculators." Since the speculators profited from crises, they helped create them. In order to end profiteering by speculators, Nixon "directed Secretary [of the Treasury John] Connally to suspend temporarily the convertability of the dollar into gold or other reserve assets,"[20] thus bringing down a major pillar of the Bretton Woods System. Nixon then explained the action, first laying "to rest the bugaboo of what is called devaluation," by stating that "your dollar will be worth just as much tomorrow as it is today,"[21] for those who buy American products in America.

Additionally, Nixon announced a temporary "additional tax of 10 percent on goods imported into the United States,"[22] stressing the fact that the tariff was only temporary, promising to lift it once exchange rates were made more equitable from an American point of view. Finally, Nixon concluded by blaming the collapse of Bretton Woods on other countries: "the time has come for [other nations] to bear their fair share of the burden of defending freedom around the world. The time has come for exchange rates to be set straight and for the major nations to compete as equals. There is no longer any need for the United States to compete with one hand tied behind her back."[23]

If not already dead, Bretton Woods' collapse was brought even closer on December 18, 1971 with the Group of Ten Conference at the Smithsonian. Nixon, in a public statement, acknowledged that, while Bretton Woods was conceived in a world of American dominance, "Now we have a new world, fortunately a much better world economically, where instead of just one strong economic nation, the nations of Europe, Japan and Asia, Canada and North America, all of these are strong economically."[24] The major decision reached at the conference was a devaluation of the value of the dollar in terms of gold. While calling the decisions reached there "the most significant monetary agreement in the history of the world,"[25] Nixon never mentioned the word devaluation in his statement.

The real motivations for Nixon's actions are revealed in the "International Economic Report of the President" which was submitted to the Congress in March, 1973. After going through a brief explanation of the history and major points of the Bretton Woods system, Nixon then gave his reasons why it had to be eliminated. His main point was that "too much was expected of domestic economic policies as a method for bringing about balance-of-payments adjustment."[26] That is, since nations were required to intervene in world currency markets to keep their currency stable, the domestic economy shouldered the burden. For example, "During 1969 and 1970 the rate of growth of the US economy slowed and the rate of unemployment rose to 6%,"[27] as the U.S. struggled to keep up with the volatile international markets.

Acting in tandem with the domestic problem

hastening the collapse of Bretton Woods was one based on the "fundamental disequilibrium" clause in the Bretton Woods agreement. Bretton Woods allowed governments to revalue their currency only when there was a "fundamental disequilibrium" in the market. As Nixon says, however, "There were no accepted criteria for deciding when there was a need to correct an imbalance and when a parity change through a revaluation or devaluation was desirable."[28] Therefore, "There were few measures that other countries could bring to bear on a country that remained in serious imbalance."[29] Because of this inherent weakness in the Bretton Woods system, countries which were running a consistent balance-of-payments surplus were hesitant to take action to revalue its currency to eliminate the surplus, at the expense of countries which ran consistent balance-of-payments deficits, such as the U.S. These deficit nations were forced to attempt to resolve their deficit problems in the fate of other nations attempting to maintain a surplus.

The lack of enforcement problem made the United States' deficit especially difficult to correct, "Because of the special role the dollar played in the Bretton Woods system."[30] Since the dollar was the international currency, the United States, according to Nixon, had little ability to change the value of the dollar, even if it had wanted to. "In 1971, for example, it proved difficult for the United States to alter the value of the dollar in relation to other currencies. Most other countries were reluctant to increase the value of their currencies relative to the dollar for fear of losing a competitive advantage."[31]

With all these good reasons to eliminate Bretton Woods, it is hard to imagine one being against Nixon's August, 1971 actions. One with a different view, however, is Henry Kissinger. Kissinger noted Nixon's criticism of the Europeans for not taking on their share of the burden, saying "the newfound strength of the industrial democracies was invoked as an argument for structural changes in the monetary system."32 Events were brought to a head, according to Kissinger, by three events: "the imminent entry of Britain into the Common Market, the appointment of John Connally as Secretary of the Treasury, and the growing strain on the dollar."[33] Connally was the major spokesman for the school which believed that the time had come for other industrial democracies to share the burden of running the world economy.

Kissinger, of course, was looking at events from a mainly international perspective, while Nixon was focusing on domestic affairs. As such, while Kissinger did note the massive show of support for the new policy in this country, he also noted, "The immediate significance of the new program was its effect abroad; it was seen by many as a declaration of economic war on the other industrial democracies, and a retreat by the United States from its previous commitment to an open international economic system."[34] Whatever effects the program had in America, "the new system was bound to generate increasing pressures on the dollar, requiring sooner or later an even more basic structural reform of the world economic system."[35]

Kissinger, however, seems to have been quite alone in his misgivings about the new policy. Being concerned with foreign policy, one might think that the State Department might voice the same concerns as Kissinger about international reaction. A study of relevant documents, however, reveals exactly the opposite. For example, in his report to the Congressional Committees on Foreign Relations, Secretary of State William P. Rogers gave a restatement of Nixon's views about the need for change: "The actions taken or initiated in 1971 have begun the process which should alter international institutions and practices so that they can deal more effectively with the changing world economy and the changed relationships among countries."[36] Rogers made no mention of the "economic warfare" idea suggested by Kissinger, but instead stated, "The international elements of the program were designed to provide temporary protection for our international monetary reserves and to strengthen our balance-of-payments."[37] Rogers, in fact, made no mention at all of international reaction; the report merely had praise for the resulting revaluations of all other currencies. Kissinger, as stated, was quite alone in his criticism of the new policies.

Conclusion

This purpose of this research was to compare two parallel studies on the end of the Bretton Woods monetary order established in 1944. The first study has focused on the interpretation of standard economic texts, and is presented in the

first essay. The second study focused exclusively on the views of the Nixon administration, and forms the essence of the second essay.

The most distinctive difference between the two interpretations lies in the contrasting domestic outlook of the official views and the international perspective of the texts. From a comparison of the two, several conflicting points have emerged and are worth bringing to light:

1) the period of benign neglect goes unmentioned by Nixon.

2) While it was generally recognized that the U.S. pursued inflationary policies in the late sixties and early seventies, Nixon seems to deny so, blaming the inflation on Johnson.

3) The texts allege an American retreat from power by the end of sixties; specifically, beside the recovery of European and Japanese economies, detente seems to have played a role in the fall of American leadership. Nixon instead still believed in the United States' pre-eminent status, and argues that the recoveries of Europe and Japan have only given them increased international responsibility.

Nixon does not express any judgment that would indicate that he believed that the U.S. balance-of-payments deficit had become an international problem and was in need of adjustment

One of Nixon's justifications in 1971 mentions the speculations on the dollar since 1964. Although the texts do acknowledge these speculations and consider them a direct result of the fixed exchange rates, they do not seem to give it as much weight as Nixon does. □

Endnotes

1. At the Bretton Woods conference in 1944, top international economists out!ined a postwar system for monetary order. Fundamental to the new order were two international organizations; the International Monetary Fund (IMF) whose purpose was to finance temporary balance-of-payments disequilibria, and the International Bank for Reconstruction and Development (IBRD), or World Bank, which was to make possible a speedy postwar recovery through loans. A third part to the system was the General Agreement on Tariffs and Trade (GATT), officially adopted in 1948. The GATT provided a framework for trade liberalization (no tariffs) based on the principle of non-discrimination. But perhaps the key elements on which Bretton Woods was conceived were a system of fixed exchange rates and the convertability of dollars in gold.

E. H. Preeg, *Economic Blocs and U.S. Foreign Policy: Report No. 135* (Washington: National Planning Association, January 1974), p. 12-22

2. J.E. Spero, *The Politics of International Economic Relations*: Third Edition (New York: St. Martin's Press, 1985), p. 41.
3. Spero, p. 42.
4. J. Nathan and J. Oliver, *United States Foreign Policy and World Order*: Fourth Edition. (Glenview, Illinois: Scott, Foresman and Co., 1989), p. 252.
5. D. Blake and R. Walters, *The Politics of Global Economic Relations*: Third Edition (Englewood Cliffs, New Jersey: Prentice-Hall, 1987), p. 67.
6. *Ibid.*
7. From 1964 to 1970 the percentage of total dollar holdings worldwide in form of Eurodollars was above 80%. See Joan Spero, *The politics of International Economic Relations*. Third Edition. (New York: St. Martin's Press, 1985). p.50. Eurodollars grew from a gross size of $9.0 billion in 1964 to $IOO billion in 1972, and well over $400 billion in 1978. See Friedan and Lake, *International Political Economy*. (New York: St. Martin's Press, 1987), p.273.
8. Spero, p. 52.
9. H. Brandon, *The Retreat of American Power* (Garden City, New York: Doubleday & Co., 1973), p. 220.
10. Spero, p. 54.
11. Blake and Walters, p. 64.
12. *Ibid.*, p. 69.
13. Specifically, the dollar's convertability in gold at a fixed rate of $35 per o#lce was ended on August 15, 1971. At the Smithsonian Agreement in December 1971, the dollar was devalued in relation to gold, there was a realignment of other exchange rates, and there Was a provision which set the float between currencies at plus or minus 2.25% of parity, versus the original plus or minus 1% under the original Bretton Woods agreement. By March 1973, all the major world currencies were placed on a floating exchange rate system.
14. Brandon, p. 220.
15. Friedan and Lake, p. 267.
16. *International Economic Report of the President* (1973), p. 14.
17. *A New Road For America*. (Garden City, NY: Doubleday & Company, 1972), p. 267.
18. *Ibid.*, p. 269.
19. *Ibid.*, p. 270.
20. *Ibid.*
21. *Ibid.*
22. *Ibid.*, p. 271.
23. *Int'l Ec. Report*, p. 16.
24. *Public Papers of the Presidents of the United States,*

Richard Nixon 1973(Washington: United States Government Printing Office, 1975), p. 1196.
25. *Ibid.*
26. *Int'l Ec. Report*, p. 14.
27. *Ibid.*, p. 15.
28. *Ibid.*, p. 16.
29. *Ibid.*
30. *Ibid.*, p. 17.
31. *Ibid.*
32. Henry Kisinger, *White House Years* (Boston: Little, Brown Co., 1979), p. 952.
33. *Ibid.*, p. 949.
34. *Ibid.*, p. 955.
35. *Ibid.*, p. 962
36. William P. Rogers, *United States Foreign Policy* (Washington: U.S. Government Printing Office, 1972), p. 191.
37. *Ibid.*, p. 195.

U.S. Decline Or Renewal:

The Fate of the United States In The International Economy

Mark C. Fang

Another autoplant closes in Detroit. IBM announces that it will be reconsidering its Full Employment Policy of never laying off. The Dow Jones sinks two points below its Black Monday level. The Silicon Valley representative finally gathers enough support in the Congress to push through the most protectionist trade legislation since Smoot-Hawley. The retaliatory measures are aimed primarily at America's friends— Japan, South Korea, and Fortress Europe. In response, they begin to question the reasonable rates at which they have been financing the massive United States trade deficit. Finally, fearful that the decision to leave South Korea's defense to the South Koreans is a signal of things to come, Japan adamantly announces that new strategic realities will require them to increase their defense expenditures to 3% of their gross national product.

A frequent criticism that is made of declinism (the school of thought which preaches America's decline and the end of U.S. hegemony), is its deterministic nature. America's decline is seen as natural and perhaps inevitable, and dire scenarios like this one are predicted with an unusual amount of certainty. Senator Bill Bradley has called declinism needlessly provocative, while Harvard professor Richard Haas has scolded the declinists for their misuse of history.[1]

In contrast, many believe that the debate on America's decline has a useful function, that at its best, as Huntington writes, declinism "provides a warning and a goad to action in order to head off and reverse the decline that it says is taking place."[2] While there is little dispute that the economic problems that the United States faces today are especially severe, and while many doubt Washington's ability to address these problems, there are several reasons to believe that the popularity of declinism today is no exception to the decline arguments which have been so popular in the past. As the United States moves into its third century it has the opportunity to draw upon several strengths which may once again prove the usefulness of declinism.

Paul Kennedy's Rise and Fall of the Great Powers is not the first book to suggest an America in decline. In 1942, Joseph Schumpeter argued that mechanization was destroying the American entrepreneurial spirit, and the loss of its spirit of adventure would soon bring the United States to decline. The launching of Sputnik in 1957, as former President Carter has reflected, "shook people; it was the first dawning of the belief that the Soviets were actually able to challenge us in a world that we thought was uniquely ours from a scientific and technological view."[3] During the height of the Vietnam War, Ronald Steele, in his *Pax Americana*, talked not only of the end of the

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Pax Americana but the end of America as a nation. It was also at this time that President Nixon's announcement of the end of the bi-polar world was "quickly supplemented by academic warnings that....economic power, the hallmark of Europe and Japan, would ensure the emergence of the latter as at least the equals of the two previous superpowers."[4] The balance of payments crisis of 1971 and the vulnerability the United States showed during the oil crisis of 1973 were the inspiration for Richard Rosencrance's, *America is an Ordinary Country*. Finally, the story that Alan Bloom had to tell in *Closing of the American Mind*, was an indication to Americans that they only needed to look within to witness this decline for themselves.

So the decline argument actually has its own history. What emerges from the arguments that have been put forth are two distinct, but related, aspects of any nation's decline. Internally, when the nation's economy no longer seems to possess the capacity for high productivity growth, as measured by the marginal productivity of its workers, and the returns to capital, discussions of competitiveness become more pertinent and arguments of decline more frequent. But in distinguishing between a momentary lapse in productivity and the more permanent case of decline, the health of the nation's economic base that becomes important. The foundation of this economic base and what the declinists have looked most closely at is the manufacturing sector. Indeed, as John Eatwell has argued, the manufacturing sector is the basis of national economic progress.[5] Eatwell outlines the importance of manufacturing to the economy:

(i) there is an almost infinite demand for manufactured goods,
(ii) an unlimited scope for technical change in the manufacturing industry, and
(iii) manufacturing embodies a peculiar internal dynamic, whereby change promotes demand, which in turn promotes change.

Because of its importance, it is the health of the manufacturing sector which is the best criterion of a nation's economic strength. It is in the manufacturing sector that the beginnings of decline become apparent. A nation that shifts away from manufacturing toward services, is said to be experiencing an erosion of its economic base.

A nation moves further away from productivity growth and a healthy economy with the development of "a kind of self-serving sclerosis in the economy." Here, entrenched interests— unions, government bureaucrats, business monopolies, and other special interest groups— hinder economic efficiency, and will eventually contribute to the decline of the national economy. By organizing only to further their own interests, these 'distributional coalitions', as Morton Olsen has labelled them, will bring on a reduction in efficiency and aggregate income in the societies in which they operate and make political life more divisive.[6]

> Americans have long wished to "place themselves outside the march of history and its dramas."

What is more, in the midst of such internal decay, other nations, as Barbara Tuchmann explains, "uncertain what, or whom to count on, will be less inclined to want attachment to the nation in a firm relationship."[7] Thus the nation's external decline begins.

The second aspect of the declinist argument, external decline, in the case of the United States, pertains to a loss of hegemony. Hegemony, as Robert Keohane defines it, "is a situation in which one state is powerful enough to maintain the essential rules governing interstate relations and is willing to do so."[8] The state maintains this power through the control of four economic resources. First, the country has control of the vital raw materials. Second, it possesses control over the sources of capital. It may borrow capital when it needs to, and has the power to provide credit to friends or deny it to its adversaries.[9] The third power arises from the size of the nation's domestic market, where a large market has historically been a potent source of economic power.[10] The final economic resource of the hegemon is its superior ability to produce goods. The hegemon possesses the ability to produce so efficiently that it faces no

threatening competitors in the world market. As a result, the hegemon will go to any length to assure a free world market.

The hegemon must therefore also possess the means to defend its international system. It must possess enough military power to protect the international political economy that it dominates. These, then, are the powers of the hegemon. When the nation loses these powers, when it no longer possesses the ability to enforce rules without a certain degree of consent from sovereign states, it may be considered to be in external decline.

Unquestionably, the United States in the immediate post-war period (through the early 1950's), possessed these powers. In the age of the Pax Americana, the United States was producing 30% of total world manufacturing exports, and accounted for 40% of the gross world product, a share, Huntington points out, that Great Britain never remotely approximated during its hegemonic years."[11] Similarly, as Keohane has observed, Britain never reached the level of superiority, in terms of productivity, that the U.S. attained after World War II.[12] Furthermore, militarily, there was no one to challenge the United States. As Joseph Nye puts it, "We were like the boy who awakens one morning to find that everyone else has been laid low by the flu and is suddenly the biggest kid on the block."[13]

With such economic and military dominance, the United States set the rules for the emerging economic system. Put in place were organizations— the IMF and the World Bank in 1944, GATT in 1947— which it hoped would enforce these rules and maintain the system. The United States provided for a stable monetary order. The Bretton Woods system facilitated the exchange of goods, with the United States managing the monetary system, and with the dollar as the key currency. In the two countries that it had defeated, the United States set out to rebuild a strong market structure in each, and by 1952, there were already signs that it was succeeding.

American hegemony, then, was not merely a repetition of the kind of superiority demonstrated by the great powers of earlier periods. The United States possessed capabilities unique in their scope and range, and in their degree of success attained.[14] Few would deny that the United States has declined relative to this post-war position and that its ability to control outcomes and the nature of the international system has not diminished. What is more controversial are the contentions that the United States is in the midst of further economic decline and is soon to join its predecessors, who now only reminisce about their days as the great power.

When its most serious economic problems are considered, the suggestions of imminent decline, the comparisons that are made with Spain and Britain, do seem relevant. There are the weaknesses of its manufacturing sector. The United States' share of world manufacturing output has steadily declined since 1970. In the early post-war period the United States produced 30% of the world's manufactured exports. By 1986 this would drop to 13%. This has raised serious questions about the economic efficiency of the U.S. manufacturing sector and its ability to compete in the world and even its own market. From 1963 to 1980 the foreign share of the American market tripled, rising from 2% to 6.5%.[15] This diminishing of its industrial base, it is believed, will ultimately lead to a terminal decline in productivity and standard of living.

America's ability in high-technology areas has faced similar questions. There are increasing signs that the years of American domination in global high technology may be over. For as advanced information technology, the IT Revolution, begins to dramatically change the nature of the world economy, much like the industrial revolution did in the nineteenth century, it appears that the United States, Ferguson writes, "is being gradually but pervasively eclipsed by Japan."[16] Even more significant, long-term trends indicate a U.S. increasingly dependent on Japan for its high technology needs.

Photonics provides one example. A 1988 report by the National Academy of Engineers confirmed that although much of the research in photonics was done in the United States, Japan remains the leader in the major areas of this field. High Definition Television provides another. An October 1989 Institute of Electrical Engineers publication was titled, "Chasing Japan in the HDTV Race: Europe and the United States lag far behind as Japan makes an all-out effort to build interest in high-definition television among its potential consumers."[17]

What these cases point to most dramatically is the fundamental problem that the United States

has had in its economic competition with the other advanced industrial countries. While the United States is still a leader in scientific exploration and technological advancement, it has not been so successful in the application of this technology. Indeed as former IBM vice president for science and technology, Ralph Gomory, made clear in a speech he delivered to the National Academy of Engineers, "United States must learn to be equally effective at the process of repeated incremental improvement, from which most products actually emerge. It is there that our competitiveness problem lies."

As further evidence of its decline, the budget deficit at $155 billion in 1988, and the current account deficit, at $154 billion in 1987, point to the fundamental weaknesses of the American economic position. They suggest a nation that is living beyond its means. They are, former Commerce Secretary Pete Peterson suggests, reminiscent of "those rare historical occasions when an economy's large size, its world class currency, and its open capital markets have allowed it to borrow immense sums primarily for the purpose of consumption and without regard to productive return."[18] Washington in the 1980's only avoided the critical budgetary decisions, with the tax cut of 1981 only matched by record increases in defense spending. Nor has this addiction to debt only occurred in the public sector. Companies have increasingly resorted to high yield junk bonds for such often non-productive activities as mergers, acquisitions, and leveraged buyouts.

This privilege of living beyond its means may prove to be very costly. For as the United States continues to consume more than it produces, it will suffer, Omestead asserts, from "an erosion of control over decision making and technologies that are crucial to the creation of national wealth and power."[19] This "selling off of America," as Omestead calls it, has increased tremendously over the last two decades, with foreign direct investment increasing 23-fold since 1971.[20]

In other ways, too, the United States seems to be in decay. Alan Bloom talked of the end of intellectual endeavor in the United States. In fact, the United States has the highest illiteracy rate in the Western world. 68% of Americans who finish high school will never read a book again in their lifetime. Half of the graduating seniors of the 1989-90 academic year will still not have mastered 8th grade mathematics.[21] If these statistics are an accurate portrayal of the ability of Americans to read and reason productively, then certainly the United States will face severe productivity problems well into the future.

Moreover, it appears that the government may not possess the ability to handle these difficulties, and so another sign of decline has been the "dynamic immobilism" which the government has displayed. As Philip Cerny describes, "The U.S. system of government is characterized by a great deal of energy which is absorbed or dissipated through the internal workings of the structure."[22] This would seem to coincide with the disenchantment expressed by many of the policymakers who have experienced Washington for themselves. Daniel Evans, upon his decision not to run for another Senate term described a "legislative body that had lost its focus and was in danger of losing its soul."[23] He spoke of the filibuster, whose "use has grown like a malignant tumor," and a flawed committee system.[24] To the Economist, this inability was the underlying cause of the October 1987 stock market crash, with the President and Congress responding too slowly to the demands made by the financial markets to reduce the budget deficit.[25] Indeed, one wonders if the United States' "government by the timid," as Time magazine labelled the Congress, is capable of finding solutions to the severe economic difficulties which it must someday confront.

It is these internal weaknesses which makeup the declinists' strongest argument. However, what may follow this imminent decline, and what will be the exact implications of America's external fall is much more controversial, and much more speculative.

For Robert Keohane and David Calleo, two specialists who have already decided that U.S. hegemony is in decline, the transition to a new international economic order, characterized by a greater level of international cooperation, with the proper adjustments, can be engineered. According to Keohane, shared interests and exacting institutions make cooperation possible in the post-hegemonic period. Calleo also envisions a conflict free transition. He advocates that a greater share of the defense burden be assumed by the other NATO countries as the United States turns inward to address its domestic decline. He hints at the possibility of a trouble free transition: "Whether

the Pax Americana can be transformed into a more plural structure," will depend on whether "the United States and Europe can rise to the occasion of a more plural sharing of responsibilities."[26]

Some, however, remain much more skeptical that such a harmonious post-hegemonic world can be engineered. With the United States in irreversible decline, Immanuel Wallerstein argues that the great rivalries of the 1990's will be among the major industrial powers.[27] He further predicts that such a West-West economic competition, much more disruptive than any conflict we now see between the North and South, will eventually cause old alliances to break apart and turn friends into foes.[28]

And while Wallerstein may have erred when he predicted that "by 1990 the former allies will have parted company with the United States,"[29] political tensions arising from economic disputes between the United States and its closest allies have been occurring more frequently and at an unusual level of intensity. In the Pacific, for instance, Bernard Gordon warns of a growing political crisis. As Gordon points out, along with the "post-war recovery of Europe and Japan, and the more recent arrival of economic newcomers, especially in Asia, have come a rising tide of economic tensions."[30] As the United States loses confidence in its own abilities, as it struggles to compete with its OECD partners for its fair share of the world market, economic tensions which have quickly become political disputes, have begun to create a kind of "intra-Alliance corrosion."[31]

What Japan, for instance, hears is not the diplomatic words of men like former Ambassador Mike Mansfield, who has called the Japanese "America's best friends"[32] Rather, these gratitudes have been lost amongst the charges of unfair trade practices and calls for burden sharing. Much more memorable to the Japanese is the language of leaders like Senator John Danforth, who called the Japanese "leeches", or writers like the late Theodore White, who contended that, "the Japanese have targeted one American industry after another to undermine and wipe out."[33]

It would be difficult, then, to state with certainty the implications of the end of U.S. hegemony. But perhaps these implications of American decline will never need to be determined. For although the United States, like Britain at the end of the 19th century, only seems to be "muddling through" at the moment, it has the opportunity to draw upon several strengths, which if it chooses to take advantage of them, may prove decline to be the United States' doing rather than its undoing.

The real test of the United States' power will be its ability to maintain and utilize the strengths that it still possesses. The resilience and diversity of its domestic economic base, its structural power in the international economy, and its position as one of the Pacific nations, are the three important strengths that may allow the United States to defy its "imminent" decline.

Often overlooked are the strengths of the United States' economic base. First, the United States is still the leader in the introduction of new products; it still possesses the ability to be innovative. It would be a mistake to hastily assume that the United States is losing its competitiveness merely because it is now importing an increasing number of products which it formerly had exported. The product cycle, as put forth by Raymond Vernon specifically for the U.S. case, points to the United States' strength in innovation and would seem to explain this pattern. As Vernon described, a product passes through three stages in its development. In the first stage, the entrepreneurs, in response to a perceived demand in the domestic market, begin production of the good. By the third stage, the country which had introduced the product no longer possesses a comparative advantage in its production; by now, foreign producers have adapted the production techniques which the original country introduced. Again, Vernon was describing the pattern of U.S. trade, and in so doing, revealed the United States' role as innovator and leader in the introduction of products.

The United States also possesses the additional economic advantage of its continental scale. Its continental scale, Norton points out, "makes the United States a network of diverse, country-sized regions— some long developed, some only recently industrialized."[34] This vastness has enabled American industries to resist the type of interest group pressures which Olsen has described. Companies have shifted plants to less unionized sites, or to states with less rigid work laws. It is, most likely, no accident that those states which have passed right to work laws (outlawing union shops), primarily in the south and west, are the states which have experienced the highest levels

of industrial growth. So the United States, thirty nine times the area of Great Britain, may look toward one of its many regions as a source of industrial renewal.

Internationally, the United States still maintains powers which standard economic indicators often do not capture. These powers, in many ways, prove irrelevant the latest export and import figures, or the recent trends in GNP growth. For what they overlook is the United States' capacity to control outcomes.[35] More precisely, as Christopher Coker makes clear, "The United States still maintains a structural power which enables it to have a range of options and choices denied to any other country in the world, and which enables it to structure the global economic order in a way that benefits the United States."[36]

There are three important aspects of this structural power. First, the United States is still militarily superior to all of its economic competitors. Developments in Eastern Europe aside, the "End of History" aside, the European members of NATO still and Japan still depend on the United States for its protection. As a result, the United States still holds the power, Susan Strange maintains, "to threaten or to defend, to deny or to increase— other people's security from violence."[37]

Secondly, looking beyond the latest share of world exports figures or the annual percentage growth in manufacturing, the United States continues to dominate the world's production structure. When considering the United States' structural power over the production system, Susan Strange points out, "the share of manufactured goods produced in the United States and the share of U.S. exports of manufactures is immaterial." Rather, Strange continues, where the control of the production structure rests with those with the ability to "determine who shall produce what, where, for what reward and by what means, what is relevant is the share of manufactures and of services produced by enterprises headquartered in the United States and responsive to the government in Washington."[38] Correspondingly, of the 80 largest public companies (excluding banks and security firms), as measured by market value, 34 are based in the United States.[39] This is a higher share than in Japan or Europe. Clearly, the decision making power over the world's production structure still lies in America, not Tokyo or Bonn.[40]

The United States possesses a third structural power in its ability to determine the system of finance and credit. The dollar remains the world's main reserve currency.[41] On frequent occasions, Japan has resisted the promotion of the Yen as the reserve currency. Indeed, three-quarters of the industrial world's total bank assets are denominated in dollars.[42] The United States' billion dollar deficits are denominated in dollars, as are the debts of Mexico, Brazil. and Argentina. Capital flight from these countries usually means the purchasing of assets (dollars or dollar denominated securities) in the United States. It follows, that so long as the U.S. Treasury is the only body with the authority to print dollars, America will retain the power, as Strange describes, to control "the supply and availability of credit denominated in dollars, and thus to exert pre-dominant influence for good or ill over the creation of credit in the world's monetary system."[43]

There is one more strength which the United States may, if it chooses to, use to cease its alleged decline. One of the important developments in the international economy is the rapid economic rise of the Pacific Region. From 1960 to 1982, the region's share of the world gross product rose from 16 to just under 25%.[44] The ratio of Asian-Pacific Gross Domestic Product (GDP), to European GDP rose from 27.5% to 54% in this same period.[45] There has clearly been a shift in the center of gravity of the world economy.[46] Increasingly, the United States appears to be responding to this shift. As Modelski describes, "The Northeast [region of the United States] is no longer the sole center of the country, [with] the South and West rising as part of the same processes that are making the Pacific Rim important."[47] Nor has this change been lost in America's leaders. After the Bush inauguration, one of the first trips Vice President Quayle made was a visit to the United States' Pacific neighbors. In July, Secretary Baker began to talk of the possibilities of a "Pan-Pacific" economic alliance. One of the ways the United States can regain the initiative, then, is by pursuing its Pacific destiny. As Gary Hart proclaimed in 1985: "The Pacific has become the twentieth century's economic fountain of youth."[48]

Thus, the United States, if it chooses to, has the resources and opportunities to pull itself out of its latest alleged decline. But if decline means an

abdication of the type of leadership which Kindleberger describes, that of excessive burdens, worldwide military and economic commitments, and the support of free riders,[49] then perhaps the United States may not make this choice. As Moisi has offered, "To some extent, decline, even if relative, is bringing to the Americans what they have always sought," with the ever-present U.S. tendency towards isolationism reflecting "the nostalgia of a society that wants to dedicate itself to private happiness and individual values."[50] Americans, Moisi writes, have long wished "to place themselves outside the march of history and its dramas."[51] It may be that a strong and competitive Japan, and perhaps a united Germany, able to bear their own burdens, is exactly the kind of international economic order the United States has for so long been awaiting. □

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International Organizations

As global economic and political interdependence grow, there is an increasing need for international organizations. Currently, 5,000 organizations function as autonomous actors, both on an international as well as a regional level. Two organizations which have been in the media limelight quite frequently, notably the United Nations and the North Atlantic Treaty Organization are the subjects of the following articles.

Professor John Gibson, a specialist in international law as well as international organizations, introduces this section with an article on the role of the U.N. and the international marketplace. Raphael Lewis' paper studies the U.N. peacekeeping efforts in various geographical regions: an example of a universal, general purpose organization acting as a modifier of state behavior. Chris Worthley examines a specific purpose regional organization, NATO, as an instrument in the Federal Republic of Germany's national policy.

Idealism And Realism In The International Marketplace

John S. Gibson

The role of theory to explain the real world of international relations often results in the pole of realism and power politics between and among states and the pole of idealism of peace and cooperation between and among nations. Other theories abound and statesmen and women as well as scholars are in no firm agreement on theory to explain international reality. What is too often overlooked is the charter of the United Nations as a statement of significant theory and practice which joins realism and idealism and mirrors the international goals of its members as well.

The Charter as the foundation for international theory is particularly important because it is a treaty adhered to by 159 nations and is the constitutional foundation for international relations. The ideal goal of international peace and security is set forth twenty-six times in the Charter. The reality of the power, authority, and responsibility of the five permanent members of the Security Council is emphasized in Article 23, paragraph 1 (hereafter an article and a paragraph will be represented by numbers, e.g., 23 -1). This brief article outlines the author's basic approach to international relations in the real world and in the classroom. It identifies the basic goals of the United Nations as shared security and shared and progressive well-being, posits the goals of states as security and well-being for their central interests, and holds that realism and idealism move toward each other as state goals move toward the broader Untied Nations economic and social progress and development."

This is international constitutional law adhered to by 99% of the world's sovereign states. This is what they say and accept in principle as the goals of the international system of states of the international marketplace or the vast exchange of resources, conditions, and commitments for state security and well-being. These dual and interrelated goals of shared security and well-being are restated many times in the constitutions of other international organizations and also in such treaties as the United Nations Covenants on Civil and Political Rights and Economic, Social and Cultural Rights. International theory with respect to goals nations have committed themselves to in international law are thus grounded in the reality and the ideals in the constitutional law of the

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United Nations System.

The Charter's provisions and machinery for shared security and shared and progressive well-being in joining realism and idealism may now be transposed into goals for the state. These are security and well-being for the central interests of the state which include territory, people, governance and its values, economic system and resources, and sovereignty. Without any of these five interests, a state cannot be a state. (Economic system and resources usually are not included int he legal definition of the state but without them, a state cannot be sovereign).

The Charter provides the legal foundation for these five interests. Security for *territory* is provided for in 2-4 with all members refraining from "the threat or use of force against the territorial integrity ... of any state." This naturally applies to the *people* of the state. Security and well-being for the *governance* of the state and its value system are also found in 2-4 which guarantees its "political independence." 2-4 also applies to the security and well-being of the state's *economic system and resources* as does the provision in 56 where all members pledge themselves to take joint and separate action for the achievement of the extensive conditions for " stability and well-being" in 55. Security for the *sovereignty* of the state is in 2-4 (territorial integrity and political independence), 2-7 (protection of domestic jurisdiction), and 2-1 (sovereign equality).

The reality of international relations since 1945 reflects in many domains of shared security and shared and progressive well-being the idealism of the Charter and other international constitutions. The demise of the cold war by 1990 accompanied by peaceful change in Southern Africa, Nicaragua, and Afghanistan as well as a host of agreements on arms restraints elevates shared security to heights not imagined only a few years ago. Shared well-being through rapidly growing international human rights law and progressive well-being for millions of children under the auspices of the United Nations Childrens' Fund and the World Health Organization are only two examples of a better world for many people and nations.

On the other hand, the catalogue of insecurity and adverse conditions fo human and national well-being reflect a reality far away from the idealism of the constitutional in the United Nations system. Shared security and well-being are provided for in commitments through international law that states freely accept to establish conditions for friendship and stability and to exchange resources to advance their goals. *State* security and well-being however are determined by a series of attributes which are different for each state. They include four fairly stable variables including the history and geography of the state as well as its economic system and resources and the culture (and cultures) of its people. To these must be added four more fluid determinants including domestic sources of policy, events and conditions in the external world, governance below top leadership, and top leader, himself or herself.

> The demise of the cold war by 1990 elevates shared security to heights not imagined only a few years ago.

We can take any state and come up with a rather accurate profile of how the four stable factors shape goals for security and well-being. Domestic sources of policy are particularly influential in the democracy, but the masses of people in Eastern Europe in the second half of 1989 radically altered nations' definition of security and well-being. Goals for most developing nations

are heavily influenced by conditions and events in their external world and Pearl Harbor on December 7, 1941, changed for all times what security meant for the United States). Governance below top leadership is staffed with officials who have their own visions of goals of security and well-being but it is top leader who at any given time is the final authority on state goals. The top leader is influenced by the four stable determinants and is ever mindful of internal demands and external events. But he or she has the power, responsibility, and accountability to determine goals at any one time.

No state has within what its leadership and basis for leadership influence consider necessary for security and well-being. Some states are on islands but no state is an island. The essence of international relations is the state's (and all states') quest for resources, conditions and commitments it needs and/or wants to pursue its goals. The peoples of the United Nations in the Preamble to the Charter are "determined" to "establish conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained..." Article 26 calls on nations not to let armaments drain"the world's human and economic resources," essential for "international peace and security." The second main purpose of the United Nations in 1-2 is "to develop friendly relations among nations; and about all states have bilateral treaties with other states for "friendship and commerce." In the language of the Charter, these treaties are commitments to create conditions for exchanges of resources states consider they want and/or need for security and well-being. This is the reality of the vast international marketplace of relations between and among nations.

It is also a reality of our times that *state* security and well-being increasingly cannot be satisfied without commitments for conditions and resource exchange within the legal framework for shared security and shared and progressive well-being under international constitutional law. Enhancement of shared security for the two superpowers now gives exciting possibilities for the United Nations gradually to function in the manner anticipated by the provisions in Chapter VII of the 1945 Charter. As an annual observer of the United Nations Commission on Human Rights sessions in Geneva, I can easily attest to the dramatic forward movement for international protection of human rights and human rights law. There is an abundance of examples and case studies of other strides in advancing shared and progressive well-being. In no way can high state authority and sovereignty deal with such global villains as AIDS, global warming, the depletion of the ozone layer, and terrorism. These uninvited guests into the domains of states know nothing of borders, passports and customs, and sovereignty itself.

We thus move toward the merger of idealism and realism as the reality of state goals move toward increased shared security and shared and progressive well-being within the framework of the organizations and law of the broad United Nations system. Clearly the stable and fluid determinants of state security and well-being produce tremendous differences in definitions of their goals. But those goals, as President Gorbachev testifies, cannot be realized in any appreciable manner without moving toward broader contexts of the mutuality of sharing. He has radically altered the long standing goals of security and well-being for the U.S.S.R. in moving away from guns and toward butter, a transition falling like dominoes over Eastern Europe as well. The realism of state pursuits of goals as it defines those goals in progressing toward the reality and idealism of global constitutional systems if we appraise the real world accurately and if we read the Charter of the United Nations very carefully. □

The Cost Of Security:

NATO Burden-Sharing And The Federal Republic of Germany

Christopher Worthley

I. Introduction

Since the formation of the NATO Alliance in 1949 with the signing of the North Atlantic Treaty, the question of how Alliance burdens should be appropriately distributed among member states has been a subject of intense discussion. This is due to the very nature of the Alliance as it is defined in the Treaty—as an international, but not a supranational organization dedicated to the collective defense of the territorial integrity of the member states in the North Atlantic area (article six of the North Atlantic Treaty). Thus, NATO is a voluntary association of sovereign states and as such has no dictatorial powers. NATO, therefore, cannot impose weapons choices on its member states, cannot determine the composition of each state's defense forces, its purchase of weapons, or its level of defense spending.[1] Despite this, the NATO defense burden must somehow be divided among the member states.

The purpose of this paper is to consider this subject of burden-sharing in NATO: to examine how the appropriate distribution of the NATO burden can be analyzed with regard to individual states, to explain which factors can limit such analyses, and, in light of this information, to apply a comprehensive analysis of burden-sharing to the Federal Republic of Germany.

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2. The Theoretical Basis of Burden-Sharing Analysis

The difficulty of determining how and to what extent NATO member states are to contribute to their collective defense necessitates a more precise definition of the theoretical burden that each member is expected to bear. The overall burden, or "price of membership" in the NATO "defense club" consists of a direct contribution to the funding of NATO's common infrastructure (airfields, communications, radar warning, pipelines) in addition to the collective defense obligation and its associated commitments, and general constraints on the level and composition of national defense expenditures.[2] The return from such investments is the guarantee of collective security and the general "coupling" of Alliance members' security interests.

Because each of the member states of the Alliance makes its own defense budget decisions, such decisions must be made within the framework of an overall Alliance approach to strategy and security if the Alliance's defensive posture is to remain credible and the Alliance itself cohesive. Thus, NATO's planning begins with an analysis and evaluation of a particular threat to Alliance security, i.e., Warsaw Pact military capability, current NATO force capabilities, and the required

improvements to the latter. This process, however, does not result in a NATO budget. Rather, the result is a series of annual multilateral discussions within the Alliance which seek to influence the national budgetary decisions of member states. "Commitments" to NATO's defense effort, however, cannot be enforced, given the supranational characteristics of the Alliance.[3]

The primary difficulty in determining whether a NATO member state is carrying a "fair share of the overall NATO defense burden is that such an assessment is very often based on pure statistical analysis which can lead to inaccurate, incomplete, or even misleading results. This is due to the fact that it is extremely difficult to make an accurate and objective assessment of how the sum of an individual state's contributions to the Alliance lend themselves to the goals of the Alliance as a whole. This raises the need for a clear distinction between *input* and *output* aspects of burden-sharing analysis. *Input* refers to the statistically verifiable financial contribution that a state makes to defense, i.e., defense expenditures as a percentage of GNP, while *output* refers to the overall final effect that a state's contribution has on the efficiency of Alliance defense or the credibility of its deterrent posture. Inputs are clearly much easier to measure given annual defense outlay data on a particular state. Output analysis is, however, more valuable in determining to what extent a member is contributing to Alliance goals. For, indeed, it is possible that a state with a comparatively high level of defense expenditures could be pursuing its own national goals rather than Alliance goals in its outlays for defense. At the same time, a state with a comparatively low level of defense expenditures may be of more value in terms of Alliance goals if, for example, it is providing, albeit with more limited outlays, for greater efficiency within the scope of the NATO defense strategy.[4] Thus, it is impossible to effectively assess national contributions to security outside the context of common Alliance goals and strategy. A burden-sharing analysis based on input, therefore, is insufficient in assessing the distribution of burdens in the NATO Alliance. Such analyses can only be accurate if output is also taken into account.

> The difficulty in determining whether a NATO member is carrying a "fair share" is often based on pure statistics.

The difficulty of assessing states' burdens based solely on input analysis can be further emphasized by examining the methods of calculating and expressing a member's burden, i.e., in terms of defense expenditures.

One method of comparing national contributions to NATO is by a comparison of relative defense expenditures. This approach is very limited in its accuracy due to differing definitions of defense spending and because amounts calculated must be corrected for inflation and for shifts in exchange rates. Making such adjustments is also quite difficult because results may change depending on the exchange rate used. For example, statistics showing comparative defense expenditures show that the ranking of national expenditures of the European NATO states in 1980 is sensitive to the exchange rate used to produce dollar estimates, while the U.S. share remains steady at 60% of all NATO expenditures.[5] Moreover, once figures are adjusted, they still fail to be acceptably representative of national efforts, because states differ in size, population and national output.

A figure frequently used to express relative burdens in the Alliance is the percentage of Gross National Product (GNP) devoted to defense spending. Although this approach is somewhat more accurate than comparing relative defense expenditures, because it attempts to take a state's ability to contribute into account, it also is insufficient in analyzing burdens for several reasons. First, definitions of GNP can vary from state to state, and not all inputs are valued at market prices. Second, the composition and location of national forces and their availability to NATO are not accurately represented by such figures. Third, such figures fail to include each nation's expenditures on "non-defense substitutes," such as foreign aid. Finally, the ratio of defense expenditures to GNP is strictly an input factor and does not reflect the efficiency of military effort.[6]

Clearly, it is impossible to accurately evaluate NATO members' share of the Alliance burden in terms of only one statistical perspective. This is not to say, however, that such data is useless in a burden-sharing analysis— simply that it is not enough. The input data, as half of the analysis, can be helpful if one examines the trends over long periods of time represented in various aspects of input data. For example, an examination of long term trends in a state's defense expenditures as a percentage of GNP can be combined with an assessment of its annual rate of growth in defense expenditures in comparison with its annual rate of growth in GNP to analyze the state's commitment to defense spending over time. This can be further complemented by comparisons of per capita defense expenditures, equipment expenditures as a percentage of defense outlays, and numbers of citizens in active forces and reserves. Such comparisons provide a more stable basis for comparing input data among NATO member states. The more aspects that are drawn into the analysis, the more complete a picture of dedication to defense will be presented. No one aspect of contribution, however, can be considered representative. And no assessment of burden-sharing will be complete without considering aspects of output analysis.

3. Summary of American Burden-Sharing Related Criticism of the European NATO Allies

Since the formation of the NATO Alliance, the United States has, for a number of historical and economic reasons, borne the comparatively largest share of defense expenditures dedicated to the defense of the North Atlantic Area. This has led many in Washington to claim more recently that the European members of NATO must increase their financial dedication to the Alliance. In order to make a general analysis of the role that an individual NATO member state, i.e., the Federal Republic of Germany, plays in carrying the NATO burden, it is important to be aware of the criticisms that Washington makes of its NATO partners. It is then possible to determine if and to what extent such criticisms applies to Federal Germany.

The most common burden-sharing related criticisms from the U.S. relate directly to the military and defense expenditures of the European NATO member states. The U.S. government has been especially sensitive to this issue since the introduction of the Levin-Amendment in 1980, under which the Administration must make regular reports on the contributions to defense of the European NATO states and of Japan. This was partially intended to add additional pressure for the European states to pursue the goal established in 1978 for NATO members of a three percent annual increase in defense expenditures. A later report stated that this goal was achieved by barely any state other than the U.S. A further goal of the Levin-Amendment was to encourage other NATO states to increase benefits for U.S. troops stationed abroad.[7]

Yet harsher criticism came from U.S. Senators Nunn and Roth in an addition to the U.S. defense budget for 1984/5. The Senators stressed that the European Allies should be required to strengthen NATO conventional defense capability to a point where NATO could effectively counter an armed attack without falling back on the use of nuclear weapons. Nunn argued that the American taxpayer could no longer be expected to spend millions of dollars on armed forces that, in the event of a war with the Warsaw Pact states, would easily fall prey to the enemy and not be able to prevent a nuclear war. The Nunn-Amendment also called on the Allies to simultaneously increase outlays for the testing of new weapons systems, The Amendment received widespread acceptance in the Senate, although many Senators argued against threatening the Allies with a reduction or a withdrawal of U.S. troops. The Nunn-Amendment was eventually made less harsh by an addition from Senator Cohen. The original text, however, was left mostly intact demonstrating a general consensus in the Senate that the NATO Partners should increase their direct financial contributions to the Alliance.

More recent criticism has come from the U.S. Permanent Representative to the North Atlantic Council, Alton G. Keel, Jr., who emphasized in the September/October 1988 issue of the *NATO Review* that, in relation to NATO burden-sharing, "statistics do not lie." Keel compares the relative defense expenditures of the U.S. and the *total* of those of all other NATO states. According to this comparison, the U.S. spent 281.1 billion dollars for defense in 1986, while the other NATO states

collectively spent 129.6 billion— less than half of the American expenditures. After accounting for U.S. *global* expenditures, Keel states that, of the total American outlays, 100-150 billion dollars went exclusively to the defense of Europe. Keel goes on to say that, while the U.S. spent 6.8% of GNP on defense in 1986, the average percentage of GNP of the other NATO states spent on defense was 3.3%, with five NATO states paying less than 2.5% and eleven not even reaching the average.[8]

These analyses from Washington point directly to the fact that a great deal of the U.S. criticism of its Allies in terms of Alliance burden-sharing still relates to input analyses and comparisons of total financial outlays. Other problematic burden-sharing issues between Washington and the European NATO states involve such matters as support for "Out-of-Area Contingencies" and economic and diplomatic relations with Warsaw Pact states.

4. The Federal Republic of Germany and NATO Burden-Sharing

As the most important military ally of the United States in Europe and the country directly located on the border between NATO and Warsaw Pact countries, the Federal Republic of Germany plays a unique and highly significant role in the NATO Alliance. West Germany's participation in NATO has alleviated U.S. security concerns in Europe by providing a strong front line in the face of perceived Soviet hegemonial interests in Europe (political and/or military). Furthermore, the forward deployment of U.S. forces in the FRG under the NATO framework has provided a direct link between NATO's European members and the U.S. strategic nuclear deterrent, and has greatly reduced fears in Europe of German military strength. This was of special concern to such countries as France which, having suffered through two World Wars as a result of German aggression, were concerned about the long term effects of allowing Germany to rearm in the post-World War Two period. Thus, the Federal Republic's participation in NATO is viewed by many as critical for the maintenance of the present European order and for the continued existence of the Alliance. German dedication to NATO has, however, been questioned within the framework of the NATO burden-sharing problem. This is especially true with regard to the United States' claims that its Allies do not support enough of the financial burden of NATO defense. Given the framework of burden-sharing analysis, i.e., input vs. output analysis, it is possible to make a general assessment of the West German overall contribution to NATO and to determine approximately to what extent criticisms of the German contribution— especially those of the U.S.— are accurate.

4.1 Trends in Spending: An Input Analysis

As previously stated, the only relatively efficient means of assessing a state's defense spending with regard to the burden-sharing issue is to examine long term trends and not to emphasize short term shifts in military and defense budgets. In such an analysis (on the input side) the Federal Republic scores relatively well or poorly depending on which aspect of input is considered. For example, West Germany's defense outlays as a percentage of total NATO outlays place West Germany second only to the United States in defense expenditures by 1980. West German outlays rose from under 5% in 1960 to over 6% in 1970 and then to nearly 11% in 1975 before dropping slightly to 10.4% in 1980, placing West Germany ahead of the United Kingdom and France. Furthermore, in 1980, the Federal Republic accounted for almost 21% of all European NATO outlays. Also, West German per capita defense spending in 1980 was 423 dollars, and the FRG maintained a reserve force of 750 thousand, thus ranking second only to the U.S.[9] These figures suggest quite a successful fulfillment of West German NATO commitments.

When one considers the trends of West German defense spending as a percentage of the FRG's GNP, however, the situation seems quite different. In the period between 1974 and 1988, the FRG fell from seventh to tenth place in NATO in terms of defense spending relative to GNP (adjusted for exchange rates) with a decline from 3.5% of GNP in 1974 to 3.0% in 1988.[10] In 1980, the percentage was at 3.3%, and thus the decline over time was relatively steady.[11]

This, however, was not the only downward trend in German defense spending. By 1987, the FRG was in fifth place in NATO in terms of defense spending per capita, although the West German GNP (expressed in U.S. dollars) was in

fourth place in the Alliance.[12] Furthermore, German material investments as a percentage of defense expenditures fell from seventh place in NATO (11.9%) in 1970-74 to eleventh place in 1988 (15.2%).[13] Such investments are of particular importance to NATO in terms of long term planning and efficiency, i.e., with regard to military equipment.

In order to use these input figures correctly within the context of burden-sharing analysis, however, it is important to note the limitations of such figures. First, arguments calling for the FRG to contribute more to defense based on its comparatively low ratio of defense expenditures to GNP can be offset by stressing the scale of the West German commitment. Moreover, the figures for defense expenditures do not account for "land and tax exemptions provided for allied forces, adjustments for the lower pay levels permitted by a conscript force, and forms of host nation support that do not enter the national budget."[14] It must also be noted that the general weakness of comparative figure analyses cited in part two apply to input analyses relating to the FRG.

The downward trend represented in some of the input data on the FRG can also be explained by the state's dedication to social services as reflected in the federal budget. For example, between 1971 and 1979, the average real rate of growth in military spending was 2.1%, which was exceeded by an overall annual increase in the federal budget of 4.3%. The economic growth of the Federal Republic allowed for an emphasis on social spending without decreases in military growth. Recent years, however, have been marked by slower economic growth and a continued emphasis on social program expenditures. Thus, in relation to the total federal budget, projected military spending has faced some cuts to compensate for the slower economic growth.[15] In spite of this, the long-term military spending trends show that West German real defense expenditures increased between 1978 and 1981 and since then have remained relatively constant, changing positively or negatively on an annual basis by only a fraction of one percent.[16]

Clearly, it is very difficult to draw accurate conclusions about the FRG's share of the NATO burden from the available input data. Certain figures suggest that the FRG carries a sizeable share of the defense burden in comparison with other NATO states, while others indicate downward trends in the West German commitment to defense spending and thus to the NATO defense effort. For this reason, it is critical to consider the output of the West German contribution in order to achieve a clearer perception of the burden that the FRG bears in NATO.

4.2 Reliability and Readiness: An Output Analysis

Although the output aspects of the Federal German NATO contribution are not easily measured or summarized, they provide critical insight into the question of burden-sharing as it applies to the FRG. These output aspects are those that refer to the results of the West German contributions to NATO— financial or otherwise— that lend themselves to the successful pursuit of the NATO goals and policies of nuclear deterrence, flexible response and overall military "readiness." Among these output factors are the quality of the West German military forces, their availability for NATO defense, contributions to the NATO common infrastructure and host nation support for forward deployed forces in the FRG.

The result of West German defense outlays in the 1970's was one of the best equipped forces in NATO. The Federal German field army, then consisting of about 335,200 troops deployed in twelve divisions, provided half of the forces of the NATO central army group. German contributions further consisted of six armored divisions representing about 20% of all NATO armored divisions in Europe and more than 25% of those in northern Europe.[17] The current German forces consist of approximately 495,000 men in the Federal German *Bundeswehr* and 1.3 million reservists. Furthermore, the FRG is responsible for 50% of the defense effort on the NATO central front. Additional West German military contributions consist of roughly 70% of the NATO combat vessels in the Baltic and 30% of combat air strength in central Europe.[18]

An important additional aspect of the direct West German military contribution is the system of fifteen month compulsory military service. The result of conscription in the FRG is a constant supply of trained reservists for each service. The most important end effect, however, is that the

FRG can mobilize about 1.25 million troops relatively quickly. Despite recent problems with the pool of reservists, i.e., an increase in the number of conscientious objectors who choose civil over military service,[19] the ability to mobilize a still large number of reservists quickly for defense would be an important contribution to the NATO defense effort in the event of an armed conflict.

These critical military contributions are a central factor in NATO defense strategy. The output, therefore, of the FRG's defense outlays, despite certain downward trends represented in GNP input analysis, is a key contribution to NATO's overall military readiness to defend the North Atlantic Area from any potential military aggression. By maintaining an effective defense force and by providing half of the defense of the central front, the FRG makes an invaluable contribution to NATO's policy of flexible response. Moreover, by signing the Nuclear Non-Proliferation Treaty, West Germany accepted important limits on its strategic military role, and agreed to rely on the NATO policy of nuclear deterrence by placing itself under the strategic nuclear umbrella of the U.S. and the U.K.

The Federal German government under Chancellor Schmidt also agreed to NATO's 1979 *double-tracked* decision to negotiate with the USSR on Intermediate Nuclear Force (INF) reductions, while simultaneously allowing the deployment of Pershing 2 and ground-launched cruise missiles in Germany, albeit not without substantial fractional infighting, to counter the deployment of Soviet SS-20 intermediate range missiles. The final result of this internal— and eventually external— cooperation was the INF-Treaty (1987) which arranged for the eventual elimination of all intermediate range nuclear weapons worldwide.

Another important aspect of the FRG's overall contribution to NATO readiness is its substantial share in the support of the NATO Infrastructure Program. The IP was begun in 1950 to expand NATO defense facilities available in the event of a military crisis to *all* NATO member states. Included in the Infrastructure Program are airfields, naval bases, warning installations, communication facilities, air defense missile facilities, storage facilities for petroleum and ammunition, and wartime headquarters.[20] Projects involving infrastructure are proposed by the NATO host nation and approved by unanimous vote. The host nation provides the land for the project, public utilities at no cost, access roads, and a percentage share of other costs.

Presently, the Federal Republic contributes 27% of the outlays for NATO infrastructure. This above average contribution is expected to continue through 1992 at 26.76%, if France does not contribute to the Infrastructure Program. A French contribution would reduce the West German share to 23.16%— still a comparatively substantial amount,[21] especially in comparison with that of the U.S. (27%) which is responsible for six times more NATO defense spending than the FRG.[22] It is possible to argue that, because West Germany can benefit from the Infrastructure Program expenditures, it will naturally be willing to assume a greater share of the costs. However, the facilities constructed under the Program exist for the Alliance, and not merely for national purposes and, in a time of hostile conflict, are available for NATO use. Thus, the FRG's sizeable contribution to NATO infrastructure, while technically an aspect of *input* analysis, has a central function in the pursuit of NATO efficiency and readiness, and thus represents an important long term contribution in terms of *output*.

The 1984 bilateral agreement on Wartime Host Nation Support between the U.S. and the Federal Republic further demonstrates West Germany's commitment to NATO military preparedness. Under this agreement, the FRG agreed to provide personnel and equipment for the support of U.S. forces that would need to be deployed on Federal German territory in the event of a war. Included in such wartime contributions would be reserve units to provide rear area security, medical and logistical support. These contributions would be in addition to current support already supplied to U.S. forward deployed forces, including real estate, customs exemptions, payments for forces in Berlin and direct support for the maintenance of the U.S. forces.[23] The Wartime Host Nation Support agreement allows for considerable cooperation between U.S. and West German defense forces in the event of an armed conflict, and thus represents not only a long term commitment to the maintenance of U.S. forward deployed forces, but also to the NATO cooperative defense effort. It is important to note, however, that this bilateral agreement was partially the result of U.S. pressure exerted through the Levin-

Amendment in the U.S. Congress to monitor allied cooperation and by a former U.S. Ambassador to the FRG, Walter J. Stoessel, who in 1980 relayed official U.S. concerns about German support of the U.S. forces to the West German Defense Ministry.[24] This addition to NATO readiness— the long term output effect— demonstrates the importance of inter-allied cooperation in long-term NATO defense planning and in managing the NATO defense burden.

Other contributions to the long term effectiveness of the Alliance and to the credibility of its military defense posture that are not included in a mere input analysis of the West German contribution to NATO include those involving foreign aid to NATO Allies for long term development and those that involve significant social costs to the FRG. Two of the most relevant of these output aspects involve West German military aid to Greece, Turkey, and Portugal, and the long term effects of military maneuvers, namely *Tiefflug* exercises, in West Germany.

> The future of West Germany's role in NATO will most likely not involve enormous increases in military spending.

4.3 Federal German Assistance to NATO Southern Flank States

Since 1964, the Federal Republic of Germany has continuously extended gratuitous aid for defense to Turkey and, except for the period between 1968 and 1976, to Greece, as well as to the Republic of Portugal since 1978. This program of defense assistance to the NATO Allies on the southeast and southwest flanks of the NATO defense area is not tied to any political conditions and, aside from the United States Military Aid Program, is the only continuous program of defense aid in NATO.[25] The aid supplied to Turkey, Greece, and Portugal consists primarily of material supplies and services that are transferred gratuitously from the Federal Republic. This German aid program, therefore, does not consist of assistance in the form of monetary transfers to NATO *common fundings*. The purpose of the material transfers is to create a long term basis in these NATO states for the development of a self-supported defense industry.

Although it is not possible to note each material or service transfer that has taken place and to determine the exact effect that each has had, it is important to clarify the general scope of the West German defense aid program, to make note of its primary successes, and thereby to determine how the program lends itself to NATO-area security. The West German program has made the following projects among others possible: the construction in Greece of a production plant for small arms and low caliber canons and a plant for communications equipment; the construction in Turkey of a maintenance site for modern tanks and of a factory for the production of small firearms; and the strengthening of a Portuguese strategic reserve for SACEUR, through the transfer of 18 Federal German tanks M48A5 and other necessary material supplies.[26]

In short, the Federal Republic has donated military goods and services valued at more than 7.1 billion West German marks to Greece, Portugal, and Turkey through its military aid program. The sizeable contribution to the improvement of defense capabilities in the states on NATO's southern flanks can be viewed as an important contribution to long term Alliance goals. Through the development and improvement of Turkish, Greek, and Portuguese forces, the defense possibilities for NATO's southeastern and southwestern flanks are enhanced, and thereby also the security of the entire North Atlantic area. These contributions from the Federal Republic, therefore, have a very significant long term *outcome effect* on NATO security, and because they are not expressed in an input analysis of defense expenditures, must be considered in a comprehensive analysis of the Federal German contribution to NATO.

4.4 Social Costs as an Aspect of Burden-Sharing: Military Maneuvers

The frequency and character of military maneuvers on Federal German territory very often present unique problems to the German population, above all due to the FRG's location on the NATO central front. Indeed, in no other NATO member state do military maneuvers occur as often as in West Germany.[27] This is a particular aspect of the burden-sharing question that is rarely considered in evaluating states' burdens within the Alliance. It is, however, an aspect of burden-sharing that cannot be ignored in an effective analysis of the contribution that the Federal Republic makes to NATO and of the burden that it must bear in the Alliance. One example of a burden with regard to military maneuvers that brings with it notable social costs is the practice of *Tiefflug* maneuvers over German territory.

The purpose of noting the unique situation in which the Federal Republic finds itself with regard to such maneuvers as the *Tiefflug* is not to question the validity of the argument that these are necessary for the readiness of the Alliance to defend Europe. Indeed, there are well thought out arguments on both sides of this question. Rather than debate this point, it suffices to recognize that the Federal German government accepts these maneuvers as part of NATO defense training, although many in the government, including the CDU *Fraktionsvize* Volker Rühe, would like to see them substantially reduced, perhaps even halved.[28]

The purpose here is to note approximately to what extent the *Tiefflug* and similar maneuvers are a burden to West Germany— especially to the civilian population. This is, of course, most noticeably the case when accidents involving military aircraft occur. In 1988 alone, there were military aircraft accidents in the FRG near nuclear power plants, a crash at a military exhibition in Ramstein with seventy deaths, and a crash in Remscheid with six deaths. Furthermore, in 81 cases of military aircraft crashes in past years, private homes were damaged or destroyed.29 The victims in these incidents were both military personnel and civilians, which makes the subject of military maneuvers one not just for the military, but for the civilian population as well.

Despite the recent alarming number of such incidents, they remain the exception to the rule. The greater problem in the burden-sharing issue is the effect that such maneuvers can have on the civilian population in the long term. The *Spiegel* of 9 January 1989 charged that the *Tiefflug* exercises represent the abuse of the West German civilian population. This view was shared by German Air Force General and SPD *Bundestag* representative Manfred Opel, who stated that the *Tiefflug* maneuvers are a "superfluous risk to the population."[30] These views are based not only on the disastrous effects of specific accidents, but also on the effects that the *Tiefflug* maneuvers can have over time, given the unique character of such exercises.

In a *Tiefflug* exercise, for example, when the fighter planes fly at an altitude of 75 meters, the resulting noise at ground level can reach up to 130 decibels— eight times as loud as a jackhammer. Because the planes approach at high speeds, there is little or no time for civilians in the area to protect themselves from the noise of overflying aircraft. This can result in severe aural problems for people constantly exposed to the noise caused by the maneuvers. In addition, American and Japanese studies have shown that children from areas of frequent *Tiefflug* maneuvers learn and work slower, and become tired more quickly than children who are not regularly exposed to the effects of the *Tiefflug* maneuvers.[31] Although debate continues on the potential dangers to the civilian population from such maneuvers, it is clear that the practice of holding military maneuvers—especially *Tiefflug* exercises—over or near residential areas presents notable problems to the civilian population.

This is in and of itself a unique burden that is borne by the Federal Republic. For it is over German territory that such maneuvers would take place in the event of an armed conflict in Europe. Thus, the Federal Republic recognizes the unique role that it plays as the state on the NATO central front, and allows the practice of military exercises on German territory— very often with problematic costs to civilians residing near the numerous areas of military maneuvers. This is clearly a burden which cannot be measured in a mere input analysis of the West German burden in NATO. This often unpleasant situation for West Germany, however, demonstrates effectively that state's general acceptance of its role in the Alliance and

the extent to which this role can represent a non-calculative, but still sizeable burden that is borne by the Federal Republic in its NATO commitments.

5. The Federal Republic of Germany and NATO Burden-Sharing: Summary Analysis

The issue of burden-sharing among the NATO Allies cannot be reduced to question of how much a state— in this study, the Federal Republic of Germany— spends in its annual defense budget. Burden-sharing analyses limited to such calculations are often misleading and/or inaccurate depending on how defense expenditures are calculated and used in the analysis. To make an accurate analysis, therefore, of the extent to which a NATO state is appropriately bearing its share of the overall alliance burden, it is necessary to distinguish between input and output aspects of the burden-sharing question. An input analysis concentrates on the direct financial investments that a state makes to the NATO defense effort through its defense budget, while an output analysis accounts for the long term effects that a state's defense budget and programs have on the overall security and goals of the Alliance as a whole. Both aspects of analysis must be considered in determining to what extent a state contributes to the Alliance in terms of short term calculable goals and the more important long term goal of Alliance cohesion, efficiency, stability, security and readiness.

On the input side of a burden-sharing analysis, the Federal Republic scores well or poorly depending on which statistics or criteria are examined. West Germany scores very well, for example, in terms of its defense outlays as a percentage of all NATO outlays. The FRG also scores well in terms of its per capita outlays and with regard to the reserve forces that are maintained. Potential problems arise, however, when one examines West German defense spending as a percentage of its GNP, i.e., what is spent compared to what could be spent. This raises the question of priorities in spending, that is to what extent a state emphasizes defense spending in comparison with other budget programs, such as social welfare programs. Statistics show slower recent growth rates in the West German economy and no substantial de-emphasis of social programs in favor of military spending. Whichever figures are examined, however, it remains crucially important to consider long term trends in spending and not mere annual budgetary shifts.

Given the inherent difficulties of using only input data in burden-sharing analyses, the long term effects of national contributions to the Alliance must be considered within the framework of a comprehensive output analysis. Such an analysis yields a much clearer picture of how and to what extent a state is contributing to overall Alliance goals. Here the Federal Republic scores very well in its long term contributions to NATO goals by maintaining a well equipped military force and by providing half of the defense force for the central front. Other substantial German contributions that lend themselves to the pursuit of Alliance goals are those to the NATO Infrastructure Program and, in the case of necessity, to the Wartime Host Nation Support Program. Furthermore, the Federal Republic has made substantial contributions to the defense industries and to the maintenance of the armed forces of Greece, Portugal, and Turkey (states on the NATO southern flanks), and endures on its own territory extensive military maneuvers that are seen by NATO as necessary for the Alliance goal of readiness. The latter is a burden that, given the character and frequency of certain maneuvers, is unique to the Federal Republic and which must be acknowledged as a part of the burden borne by West Germany in the Alliance.

The Federal Republic of Germany indeed carries a very substantial share of the NATO burden, and general trends indicate that it will continue to do so. Discussion will continue, however, on the NATO burden-sharing question, most notably between the U.S. and its European Allies, including the FRG. To what extent these continuing debates will affect the roles of individual NATO states remains to be seen. The future of West Germany's role in NATO, though, will most likely not involve enormous increases in military spending or West German military involvement outside the traditional NATO defense area—military involvement in OUT-of-Area Contingencies." Military spending will continue to be related to the condition of the West German economy and to the pursuit of domestic socially oriented financial programs. Furthermore, West Germany is highly

unlikely to expand any military involvement in NATO to areas outside the defined NATO defense area. This restriction is based on the definition in the Federal German *Grundgesetz* of the German armed forces as defensive forces and the interpretation of this as limiting military action to the North Atlantic Treaty Area.

Most recently, the burden-sharing question has manifested itself very clearly in discussions between Bonn and Washington on the issue of short range nuclear missiles on West German territory. Washington claims that the FRG's refusal to allow the immediate modernization of the short range missiles represents a falling away from NATO security goals and a potential trend toward German nationalism in policy formation. This problem, however, like all those pertaining to alliance issues, cannot be examined from only one state's viewpoint. The FRG does not see it in its interest to modernize a nuclear force that, in the event of its use, would detonate on German territory, be it in the FRG or in the German Democratic Republic. Bonn favors, therefore, immediate negotiations with the USSR on this issue— a plan of action which Washington strictly refuses. Here the problem is one of the perception of goals and of national interests. It would be highly inappropriate, however, to expand this to a larger question of West Germany's willingness to bear its Alliance-related burdens. The Federal Republic already makes a very substantial contribution to NATO security, as has been shown in this paper. The question of modernization, or indeed of the implied possibility of the use of short range nuclear weapons, therefore, is one of national— but not nationalist— interests. As the West German Admiral Elmar Schmahling notes, issues involving such nuclear weapons in Europe affect the very existence of Germany.[32] Such issues cannot and must not be reduced to a question of burden sharing. Indeed, it is not the contribution that the FRG makes to NATO that must be examined with regard to the modernization issue and those related to it. Rather, the demands that NATO makes of certain members and the strategies that lead to such demands must be carefully considered. In this case, the question is not one of the distribution of Alliance burdens, but one of realism in the determination of Alliance strategy. □

Endnotes

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Peacekeeping By The United Nations:

An Extension Of The Ideal

Raphael Lewis

Introduction

Last year, on December 1Oth, Secretary General Javier Perez de Cuellar of the United Nations accepted the 1988 Nobel Peace Prize on behalf of the organization's peacekeeping soldiers. At the time it was the culmination of a rejuvenated belief by the world in the effectiveness of its premier international organization. Peacekeeping, one could argue, has been the United Nation's most important contribution to the world. Four new peacekeeping operations were mounted in 1988-1989 alone as opposed to 13 operations over the previous 40 years.[1]

Evolution

The concept of peacekeeping, though not a creation of the post-World War Two society, has come into its own in the lifespan of the United Nations, and is most closely associated with the U.N. The idea of peacekeeping was formalized by the U.N. Secretary-General Dag Hammarskjold who described peacekeeping as having its place in the Charter of the United Nations as Chapter "Six and a Half," in between voluntary settlement of disputes and enforcement action envisaged in Chapter 7.[2]

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The nuclear era and the possibility of total world annihilation in these post-World War II years, has made the containment of all wars a prime concern of human society. U.N. peacekeeping has always acted in this capacity when permitted. To do this requires asking soldiers,

> against all tradition and training, to take part in non-violent operations in a critical situation-operations, moreover, which were not under the control of their own governments. The new peacekeeping operations touched the most delicate issues of military psychology, national sovereignty, international politics, and national and international law.[3]

The United Nations categorizes its peacekeeping operations into two separate groups: Observer Missions and Peacekeeping Forces. Frank Gregory, in his article entitled "The Multinational Force— Aid or Obstacle to Conflict Resolution" describes a further division of peacekeeping forces into Active and Passive Interposition Force. The distinctions are important.[4]

Troops taking part in Observer Missions are unarmed although a Peacekeeping force is armed. The severity of the conflict and the conditions of the peace being supervised are the determining factors between these two operations, as well as the will of the host country. There has been only one instance of a U.N. peacekeeping force acting as an Active Interposition Force. In the Congo (now Zaire) in the early 1960s, the peacekeeping

force stationed there was authorized to use force (i.e. fire power) to restore peace.

Specific Goals

The overall goals for peacekeeping are hard to distinguish from those of the United Nations as a whole. The latter, as stated in the Charter, are the maintenance of peace and security, the development of friendly relations among nations and international cooperation in solving problems (Article 1 of Charter). In terms of peacekeeping, this translates to an overall goal of "fostering peaceful conditions in which the search for an agreed, just and lasting settlement of the problem can be pursued." However, the aims of each specific peacekeeping operation are determined by either the Security Council or the General Assembly, according to the specifics of each incident.[5]

> The nuclear era has made the containment of war a prime concern of human society.

Administration and Policy Making

The administrative structure of a peacekeeping operation is illustrated in Appendix 1. A peacekeeping operation is considered a subsidiary organ of the United Nations, but is established by the Security Council (under exceptional circumstances, it may be established by the General Assembly). Once the Security Council establishes the peacekeeping operation's mandate, it is the U.N.'s Secretary General who is at the operation's head. The responsibilities of the Secretary General fall into two categories.[6]

Initially, there are the actual policy and actions of the peacekeeping operation, as determined by the Secretary General, the Under-Secretaries-General for Special Political Affairs (both in New York), and Force Commander in the field, to interpret the Operation's mandate from the Security Council. The specificity of the Security Council mandate is an issue outlining the work of the Civil Servants in New York and the forces in the field. Yet, the mandate can be confused with a lack in consistent policy. For example, UNIFIL forces' original mandate allowed for PLO and Christian Militia forces to roam the area of the U.N. buffer.[7]

The second responsibility of the Secretary General is with the Office of Field Operational and External Support Activities, which is concerned with budgetary and administrative issues. The problem of supplying food for the UNEF I force in 1956 was attacked creatively. Supplies were purchased on seventeen ships which had been blocked in the Suez Canal during the Suez crisis.[8]

The fact that the mandate for each peacekeeping operation is a separate endeavor is important. It insures that each operation is unique, and thus responsive to its specific situation. There does exist a conflict between the strength of the mandate, in terms of the authority vested in the peacekeeping operation by the Security Council and the ability for the soldiers in the field to be flexible in their response to their respective problem. Many authors on peacekeeping who have written on men in the field, have emphasized the need for resourcefulness by these individual soldiers. Brigadier Michael Harbottle, in his book discussing his experience as Chief of Staff of UNFICYP, offers lengthy praise and outlines the required skills for the soldier in the field:

> There is no doubt in my mind that the success of a peace-keeping operation depends more than anything else on the vigilance and mental alertness of the most junior and his young non-commissioned leader; for it is on their reaction and immediate response that the success of the operation rests. It is at their level that most of the problems originate, and unless their reactions and Palliatives are immediate, the deterioration in an otherwise peaceful situation could have far-reaching and serious results. Their initiative and reflex action must be spontaneous if a spontaneous incident is not to become a military and sometimes a political issue. However brilliant the senior commanders and staff may be, they are wholly dependent upon their most junior command-

> ers for instant intelligence of any incident likely to upset the peace, and equally on the personal initiative of those same junior commanders to placate and mediate where incidents occur and to smooth down ruffled feathers..."[9]

Thus, though it is important to specify the purpose of an operation's mandate, creativity in the field is essential to insure that unpredictable instances do not escalate into confrontation.

The single most important factor in enabling the formation of a peacekeeping operation is that it be accepted by all the factions in a conflict. Though operating in one or more sovereign nations at the request of that state[s], U.N. peacekeeping operations are impartial and independent of all governments. They would lose their effectiveness if they were seen to take sides in a conflict.

Financing

The pecuniary matters of peacekeeping are in a precarious situation, just as the financing for the United Nations as a whole. The issue of financing a peacekeeping operation was one of the main themes of the Secretary-General's speech at the 1988 Nobel Peace Prize ceremony. "It's not enough to make expressions of admiration and good will for peacekeeping," said Perez de Cuellar. " We need money as well."[10]

The total cost of peacekeeping is $750.5 million per year. The U.N.'s total peacekeeping deficit is $661 million, nearly the total cost of one year of peacekeeping. Indeed, the U.N.'s total deficit is $1,349 million, of which peacekeeping is nearly half. The United States owes the U.N. $254.2 million in past peacekeeping dues; the Soviet Union's peacekeeping debt is $211.2 million.[11]

Both the observer missions and peacekeeping forces are financed independently of the overall U.N. budget. The Secretary General allocates the cost of peacekeeping to each U.N. member state. This policy has been criticized frequently, especially in the pre-Glasnost era by the Soviets, but more recently by the United States. Two exceptions to this finance policy still exist, dating back to some of the earliest U.N. peacekeeping operations: UNTSO in the Middle East and UNFICYP in Cyprus. UNTSO, was the first U.N. peacekeeping operation and is funded from the regular U.N. budget. UNFICYP is paid for on a voluntary basis (mainly by Britain) because of Soviet and French refusal to pay during the Cold War for peacekeeping between Greece and Turkey.[12]

Significant Output

The output of a peacekeeping operation is difficult to measure. Perhaps what is more significant for peacekeeping is that fact that it has survived for over forty years. If one is to believe the U.N. Secretary-General's last report to the General Assembly, it is now even stronger than ever. Also important to note is that no peacekeeping operation has ever been abandoned. what follows is a brief description of past and present U.N. peacekeeping operations.

Middle East

Of the thirteen peacekeeping operation undertaken by the United Nations in between 1948 and 1988, six of them have been in Middle East. Further testament to how troubled the LebanonIsrael-Syria triangle (were anyone to need more evidence) is the fact only one U.N. sponsored operation has withdrawn from Lebanon upon completion of its mandate (U.N. Observation Group in Lebanon, UNOGIL, of 1958) out of four. Still stationed around the north and eastern frontiers of Israel are UNTSO, the first U.N. peacekeeping operation, established in 1948; UNDOF, established in the Golan Heights in 1974; and UNIFIL, established in southern Lebanon in 1978.[13]

However, two U.N. peacekeeping forces can be associated with a more satisfactory outcome in the Middle East. The Camp David accord of 1979 between Israel and Egypt removed the need for UNEF II, which had been in the Sinai for five and a half years, following the Yom Kippour War of 1973. A cease-fire was reached in 1973 between Israel and Egypt largely at the insistence of their respective super-power ally—the US for Israel; the Soviet Union for Egypt. Initially, the need for a third party to monitor the two countries' armed forces was not deemed necessary. However, following a minor breach of the cease-fire by Israel on October 23, the Soviet Union proposed a joint US/Soviet force to be deployed to insure compliance with the cease-fire. The United States,

"unwilling either to send American troops to deal with Israel or to see Soviet troops installed in the Middle East" called for an expansion of the U.N. supervisory force already stationed in the region. This resulted in the eventual deployment of UNEF II. As a conciliatory move, the US consented at the Security Council to allow an East European contingent to be part of the peacekeeping force.[14]

Previous to the deployment of UNEF II in the Sinai, UNEF I had been stationed in 1956 with a similar mission of acting as a buffer between Egyptian and Israell troops, in the Suez. However, Israel refused to allow the U.N. force to be stationed on its soil. When the Egyptian order came for the U.N. troops to leave its soil, this ultimately led to the Six Day war of 1967. Thus, the Secretary General was forced to comply. The importance of UNEF I was only realized when the Six Day War occurred since it had kept the peace in the Sinai and Gaza for nearly 11 years.[15]

Unlike, however, any other peacekeeping operation, it was the General Assembly that requested Hammarskjold to set up UNEF I because France and Britain were using their veto at the Security Council during the Suez Crisis.[16]

The United Nations Truce Supervision Organization (UNTSO) was the first peacekeeping operation set up by the U.N. Its purpose was originally to supervise the truce called for by the U.N.'s Security Council (Resolution 50(1948)) between the Arab states and the newly declared state of Israel. However, with the escalation of the conflict in the area, UNTSO now provides assistance to the two armed peacekeeping forces in Lebanon, UNIFIL and UNDOF. A unique feature of UNTSO at the time of its genesis was the close affiliation between the truce supervision duties and the attempts by the U.N. to negotiate a settlement, due to the fact that there virtually no experience in setting up a peacekeeping operation. This was for a long time a burden to the UNTSO which partially explains why its force is used in support capacity to the other Peacekeeping operations in the region.[17]

UNIFIL was created as a result of Israeli invasion of Lebanon following a PLO raid on Tel Aviv in the spring of 1978. Though its original purpose was for the withdrawal of the Israeli troops (in 1978 and again in 1982-85) and to help restore Lebanese government control over Southern Lebanon, it has largely acted as a buffer between the PLO, Israel and the Christian Militia. "Guerrilla" raids by these groups on U.N. sponsored refugee camps have been one of the main problems confronted by UNIFIL.[18]

Israel fought the Yom Kippour War of 1973 on two fronts: in the Sinai and along the Syrian border. UNDOF is the peacekeeping operation set up between Israel and Syria. It controls a neutral zone between the two states and supervises limited armament areas on either side. UNDOF was deployed in 1974, after agreement between Israel and Syria, and had been successful ever since in its buffer role.[19]

UNOGIL was initially set up in Lebanon in 1958 at the request of the Lebanese President Chamoun, to investigate illegal infiltration of personnel or supply of arms. UNOGIL reported none. However, a deterioration of conditions inside Lebanon resulted in the Security Council authorizing UNOGIL to expand its role to include the supervised withdrawal of U.S. troops. U.S. troops had initially entered Lebanon to insure the stability of President Chamoun's government. This was completed in early December 1958, prior to UNOGIL being disbanded.[20]

Congo

The independence of the Republic of Congo (now Zaire) from Belgium on June 30, 1960 was soon followed by a mutiny in the army, the secession of the mineral rich Katanga province from the Republic, the creation of a state, and the return of Belgium troops to the former colony. The president of the new and troubled republic brought the situation to the attention of the Secretary-General of the United Nations, Dag Hammarskjold. Under Article 99 of the U.N. charter, Hammarskjold convened the Security Council. Because of the complex nature of the problem in the Congo, five Security Council and General Assembly resolutions were required to clarify the mandate of the peacekeeping force, ONUC, which had been created.[21]

The need to clarify ONUC's mandate is reflected by major issues which confronted the U.N.'s peacekeeping force in the Congo. The initial success in gaining the withdrawal of the Belgium troops was followed, in the fall of 1960 by a constitutional crisis. The two rivalling opposition leaders of the colonial era, Joseph

Kasa-Vubu and Patrice Lumumba, were given, in the new political structure at independence, the positions of President of the Republic and Prime Minister respectively, in an attempt to appease their rivalry. However, this precarious power share collapsed when President Kasa-Vubu dismissed his Prime Minister. The resulting crisis lasted nearly one year. ONUC role shifted towards appeasing the rivalling military factions. U.N. Conciliation Commission was established and the Security Council authorized the eventual use of force by the peacekeeping troops to prevent a civil war.[22]

Following the death of Lumumba, a government of national unity was formed in the summer of 1961 with ONUC assistance. Kasa-Vubu remained as President. However, the resolution of the constitutional crisis ended the internal civil strife. Katanga's call for secession was stopped in February 1963. Force was used by the peacekeeping troops, initially to remove foreign mercenaries, but also against the troops of Moise Tshombe, a leader of the Katanga uprising. This use of force, coupled with the fact that the U.N. operation was "attendant to the process of decolinization" would hinder the later peacekeeping efforts of the U.N. in that era. Eventually, after a period of stabilization and normalization of life in the Congo, U.N. troops pulled out in June, 1964.

Cyprus

A peacekeeping operation was set up in Cyprus in 1964 as an alternative to a joint operation between the United Kingdom, Greece, and Turkey, that established a federal constitutional system on the island at independence in 1960. The purpose of the system of government which had been set up by the three powers was to insure the rights of both the Greek and Turkish populations on the island, which favored Greeks in a 4:1 ratio. UNFICYP acts as a buffer between the two ethnic groups, as well as adjudicating local disputes. However, the status quo was disturbed in 1974 when a Greek *coup d'etat* and a Turkish invasion militarily engaged the U.N. stationed on the island.[23]

A compromise was worked out between Britain, Turkey and Greece which included better guarantees for the Turkish minority. The continual tension between the two groups requires the continued presence of UNFICYP. Mediation between the two groups has not produced any opportunities for a more permanent form of peace.[24]

Iran-Iraq

The limited peace that has been achieved between Iran and Iraq is based on a Security Council resolution passed in July of 1987. Resolution 598 is a ten point peace-plan, which is based on the provisions for "Actions with respect to the threat to the peace, breaches of the peace, and acts of aggression" in Chapter VII, Articles 39 and 40 of the Charter of the United Nations. At present, the resolution has only been partially implemented, but a military observation group (UNIIMOG) has been installed between Iran and Iraq. Its mandate is included in resolution 598.[25]

Resolution 598 provided for the creation of an observer in its second clause. However, after the installation of the initial cease-fire and monitoring force, few other improvements have occurred. The first clause of the resolution calls for all forces to "withdraw to the internationally recognized boundaries," which has not yet occurred. The boundaries, referred to in Resolution 598, are those that existed before the war started. Presently, Iraq is occupying Iranian soil in the Dezful and Ahwaz sectors. This is a major stumbling block for the peace process.[26]

The second major hindrance to a lasting peace is the refusal by Iran to exchange prisoners-of-war, as called for by Resolution 598. This is also in accordance with the precedent set by past resolution of conflict and in the Third Geneva Convention of 12 August 1949, which deals with prisoners-of-war.

Iran takes a sequential view on how the resolution should be implemented: land before prisoners. Iraq says the release of the prisoners is essential before they can withdraw their troops, basing its argument on the past. The impasse that has been reached between Iran and Iraq is caused by the continued mistrust between the two countries.

Namibia—South West Africa

Namibia is an example of the of the new "multiplicity of functions" in United Nations peacekeeping— a term used by the Secretary General

in his report last September to the General Assembly. The success of Namibia's first free elections, held in November, to elect a constituent assembly represents the completion of an important phase of the United Nations' plan for Namibian independence. The United Nations Transition Assistance Group (UNTAG) was established earlier this year for this purpose. Some of the duties of UNTAG have included military interpositioning between the rampaging members of the former South African sponsored counter insurgency force, Koevoet, and of SWAPO; voter registration, and supervision to insure legal elections; dismantling of the South African controlled South West African Territorial Force; and the release and security of past political prisoners and refugees.[27]

Though the election resulted in a majority for the South West African People's Organization, SWAPO did not gain the two thirds needed to approve the new constitution. The United Nations hopes that a constitution will be ready early next year and that it will be possible to declare Namibia formally independent by April 1990.[28]

Sites Of Other U.N. Peacekeeping Operations

The need for U.N. peacekeeping between India and Pakistan results from Britain failing to allocate the territory of Kashmir to either of the two countries at the end of British colonial rule. India and Pakistan have each claimed the territory as theirs since 1947 when they both became independent. In 1948, U.N. military observers were sent to the Kashmir to assess the situation. A cease-fire was signed by India and Pakistan, which included a plan to formalize the military observers into a peacekeeping operation, known as UNMOGIP. Stability was maintained along the cease-fire lines until 1965 by UNMOGIP.[29]

In August 1965, overt military activities resumed between India and Pakistan in the state of Kashmir and along other parts of their boundary. The Secretary-General, U Thant, strengthened the U.N. peacekeeping in the area by creating a second force, UNIPOM, which was to initially report breaches of the cease-fire outside of the Kashmir. In 1966, with Soviet help, a new peace was worked out between Pakistan and India. UNIPOM helped implement this new accord and withdrew in February 1966. UNMOGIP still remains in place and has been fundamental in maintaininq peace in the region. Presently, the region is divided up between India and Pakistan.[30]

The peacekeeping operation undertaken in West Iriam (West New Guinea) in 1962-63 at the request of Indonesia and the Netherlands is unique in that it was paid entirely by the countries which requested it. The operation involved the temporary transfer of the territory to the United Nations following the Netherlands end of colonial rule, and prior to its inclusion in independent Indonesia. This peacekeeping operation has the distinction of being the only one not to have been given any acronym.[31]

The smallest peacekeeping operation ever undertaken by the United Nations was in the Dominican Republic in 1965. At the insistence of the Soviet Union, who objected to a military intervention on the island by the U.S., a three man force was sent to the island by the Secretary-General to observe the situation. The political instability was resolved with elections in June of 1966, and the three men were withdrawn later that year. The Secretary-General, in this instance, was made "to conduct an observer mission under conditions of political controversy between the United States and the Soviet Union."[32]

UNYOM was established in 1963 by the United Nations to insure the non participation of Saudi Arabia and Egypt (known then as the United Arab Republic) in the civil strife which had resulted from the ousting of the Royal Family of Yemen. UNYOM was mainly successful in "restraining influence." Desert conditions made it almost impossible for the force to effectively enforce the agreement. The lack of cooperation from the parties involved in the conflict, as well as the division of the Member Nations in New York along East/West lines, were the main reasons that the operation was terminated in September of 1964.[33]

UNAVEM was established in January of this year to monitor the withdrawal of Cuban forces from Angola.[34]

UNGOMAP is a peacekeeping force established to insure the proper implementation of the Afghanistan Agreement of April 14, 1988. The first part of that agreement, the Soviet withdrawal from Afghanistan, has been completed. Unfortunately, the internal warring between the government and the Muhjahadin has prevented complete implementation.[35]

Conclusion

Frank Gregory wrote in the early 1980s that

> The history of peacekeeping forces is the history of a conflict between fervent idealism and brutal practicality. Dag Hammarskjold's belief in peacekeeping by persuasion has hardly ever, over a quarter of a century, been justified by events.[36]

Gregory's assessment of U.N. peacekeeping contrasts markedly with those given by others, not only made in the past two or three years, but also previous to new super-power "entente" at the U.N. Indeed, much of the renewed strength of the United Nations and its peacekeeping operations stems from the fact that as a whole, the organization did not compromise the ideals on which it is based. Most notably, when dealing with peacekeeping, it is the nonuse of force and the impartial role of the *Blue Helmets*. As Secretary-General Perez de Cuellar stated in his report to the General Assembly last September, "Until now, the use of force by peace-keeping operations has, with one exception, been permitted solely for self-defense in the last resort. We would be wise to stick to that principle."[37]

Perhaps where Gregory has gone wrong in his assessment is his confusing the difficulties of the U.N. as being caused by the organization itself. The U.N. is what its member states make of it, and the same is true of peacekeeping. Too often, as Brian Urquhart points out in his autobiography, the U.N. is used as a scapegoat for failed or flawed foreign policy by member states. Too often the U.N. peacekeeping force is used to clean up the messes of the first world, while at the same time being criticized by them. This is illustrated in his description of the formation of UNEF I, following the Suez fiasco by Britain and France:

> As soon as the British and the French were forced to realize the folly of the Suez operation and agreed to withdraw, they began, as a face-saving policy, a maddeningly detailed and critical supervision of U.N. efforts to clean up the mess they had created, questioning every step with patronizing selfrighteousness that was hard to take seriously.[38]

Ultimately, the incredible difficulty of effective peacekeeping is reflected in the failure of the U.S. sponsored Multinational Force in Lebanon. The U.N. track record is proven in this field, and peacekeeping is one of the most pragmatic aspects of the U.N. organization. U.N. peacekeeping has existed since World War II because there is a need for an impartial and neutral force to aid in the resolution of conflicts. That need still exists and has an opportunity to grow and succeed. □

Endnotes

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13a Emmes Executive Memo, "United Nations Peacekeeping," (May 1989), p. 2.
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17a *Blue Helmets*, pp. 15-40.
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18a *Blue Helmets*, pp. 108-154.
18b Wiseman, pp. 50-53.
19. *Ibid.*, pp. 49-50.
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21. *Blue Helmets*, p. 344.

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23b Wiseman, pp. 40-41.
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30b Wiseman, pp. 44-45.
31 *Ibid.*, pp. 39-40.
32 *Ibid.*, p. 43.
33. *Blue Helmets*, p. 195.
34. Emmes Memo, p. 2.
35 *Ibid.*
36 Gregory, p. 1.
37 Perez de Cuellar, p. 9.
38 Urquhart, p. 135.