



# *Hemispheres*

**The Tufts University Journal of International Affairs**

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Ecological Contours/Development Pathways: A Photographic Exploration of Global Consequences

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Established in 1976, *Hemispheres* is the Tufts University Journal of International Affairs. The journal addresses a variety of social, economic, political and legal issues, both contemporary and historical, within the framework of international relations. The articles contained herein reflect diverse views of undergraduates at Tufts as well as other universities. While the Editorial Board is solely responsible for the selection of articles appearing in *Hemispheres*, the Board does not accept responsibility for any opinions or biases contained within.

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# Hemispheres

The Tufts University Journal of International Affairs

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## Essays

*Biotechnology: A Solution to Deforestation in Southeast Asia* ..... 5

Thomas A. Magnani

The loss of the Earth's last remaining rainforests is one of the most serious environmental problem facing the world today. The solution to this dilemma may lie in the value of the forests themselves: because of the potential to earn large profits from tropical species, it is in the interests of the world's biotech firms to push for conservation measures. A biological resources property rights agreement would provide an incentive for both governments and individual citizens to switch from slash-and-burn agriculture to more profitable bio-prospecting techniques.

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### *When Economic and Security Interests Collide: The Paradox of Trading Conventional Weapons ..... 90*

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# Editors' Note

As we approach the twenty-first century, the issue of global development is as salient as ever. While rapid poverty reduction coupled with democratic consolidation has dramatically improved living conditions for hundreds of millions of people, the problems of malnutrition, illiteracy, and poverty still persist in many regions of the globe. For these reasons the Editorial Board decided to choose "Issues in Global Development" as the theme for this year's journal.

In addition to student essays, three interviews featured in this year's journal address issues of global development. Interviews with Jeffrey Sachs, director of the Harvard Institute of International Development (HIID), and Neva Goodwin, co-director of the Global Development and Environment Institute (G-DAE) at the Fletcher School of Law and Diplomacy, articulate contrasting visions of the process of global development. Tan Sri Razaleigh Ismail, the President of the General Assembly of the United Nations, discusses development issues as they pertain to the UN. We have also included selected photographs from *Ecological Contours/Development Pathways: A Photographic Exploration of Global Consequences*, an exhibit of work collected from two international competitions sponsored by the United Nations Environmental Programme (UNEP).

Amy Stepanian's paper, entitled, *When Economic and Security Issues Collide: The Paradox of Trading Conventional Weapons*, is this year's recipient of the Hemispheres Award. As in the past, the essay receiving the John S. Gibson Award, is also included in the journal; Carl McCoy's work, *The Impact of Israeli Behavior on Syria's Foreign Policy Approach to the Golan Heights*, was chosen by the International Relations faculty at Tufts University as this year's recipient.

*Hemispheres* would like to thank members of the Program in International Relations, particularly John Jenke and Anne Sauer, for their advice and encouragement. We would also like to extend our appreciation to Professor Emeritus Don Klein for his assistance and the Tufts Community Union for their continued support. Finally, the Editorial Board would like to thank the students who submitted their work to us and the faculty members who encouraged their submission.

Co Editors-in-Chief

Ringae Nuek  
William M. Plummer



# Biotechnology: A Solution to Deforestation in Southeast Asia

by Thomas A. Magnani

The words "tropical deforestation" generally conjure up images of cattle ranchers burning forests in Brazil and other South American countries. As widely held as this view is, however, it is actually slightly skewed. Deforestation is, in fact, occurring most rapidly in Southeast Asia. Indonesia, which possesses 60 percent of the area's rainforests and 10 percent of the world's total, is felling roughly 1 percent of its forests every year.<sup>1</sup> In smaller countries, the situation is even worse. In Vietnam, Thailand, and the Philippines, for example, less than 15 percent of the original rainforest cover remains.<sup>2</sup>

The loss of the Earth's last remaining rainforests may very well be the most serious environmental problem facing the world today. Rainforests are important absorbers of carbon dioxide, which has been implicated as a contributing factor in global climate change. Perhaps even more importantly, rainforests are key storehouses for the world's biodiversity. Scientists claim that the world's rainforest may contain millions of species that have yet to be discovered. Clearly, then, the loss of the world's rainforests represents a crisis of global proportions.

Most people do not realize that deforestation also presents several local difficulties. The removal of rainforest trees destabilizes soils and reduces the capacity of the land to retain water, which can produce flash floods and mud

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*Tom A. Magnani will graduate from Tufts University in 1997 with a Bachelor of Arts in Biology and Environmental Studies.*



slides and decrease agricultural output. These mud slides have killed thousands of people over the past few years, and any decrease in food production poses dangerous problems for Southeast Asia's rapidly growing population.<sup>3</sup>

## Causes

While many environmentalists, economists, and politicians recognize that deforestation is a serious issue, the causes of the problem have been widely disputed. The governments of most Southeast Asian countries claim that deforestation is caused primarily by the use of slash-and-burn agriculture by indigenous farmers. Malaysian Environment and Tourism Minister Datuk Amar James Wong summarized this position:

...in shifting cultivation, which causes irreparable destruction to the forest, we lose everything. The natives use chain saws to cut the trees, destroying everything in the process. It is a fact of life that the biggest curse to the Sarawak forest is the shifting cultivation which eats into the forest...<sup>4</sup>

International institutions largely agree. The Food and Agriculture Organization (FAO) reported in 1989 that as much as 54 percent of deforestation is due to slash-and-burn agricultural practices.<sup>5</sup> This situation is exacerbated by the high population growth rate for indigenous farmers, which is about twice the national average in most Southeast Asian nations.<sup>6</sup> Poverty, maldistribution of farmlands, inequitable land use systems, and the lack of native land rights all encourage indigenous people to exploit whatever land they can find, however heavily forested or marginal, and to move onto another patch as soon as yields start to decline.

In some instances, misguided governmental policies have made the problem even worse. Such is the case in Indonesia, where the government's relocation program has moved more than three million people from densely populated Java to less populated and more forested islands like Sumatra.<sup>7</sup> An additional 4-6 million Indonesians have chosen to relocate without the government's assistance.<sup>8</sup> These settlers have been very environmentally destabilizing. First, they clear forests to make farm settlements. Then, because they lack the knowledge of the indigenous people of where and how to cultivate the land, they often wind up degrading their land and are forced to clear even more forests to try again.

Environmental groups generally place less importance on agriculture and

point instead to logging as the primary cause of deforestation in the last two decades. Logging is one of the largest sources of revenue in Southeast Asian nations. In Indonesia, for example, logging is the second-largest attractor of foreign money, earning over \$3 billion a year.<sup>9</sup> In this way, logging provides an important source of cash needed to service foreign debt, making overexploitation of forest resources very attractive. Even without overexploitation, however, logging can contribute to deforestation in several ways. Forest loss from the actual cutting down of trees may only be a small fraction of the total deforestation caused by logging. Some estimates claim that as many as two-thirds of the trees that are not cut down die off anyway from damage sustained during logging or from the ecological imbalances logging creates.<sup>10</sup> In addition, logging encourages people to settle in forested regions by opening up roads to formerly inaccessible locations and by providing well-paying jobs in those areas. Once settlers move into a region, the floodgates for further development, and degradation, are opened wide. Once these indirect effects of logging are factored in, commercial logging may account for as much as 75 percent of the deforestation occurring in countries like Indonesia.<sup>11</sup> As with slash-and-burn agriculture, government policies have made the problem worse. Short-term logging concessions, for example, discourage sustainable logging practices by eliminating the incentive to replant trees for future harvests.

## Previous Attempts at Solutions

More than ten years ago, key players in the global arena began to recognize the seriousness of the deforestation problem in Southeast Asia. Since then, there have been many international and domestic attempts to solve the problem, but these have largely failed. The Tropical Forestry Action Plan (TFAP), founded in 1985 to coordinate multilateral and bilateral assistance for forestry conservation, has helped many Southeast Asian nations to develop National Forestry Action Plans (NFAPs) to reduce deforestation rates.<sup>12</sup> Rather than trying to phase out commercial logging or outlining how logging should be made sustainable, most of the plans promoted the use of tree plantations as a substitute for logging virgin forests. These plans failed to halt deforestation, however, because they did not eliminate government incentives that make logging of publicly owned forests much more financially attractive than purchasing and maintaining a tree plantation. For this reason, TFAP's funding was discontinued in 1990.<sup>13</sup>

A similar agency, known as the International Tropical Timber Organization



(ITTO), was founded in 1986 with the explicit purpose of promoting sustainable forestry practices. Essentially, the ITTO is a trade union consisting of twenty-two countries that produce tropical timber and twenty-four countries, that are tropical timber consumers. Because it would not be in the interests of countries that are large consumers of tropical wood to limit its sale in any way, it was thought that giving producer countries the same proportion of voting power as consumer countries would allow the ITTO to pass reforms that would not be possible in a consumer-dominated organization. The ITTO has proven, however, to be resistant to advocating reforms, mainly because Japan, which is the largest consumer of tropical timber in the group, has the largest single voting share and provides all of ITTO's funding. For example, after ten years, the ITTO has failed to define what it means by "sustainable use," and has not even come close to adopting or promoting any specific sustainable forestry policies.<sup>14</sup>

The World Bank has also taken steps to alleviate deforestation. In 1988, for instance, the World Bank loaned Indonesia \$34 million to fund five important forestry projects, including taking an inventory of the country's remaining forests, establishing a forestry research program, conserving a critical watershed, improving and expanding the national park system, and drafting a master-plan for forestry management. These projects have mostly been limited to generating data on remaining forest resources, and have produced few, if any, logging reforms. Consequently, logging in Indonesia was still occurring at 50 percent above the sustainable level six years after these projects were begun.<sup>15</sup>

In conjunction with the Japanese government and the Asian Development Bank, the World Bank has also participated in a massive loan assistance program for the Philippines. Between 1988 and 1992, these three creditors loaned the Philippines a total of \$726 million to fund reforestation efforts, establish protected forest areas, enforce logging regulations, develop community-based watersheds, and ease the Filipino balance-of-payments crisis. These loans were supplemented by an additional \$75 million grant from the Asian Development Bank.<sup>16</sup> With this outside help, the Philippines has actually been able to curb deforestation, but this may prove too little too late since most of the Philippines' rainforests have already been destroyed.

Not wishing to suffer any loss of sovereignty at the hands of international organizations, some Southeast Asian nations have taken it upon themselves to promote forestry conservation. One often-cited example is that of Indonesia's ban on the export of raw rainforest logs. Indonesian policy-makers have claimed that this ban will promote the development of wood-processing industries in their own country. Because processed timber is worth more on international markets than raw logs, analysts have argued that this ban should increase the



value of Indonesia's timber exports and, thus, decrease the demand for wood. Environmentalists have argued, however, that this ban has not significantly affected logging and was instituted only to promote Indonesia's emerging plywood industry. Indeed, logging companies had to spend a great deal of money on timber-processing facilities and have resorted to extensive overfelling to recoup their investments. Moreover, this ban on raw logs may actually encourage loggers to think of harvesting the forest at a rate determined by the capacity of their mills, rather than by the forest's sustainable yield. This shift in ideology could, indeed, be devastating to Indonesia's forests, especially because Indonesian timber-mills currently need about forty-four million m<sup>3</sup> of wood a year to operate at just 80 percent capacity, which is well above the official sustainable yield of thirty-one million m<sup>3</sup>.<sup>17</sup>

Because of the seeming inadequacy of the efforts of tropical countries to deal with deforestation, some industrial nations have taken unilateral action to ameliorate the situation. In 1992, for example, Austria passed legislation requiring all products made from tropical wood to be labeled as such. Such a plan, known as an "eco-labeling" scheme, would provide consumers with the information they need to make rational decisions about the wood products they purchase. Consequently, at least some consumers would be motivated to choose temperate timber over tropical timber, thereby reducing the incentive for deforestation. Accompanying this eco-labeling law was a \$17 million fund to finance environmentally sound forestry in tropical countries. Despite the increased financial assistance provided by the law, several Southeast Asian nations were angry that Austria would choose to act unilaterally on such an issue. Several Southeast Asian countries have threatened to sue Austria under the World Trade Organization (WTO), which bars countries from making arbitrary distinctions between similar products, like distinguishing between wood from a temperate region and wood from the tropics. This threat has, so far, been enough to prevent Austria from enforcing the law and has also discouraged the United States, Germany, Australia, and the Netherlands from implementing similar schemes they have been considering.<sup>18</sup>

Despite their opposition to eco-labeling schemes that originate in the developed world, both Indonesia and Malaysia are currently considering their own voluntary eco-labeling plans which would label timber and wood products that come from forests that are "sustainably managed."<sup>19</sup> Before these governments agree to such plans, however, they must be convinced that consumers may boycott unsustainably harvested tropical timber and may be willing to pay a "green premium" for sustainably managed wood. Because such plans are voluntary and are not international actions, they are almost certainly WTO-legal.<sup>20</sup>

## Biodiversity as Revenue

Clearly, Southeast Asia's tropical rainforests are too valuable to justify current rates of deforestation, but, so far, it has proven extremely difficult to slow deforestation to sustainable levels. The solution to this dilemma may actually lie in the value of the forests themselves. The enormous biodiversity found in Southeast Asia's rainforests may well be the key to alleviating deforestation in the region. Biodiversity is not simply an "abstract good," valuable only as a means of boosting the spirits of nature-lovers. The plants and animals of the world's rainforests have produced a wide range of useful products, from hybrid seeds to anti-cancer drugs. In fact, as much as one quarter of all prescription drugs sold in the U.S. are derived from tropical plant species.<sup>21</sup> These plants generate \$32 billion a year in revenue for U.S. pharmaceutical companies alone. In addition, some studies suggest that yet-to-be-discovered drugs may be worth as much as \$147 billion.<sup>22</sup>

Because of the potential to earn large profits from tropical species, it is clearly in the interests of the world's biotech firms to push for conservation measures. Southeast Asia is of particular concern because it houses a significant portion of the world's biological diversity. Indonesia alone has forty-seven distinct natural ecosystems and accounts for 11 percent of the Earth's plant species, 12 percent of its mammals, and 17 percent of its birds. Hidden away within these forests may very well be important new drugs to fight AIDS, cancer, and numerous other diseases that currently have few effective treatments. Clearly, any company that discovered such a drug would earn a substantial profit from it. Profits do not come without a substantial amount of work, however. To discover valuable drugs, biotech firms must engage in "bio-prospecting," the process of screening plant and animal species for use in pharmaceuticals. Because it takes years to evaluate just a tiny fraction of all the plant and animal species found in the rainforests, biotech companies have an incentive to push for rainforest conservation. Otherwise, crucial undiscovered species may not survive long enough for anyone to screen them and convert them into useful, and profitable, drugs.



# The Convention of Biodiversity

**T**ropical country protests about unilateral measures prompted the UN Conference on Environment and Development, held in June of 1992, to produce the Convention on Biological Diversity, which stressed the importance of multilateral answers to the deforestation issue. This document, originally ratified by 117 countries, seeks to preserve biodiversity by granting individual nations property rights to the biological resources found within them. Formerly, genetic resources were considered the common heritage of all of humanity and, thus, could not be "owned" by anyone. Although this treaty goes a long way toward giving tropical countries an incentive to preserve their rainforests, it is plagued by several serious flaws. First, the language of the treaty is vague on the issue of intellectual property rights. This initially prevented the U.S., which is one of the largest exploiters of tropical biological resources, from signing the convention. Although the U.S. has since signed the treaty, it has yet to ratify it, casting serious doubts on the convention's effectiveness.<sup>23</sup> Moreover, the treaty is merely a general statement about how the international community should view biological resources; it contains no detailed provisions on what those rights mean in terms of contracting ability with outside governments and corporations. It also does not contain any enforcement mechanisms to discourage countries from ignoring the convention.<sup>24</sup>

## Biotech Firms Take Initiative

**E**ven before the Convention on Biological Diversity laid a framework for the use of genetic material from rainforests, biotech companies had been making bio-prospecting deals with tropical countries. The most famous of these is the landmark 1991 agreement between Merck (the world's largest pharmaceutical company), and a private organization called the Instituto Nacional de Biodiversidad (INBio) in Costa Rica. This was a two-year "collaborative research agreement" in which Merck agreed to pay INBio \$1 million for all the plant, insect, and soil samples INBio could collect, in addition to 1 percent to 3 percent of the royalties from any drugs that Merck develops from samples provided by INBio. Half of whatever royalties INBio eventually earns are slated to go to the Costa Rican Ministry of Natural Resources for the management of parks and conservation zones.<sup>25</sup> In this way, INBio has been given an incentive to protect whatever rainforests are under its control, and the Costa Rican government has been given additional revenue to implement and enforce conservation measures. Provisions in the agreement also require Merck to help Costa Rica develop domestic chemical extraction and inspection facilities so that Costa Rica will be able to develop its own drugs from rainforest plants in the future.<sup>26</sup>



Although the Merck/INBio agreement is the most famous of example of a biotech firm doing business with developing countries to protect rainforests, it is not the only one. Biotics Ltd., a British company that supplies samples to biotech firms like Merck, currently has supply contracts with eight different countries in Africa, Asia, and Latin America. Typically, Biotics agrees to pay twenty-five pounds per sample plus 50 percent of any royalties it earns on products made from the plant material (usually 1-3 percent of the total royalties earned by the product). Written into most of its contracts are terms requiring or encouraging the developing nation to invest its royalty earnings in biodiversity protection.<sup>27</sup>

Shaman Pharmaceuticals has gone one step further than either Merck or Biotics. This California-based company has made several deals with indigenous peoples in rainforests around the world to share their knowledge of the medicinal value of rainforest plants in return for material benefits. In Indonesia in 1994, for example, Shaman was able to convince the healers of a tribe in East Kalimantan to describe the medicinal properties of the local flora, and, in exchange, Shaman built a new water supply system to bring clean water to the tribe's village.<sup>28</sup> Such deals improve the quality of life for indigenous people and increase the mental health of the tribe by showing the people that their knowledge and lifestyle is valuable and respected by others.

### *The Need for a Regional Bio-Prospecting Agreement*

Although the Convention on Biological Diversity has set up a framework for biotech deals like the ones mentioned above, the biotech industry believes that an additional treaty is necessary to further promote bilateral prospecting arrangements. Such a treaty is already in place in Central America. In 1992, eight Central American countries gathered in Managua, Nicaragua to strike a regional agreement that would make biotech contracts more feasible and fair. The treaty that was drawn up at this meeting directs Central American countries to set up guidelines for the extraction of their biological resources, to establish minimum royalty payment standards for products developed from those resources, and to commit part of any royalty earnings to biodiversity conservation. The treaty also suggests that laws be passed to protect future access to patents on biological resources, and to ensure that host countries receive their own bio-prospecting research technology.<sup>29</sup>

Some biotech firms have argued that establishing regional guidelines would make bio-prospecting less profitable by eliminating international competition for biotech contracts. Others have suggested that the cost of developing new drugs is already so high that any additional loss of revenue would make the industry unprofitable. While these concerns are certainly valid, the majority

of firms believe that a regional agreement is necessary to appease tropical countries. Some have begun to realize that they are bargaining over a shrinking forest. An agreement made today, no matter how costly, may very well be more profitable in the long run than an agreement forged later, when the rainforests are even more depleted. Moreover, tropical nations are beginning to assert their right over their own biological resources, so if companies do not act soon, they may never be able to forge an agreement, which would definitely be unprofitable and undesirable.

An agreement like the one forged in Central America must be part of any solution to Southeast Asia's deforestation problem. A biological resources property rights agreement would provide an incentive for governments and individual citizens to switch from logging and slash-and-burn agriculture to the more profitable endeavor of bio-prospecting. Changing the interests of these constituents is essential to successfully dealing with deforestation, as E.O. Wilson writes:

The only way to make a conservation ethic work is to ground it in ultimately selfish reasoning...An essential component of this formula is the principle that people will conserve land and species fiercely if they foresee a material gain for themselves, their kin, and their tribe.<sup>30</sup>

In addition, the money earned from pharmaceutical royalties could be directed towards training forest rangers, restructuring the forestry concessions system, monitoring conservation areas for illegal logging activity, and implementing other logging reforms. Moreover, technology transfer provisions would help promote biotech industries within the Southeast Asian nations themselves, creating a new economic sector and generating revenue which could help alleviate the underlying problems of poverty and excessive debt.

### *Feasibility of Forging an Agreement*

A regional bio-prospecting agreement should be relatively easy to reach, given the benefits. Without one, bilateral agreements like Merck-INBio, will probably only deliver benefits to a few countries - those that are quick to compromise with biotech firms and those that are closest to having the technical capacity needed to support biotech prospecting. A multilateral treaty would level the playing field and give all developing nations an equal chance to profit from biotech initiatives. A treaty would also help protect the interests of developing nations that might not have experience in negotiating prospecting contracts and might get a "raw deal" if guidelines are not established ahead of time.



More importantly, now that Central America has agreed to conserve biodiversity as part of any biotech deals made there, it is in Southeast Asia's financial interests to follow suit. Otherwise, it will lose business to Central America, since biotech firms will preferentially choose to invest in countries where their money will guarantee some biodiversity protection. The establishment of contractual guidelines will also enhance the legitimacy of any bio-prospecting agreements signed in the region, thereby reducing the risk of a disgruntled government successfully invalidating an unfavorable contract. This would benefit biotech firms by providing for a more stable investment environment.

The issue of deforestation in Southeast Asia provides us with a clear example of a situation in which a shift in the international contractual environment can bring about both global and domestic benefits for the parties involved. In this case, the establishment of a regional bio-prospecting agreement would help reduce rates of deforestation while providing the countries involved with an important new source of revenue. Certainly any long-term solution to deforestation must involve more direct domestic efforts to alleviate poverty and restructure inappropriate government policies. A regional bio-prospecting agreement will, at least, help to convince Southeast Asian nations that deforestation is an issue worthy of their attention and to provide them with new resources for tackling the problem.

## Notes

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- 2 Gareth Porter, "The International Hazards of Asia Pacific Development: The Southeast Asian Rainforests," *Current History* (December 1994): 430.
- 3 *Ibid.*, 432.
- 4 Peter Dauvergne, "The Politics of Deforestation in Indonesia," *Pacific Affairs* (Winter 1993): 499.
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- 6 *Ibid.*, 113.
- 7 Groombridge, 273.
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- 9 Peyton Johnson, "Fires in the Mother Lung," *Ceres* (May/June 1992): 135.
- 10 Dauvergne, 512.
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- 15 "Chainsaw Massacres," *The Economist* (25 June 1994): 39.
- 16 Michael Ross, "Conditionality and Logging Reform in the Tropics," in *Institutions for Environmental Aid*, ed. Robert O. Keohane and Mark A. Levy (Cambridge: MIT Press, 1996) 180-181.
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- 18 "For the Chop," 1993.
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- 23 World Resources Institute, *Biodiversity Prospecting*, (Baltimore: World Resources Institute, 1993) 189.
- 24 Sandler, 232.
- 25 Roger A. Sedjo and R. David Simpson, "Property Rights, Externalities, and Biodiversity," in *Biodiversity Loss: Economic and Ecological Issues*, ed. Timothy Swanson (New York: Cambridge University Press, 1995) 84.
- 26 Bruce Aylward, "The Role of Plant Screening and Plant Supply in Biodiversity Conservation, Drug Development and Health Care," in *Intellectual Property Rights and Biodiversity Conservation*, ed. Timothy Swanson (New York: Cambridge University Press, 1995) 119.
- 27 Ibid., 117.
- 28 Cohen, 69.
- 29 Elissa Blum, "Making Biodiversity Conservation Profitable: A Case Study of the Merck/INBio Agreement," *Environment* (May 1993): 18.
- 30 Ian Walden, "Preserving Biodiversity: The Role of Property Rights," in *Intellectual Property Rights and Biodiversity Conservation*. ed. Timothy Swanson (New York: Cambridge University Press, 1995) 176.

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# Hunger, Marginalization, and Development

*by Rishi Marchanda*

Widespread hunger and malnutrition are regarded as some of the most pressing socio-economic problems facing the world today. Sixty thousand people, two-thirds of whom are children, die of hunger and diseases related to malnutrition every day in a time characterized by unprecedented technological and productive advances. The problems of hunger and malnutrition have become particularly acute in the last fifty years and can no longer be ignored by government planners, politicians, and nutrition experts. Fundamental connections between chronic malnutrition, poverty, politics and socio-economic development have emerged. Observing these experiential relationships has provided some principal insights, particularly regarding the importance of land reform and education in alleviating malnutrition. More generally, an overall conceptual understanding of hunger in a political economy context emerges. As these issues are analyzed, marginalization theory, which views malnutrition and hunger themselves as by-products of development and modernization, seems to offer the most complete theoretical understanding of hunger within this framework.<sup>1</sup>

As hunger has been measured, analyzed, and confronted, it has typically been viewed as an integral part of poverty and social deprivation, becoming an indicator of underdevelopment. However, as the experience of the Ladakh

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*Rishi Manchanda will graduate from Tufts University in 1997 with a Bachelor of Arts in Biology and Religion.*

Project illustrates, hunger and malnutrition, as well as poverty, can also be regarded from the marginalization theory perspective.<sup>2</sup> This view holds that malnutrition and poverty are two unintended effects of development policies and programs that espouse modernization, a process which has historically caused immiserating growth. Traditional inequities in land distribution systems, lack of access to education, health, and safe water, as well as inadequacies in food production systems are seen to have been primarily exacerbated by modernization. This has resulted in greater levels of poverty and hunger. These issues and specific development policies that have caused the marginalization of many people in the Lesser Developed Countries (LDCs), can be fully understood within this theoretical context. An awareness of the particular problems inherent to these policies emerges, pointing towards the need for efficient, equitable, and sustainable development. Only with this understanding can hunger and malnutrition be eradicated.

## **The Role of Agriculture in Socio-economic Development**

Since, according to the United Nations (UN), one billion of the world's 1.3 billion people in absolute poverty live in rural areas, where an agrarian-based economy predominates, the role agriculture plays in socio-economic development clearly merits examination. Despite its direct pivotal relationship to the economies of developing nations and the livelihood of rural millions, agriculture has historically been a neglected sector in the Global South. Through direct means, characterized by sectoral policies that affected the price level of the agricultural sector in relation to the industrial sector, and indirect methods, such as industrial protection, many planners in developing countries have biased incentives against agriculture. They have frequently shifted scarce resources towards industry, long considered the engine of modernization. By depressing agriculture's terms of trade both domestically and internationally, direct and indirect interventions reflecting urban bias have led to enormous income transfers away from agriculture — averaging 46 percent of agricultural GDP a year during the period 1960-1984.<sup>3</sup>

Considering the drastic bias that has devalued the agricultural sector for decades, fair direct government agricultural intervention has been essential to socio-economic progress. Indeed, direct agricultural policies have been effective in reducing bias in the past. For the eighteen countries examined by the World Bank from 1960 to 1985, direct intervention, manifest in tariffs on imported commodities, quantitative restrictions, export taxes and quotas, as well



as price policies, all protected domestic producers of import-competing food products. However, there exist significant inadequacies in the direct programs of developing nations. First, agricultural inputs like subsidized farm credit and fertilizer, though beneficial to the land-owning small farmer, are often rationed to and consumed by larger, better connected and less needy farmers. In addition, in developing countries, the primary objectives of agricultural price policies have been food self-sufficiency, domestic price stability, low food prices for urban consumers, and government revenue. However, as prominent development scholar Michael Lipton notes, these objectives reflect urban bias and, therefore, can prove negative to the needs of the rural majority.<sup>4</sup> According to experience, then, reforms in direct intervention, which affects the economic self-sufficiency of the rural poor, should include: removal of internal agricultural marketing regulations that prevent a free flow of goods and services within the country, and the dismantling of quotas, licenses, and state trading companies.

The final major aspect of agricultural policy that is extremely pertinent to socio-economic development is direct governmental provision of inputs and support services. The most productive agricultural sectors have been those that have had access to small-farmer support measures, including credit, irrigation, and research and extension services. One can see evidence of this in Costa Rica, Sri Lanka, Zimbabwe, and other developing nations that followed the support-led security approach.<sup>5</sup> These direct support programs must also include simple infrastructure building, encouragement of local organization and co-op formation, as well as access to safe water, sanitation, vaccination, family planning, and education. This combination of direct support measures can help ensure that rural agrarian populations and developing countries in general will be able to realize both their own human potential and the sustainable yield potential of their land.

Although the previously mentioned reforms in direct policy are crucial to improving the agricultural sector, they are primarily relevant to a society with a small owner/cultivator farming system. In societies with high land and asset concentration, a situation common to developing countries, the plight of the rural agrarian-based landless must be addressed first and foremost through land reform. Land reform means land to the tiller, the redistribution of the rights associated with land ownership in favor of those physically cultivating it. Such measures are taken at the expense of landlords, speculators, and other landholders. Inherent in agrarian reform of this sort is the proven fact that small-scale food production systems can also be more productive than larger production systems. In addition, land reform is almost always necessary for equitable distribution of the aforementioned inputs. Where the fundamental

inequities in land distribution have been addressed, as in the Philippines, Zimbabwe, or Kerala state in South India,<sup>6</sup> it is clear that governments must be politically committed to, or at least, politically receptive to the rural landless in order for land reform to succeed. Once again, the importance of the political economy framework in addressing poverty and hunger is evident. Whether in the form of tenancy reform, where rents are reduced and tenant rights are aggressively protected by regulation, or redistribution measures benefiting the landless worker, land reform offers fundamental social and political advantages to the millions of marginalized rural landless.

### *Urban Bias*

In analyzing the historical role of agriculture in providing livelihood to a majority of people in developing countries, it is clear that urban bias has been a major factor in the economic structure that has perpetuated and exacerbated hunger. Urban bias, as a general conceptual term, can account for anything from the macroeconomic policy choice of rapid industrial growth, opted for by many LDCs, to the substitution of crops meant for rural consumption by cash crops for export or urban consumption, to national food self-sufficiency planning as described by Michael Lipton. These measures are all taken instead of focusing on household food security that involves the rural sector. In terms of income distribution effects, policies reflecting urban bias are responsible for income transfer out of the agrarian countryside, reduction of incentives and resources to grow more food, more waste and transport costs, and the widespread phenomenon of rural-urban migration. Clearly, the empirical evidence points to the need for an understanding of hunger as a function of a political system entrenched in urban bias.

## **Political Empowerment**

If improvements in the agricultural sector, land distribution systems, and rural-urban relations are necessary for sustainable socio-economic development, then basic political empowerment of those most vulnerable to modernization is the key. In Kerala, often cited as the prime development success story, the political power of peasants, who were frustrated with inequitable land-tenure systems, became the critical factor in the implementation of development strategies.<sup>7</sup> The encouragement of their political participation presently ensures that the development strategies are distributive and inclusive in nature. These strategies include more equitable distribution of land, income, and social services. In addition, existing industries and services are, as a result of this, more labor-intensive. In developing countries which are often labor-



rich and capital-scarce, such production systems, whether in agriculture, industry, or services, ensure economic and food security much more than do capital-intensive strategies, though these are often strongly encouraged by Western governments and financial agencies. In Kerala, the political commitment that is so often lacking in many other developing societies, was provided not by a compassionate government, but by the very people whose livelihood was at stake. As this case illustrates, political empowerment of the rural, agrarian marginalized masses is the essential impetus behind wealth redistribution, direct agricultural programs, and inclusive services.<sup>8</sup> Collectively, these then drive development further, whereby a more equitable distribution of resources leads to improved public health, seen in a decrease in death rates, and, ultimately, in lower birth rates.

Often times, technical discussion of nutrition and health improvement as well as issues of population pressure and sustainability, while extremely relevant to hunger and malnutrition, neglect the connection to political empowerment that is illustrated by Kerala. Indeed, the Kerala experience is consistent with extensive research data demonstrating that mortality rates, an indicator of public health, are more closely associated with income, education, and broad nutritional levels than with the spread of health services.<sup>9</sup> Another factor affecting nutritional status is the government ration shops that distribute food at controlled prices -- a clear sign that health and hunger are political issues. In addition, health services that do exist must focus on simple technology, easy access to the rural sector, and preventive education as opposed to curative medical care. Otherwise, health services in developing countries can easily succumb to a powerful urban-biased medical establishment, preventing public health from being effectively addressed. In terms of population pressure, the empirical evidence from Kerala shows that education and empowerment are the best ways to achieve a sustainable growth rate and reduce fertility rates rather than family planning services that often ignore the fact that children are viewed as assets by marginalized families. Clearly, political empowerment, inherently connected to mass education, particularly for girls and women whose role in family health care, family planning, and development is central, must be the fundamental starting point for truly equitable socio-economic progress. For, if anything, hunger, malnutrition, poverty, and rapid population growth cannot be eradicated without changing the political and economic structure that creates and prolongs their existence.

Considering the extent to which agricultural policy, land reform, urban bias, education, health, and population concerns collectively reflect the vast array of issues that are involved in a discussion of hunger and malnutrition, the process of marginalization emerges as the most satisfactory conceptual explanation

behind the problems of immiserating growth and dualism. This understanding of hunger and malnutrition as two unintended effects of modernization speaks to the difficulty of comprehensively alleviating them. Rather than just relying on targeted nutrition programs like Oral Rehydration Therapy (ORT) and sectoral policies, the existence of increasing hunger demands a fundamental change in the political structure that creates it. The dilemma, as Field notes and the Ladakh Project illustrates, is that development, long seen to be the method by which to improve the quality of life for millions, is also the cause of socio-economic degradation. This paradox is reflected by the debt crisis, caused, in part, by the high costs associated with the structural adjustment policies strongly advocated by Western institutions including the World Bank and the International Monetary Fund (IMF). Foreign debt pressure has forced Third World countries to constantly channel resources away from the rural, agricultural sector. Two principal insights have been gained thus far. Firstly, socio-economic development can only be ultimately successful in addressing these problems if a growth-with-equity approach is taken. Secondly, whether the particular context calls for a growth-mediated or support-led approach, the key to solving the development puzzle lies fundamentally in the political empowerment and participation of those whose lives are at stake. Once the hungry, the malnourished, and the poor have an educated political voice, the development dialogue can properly address structural inequality and violence. An awareness of the political context behind hunger can then be translated into comprehensive, successful, and desperately needed action.

## Notes

1. For a more complete presentation of marginalization theory, refer to "Modernization, Marginalization, and Malnutrition: A Theoretical Exploration" by John O. Field in *Praxis: The Fletcher Journal for Development Studies*. John O. Field is Professor of Nutrition Policy and National Development at the Tufts University School of Nutrition.
2. The Ladakh Project is a non-governmental organization (NGO) that works on sustainable agricultural development, appropriate alternative technology, and community development in Ladakh, a region in the north of India.
3. Maurice Schiff and Alberto Valdes, "The Plundering of Agriculture in Developing Countries," *Finance and Development* (March 1995): 44. For further detail, see the five-volume series: Anne O. Krueger, Maurice Schiff and Alberto Valdes, ed., *The Political Economy of Agricultural Pricing Policy* (Baltimore: Johns Hopkins University Press, 1992).
4. *Ibid.* Lipton's argument is that the failure of unprecedented growth to alleviate hunger and poverty is mainly because urban bias has led to inadequate, ill-directed and maldistributed farm inputs. Planning in particular has been directed, by normal processes of politics and not by malice, towards eliminating not hunger but food imports, towards unbalancing output structures to meet rich urban growing demands, and the "milk before millet" goal. For more detail, see Michael Lipton, *Urban Bias and Food Policy in Poor Countries* (Food Policy, Nov. 1975). Michael Lipton is professor at the Institute of Development Studies, University of Sussex, England.
5. For more information on support-led vs. growth-mediated development, see the seminal work,



Amartya Sen and Jean Dreze. *Hunger and Public Action* (Oxford University Press, 1989)

6. Though the Philippines has been criticized for the inadequacy of its land reform program, it has pursued agrarian reform over the years. See F.M.Lappe and J. Collins, *Food First: Beyond the Myth of Scarcity* (Boston: Houghton Mifflin, 1977) 354-355. In Zimbabwe, land reform was one of four selected policies that lay at the core of its agricultural development strategy in the 1980s. See Michael Bratton, "The Comrades and the Countryside: The Politics of Agricultural Policy in Zimbabwe," *World Politics*.

Kerala's social development strategy is discussed later in this essay. For more detail and reference, see John Ratcliffe. *Social Justice and the Demographic transition: Lessons from India's Kerala State*.

7. Kerala, a state in the southwest of India, was the first place in the world to freely and democratically elect a Communist government in 1957, largely due to the massive backing of agricultural peasants and landless laborers. The administration's first act made it illegal to evict agricultural tenants. Kerala's focus on social equity goes back beyond 1957; a variety of social factors, including a matrilineal system in one large caste, dating back at least 150 years seem to have made Kerala a fertile ground for a social justice-oriented development strategy.

8. Thailand's Poverty Alleviation Plan (PAP), started in 1982, represented one of the country's first efforts to bring about effective and efficient infra-structural reforms conducive to rural political development. for more detail on PAP and Thailand's focus on rural development management, see Kraissid Tontisirin, *Rural Development Policy and Plans in Thailand*.

9. see John Ratcliffe, *Social Justice and the Demographic transition: Lessons from India's Kerala State*, 72.

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# Business Elites, Labor, Economic Policy, and the Consolidation of Democracy

*A Comparison of Chile and Argentina*

by Natasha Issa

A new wave of formal democratization has hit Latin America. With the exception of Cuba, democratic institutions are now prevalent in all of Latin America. The former colonies of Spain and Portugal have been notorious for the abundance of military coups and authoritarian regimes they have experienced since the early nineteenth century. This raises the question as to whether the newly introduced democratic regimes, from Argentina to Uruguay, will be firmly consolidated. There are many variables which influence the prospects for this democratic consolidation. The extent of previous democratic experience, the level of economic development, the nature of democratic institutions, the nature of the party system, and the type of transition are just a few.

This paper will analyze the effects of economic policies undertaken by the authoritarian regime on the consolidation of the subsequent democratic re-

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*Natasha Issa graduated from Tufts University in January 1997 with a Bachelor of Arts in International Relations.*



gimes. Specifically, it will compare the economic policies undertaken by the Pinochet regime in Chile (1973 to 1989) to those undertaken by the second military regime in Argentina (1976 to 1983).

Previous research on this topic focuses on the economic inheritance of a country from its prior authoritarian regime. In doing so, attention is centered on the state of the economy that the democratic regime inherits from its authoritarian predecessor. This literature offers essentially two possibilities: democratic regimes inherit either an "economic mess," which calls for economic stabilization programs and economic reforms, as in the Argentine case, or they inherit a stable economy, in which economic liberalization already took place under the authoritarian regime, as in the Chilean case. The approach taken here is to ask which is more conducive to the consolidation of democracy: prior political liberalization (Argentina) or prior economic liberalization (Chile). Political liberalization is understood to be the transition from an undemocratic regime type to a competitive democratic one. Economic liberalization implies a transition from a semi-closed, state-led economy to one characterized by liberal, market-oriented policies.

The sequencing approach puts weight on the economic conditions that an authoritarian regime leaves to the subsequent democratic regime. These conditions are most relevant during the first years of democratic governance. However, the importance of the economic inheritance on democratic consolidation becomes irrelevant if subsequent democratic governments successfully implement economic reform. This has occurred under the democratic government of Carlos Menem in Argentina.

In this paper long-term structural consequences of the economic policies implemented by the authoritarian regimes will be examined, rather than just looking at the state of the economy at the end of military rule. I will show that the economic policies changed the face of the labor and business sectors, two important divisions of civil society in both Chile and Argentina. These changes in the working and business classes have different implications for the consolidation of democracy in each of these nations. I hypothesize that the changes brought about under the Pinochet regime are less conducive to democratic consolidation than those brought about by the military regime in Argentina. In summary, the effects of the economic policies of the authoritarian regimes on the labor and business sectors will be examined. Subsequently, I will determine what the implications of these changes in civil society are for the consolidation of democracy.

## The Military Regime in Chile, 1973 to 1989

In 1973 the armed forces in Chile ousted the civilian government of Salvador Allende. The Allende government, installed in 1970, had introduced a socialist program, implementing land reform and nationalizing many firms. Not surprisingly, the business elites strongly supported the military takeover. Before 1973, Chile enjoyed a long history of strong democratic institutions alongside a strong labor movement and a well organized business class. Nevertheless, the military dictatorship which soon turned into the personalistic dictatorship of General Pinochet, would last seventeen years. The Pinochet regime proposed to implement a program of structural reform that would not be socialist in nature. These reforms were institutionalized in the 1980 constitution, approved by a highly questionable plebiscite. The Constitution installed Pinochet as the ruler of Chile until 1989 with the possibility of being reelected. General Pinochet lost the 1989 plebiscite, which then set the stage for the free elections, held in 1990. At the time of transition, the Pinochet regime had already successfully managed the economic liberalization of Chile.

### *The economic policies of the Pinochet Regime*

The economic policies undertaken can be roughly divided into three periods: gradualism (1973-1975), radical neoliberalism (1975-1982), and "pragmatic" neoliberalism (1985-1989).<sup>1</sup> The first period, which began soon after the military seized power, focused on stabilizing the economy and restoring market mechanisms. Tax reforms and reductions in government employment were introduced to control the fiscal deficit, and price controls were removed. The government also initiated trade liberalization by reducing import tariffs and other barriers to trade and foreign investment. All businesses and lands nationalized under the Allende government were returned to their former owners, and the military government compensated the foreign owned-copper companies which had been expropriated under Allende. The military also sold all government assets inherited from the Allende period in an attempt to further liberalize the Chilean economy. Despite these attempts, government spending continued to increase. From 1973 to 1974 alone, military spending increased by 33 percent.<sup>2</sup> As a result, the fiscal deficit in 1974 exceeded five percent of Gross Domestic Product (GDP) and the government absorbed eighty percent of credit extended by the banking system.<sup>3</sup> The government was also not able to reduce inflation during this initial period. So, despite high copper prices on the world market (Chile's principal export), the military was incapable of stabilizing the economy.



The second period started in 1975 and ended with the economic collapse in 1982. This period was characterized by radical neo-liberal policies aimed at restructuring the economy and minimizing state intervention. The policies were implemented by a group of technocrats educated at the University of Chicago, referred to as the "Chicago Boys." The Chicago Boys introduced a policy combination of orthodox stabilization and economic restructuring. To start with, the exchange rate was fixed to control inflation. In 1979, Finance Minister Sergio de Castro fixed the nominal exchange rate at thirty nine pesos to the dollar.<sup>4</sup> Additionally, a drastic cut in government spending, along with new taxes, served to reduce the fiscal deficit. Market reforms included far reaching privatization, financial system liberalization, and trade liberalization. Through the state development corporation, CORFO, the state owned forty-six firms by 1970. After the Allende government, CORFO controlled 460 firms as well as nineteen banks. The Pinochet regime, however, started privatizing government owned enterprises, and by 1980 CORFO only had twenty-four firms left under its control.<sup>5</sup> The only exceptions were the large copper mines which the military kept under its control. By mid-1979 import tariffs were reduced to a uniform nominal rate of ten percent.<sup>6</sup> The government also provided incentives and guarantees for foreign investors.

Regulations on the banking system's intermediation of foreign funds were eased and then eliminated. This along with the bulging petro dollar accounts in the international financial system accounted for the high availability of funds at low rates. In 1980 foreign credits of private banks in Chile more than tripled.<sup>7</sup> The influx of foreign savings made easy credit possible and thus fed an economic boom. By 1980 economic transformation was in sight and many economic indicators proved favorable. Chile experienced high GDP growth from 1977 to 1980, an average of 8.5 percent a year.<sup>8</sup> However, in 1982 the economy collapsed, and it was only after the Pinochet regime adjusted its policies that the economy started growing again in 1985.

What went wrong in 1982?<sup>9</sup> The crisis was the result of the general world recession, but was aggravated by the fixed exchange rate policy and the deregulation of the speculative financial sector in Chile. Too little supervision over the banking system led to the uncontrolled accumulation of capital in the hands of a small number of conglomerates. These conglomerates controlled the major banks in Chile. At the same time foreign credit was easily attainable thanks to petro dollars. So the conglomerates had easy access to foreign capital which they used to buy assets in large companies. By 1982, the ten biggest conglomerates controlled 112 of the 250 largest companies in Chile and owned 45 percent of all bank assets.<sup>10</sup> Not surprisingly, the combination of a drastic cut in the supply of foreign credit, and a fixed exchange rate led to the economic collapse in 1982.

Chile's spectacular economic growth was not sustainable. Real short-term interest rates increased dramatically from 12 percent in 1980 to 35 percent in 1982.<sup>11</sup> In 1982, GDP growth dropped 14 percent, and many of the conglomerates went bankrupt. To avoid the collapse of the banking system, the government nationalized many banks. The radical neo-liberal policies had failed.

The third period was then introduced, characterized by more pragmatic neo-liberalism. The policy mistakes of the radical period were corrected. The financial sector was subjected to regulations to avoid uncontrollable lending practices, and the real exchange rate was depreciated. Most importantly, non-traditional exports in the fruit cultivation and forestry sectors were actively promoted. Total non-traditional exports increased from 10.1 percent of total exports in 1982 to 36.9 percent in 1987.<sup>12</sup> Accordingly, the share of copper in total exports dropped from 67.3 percent in 1970 to 41.9 percent in 1986.<sup>13</sup> The banks were re-privatized, and the state started selling shares of steel companies to the public. Further measures were taken to make the labor market more flexible. This time economic growth was driven by exports and investment, and would prove sustainable. In 1990 when the military regime peacefully transferred power to the newly elected civilian government, the economy was growing and has since continued to grow.

## Labor in Chile

The economic policies of the Pinochet regime affected labor very negatively. First, drastic cuts in government spending meant the privatization of social services. Health care was transferred to private companies. Second, new labor laws were implemented to reduce the bargaining power of labor organizations, make contracting and dismissing of workers easier, and increase the flexibility of job reassignments. Third, opening the economy to foreign competition resulted in the contraction of the industrial sector, a former stronghold of labor unions. Accordingly, the unemployment rate remained high throughout Pinochet's rule. The 11.2 percent unemployment rate in 1988 was only a marginal improvement from the 1980 rate of 11.7 percent.<sup>14</sup> As a result, a labor surplus was created, increasing the number of workers employed in the informal sector. By 1986, workers in the informal sector constituted 36 percent of all employed.<sup>15</sup> Fourth, the Pinochet regime continuously repressed real wages to keep production cost low. In 1988 real average wages were still at the 1980 level.<sup>16</sup> In 1982, even the clause in the new labor plan that had wages automatically adjust to inflation was eliminated to further decrease production costs.



Last, the structural changes in the economy weakened the labor movement.<sup>17</sup> The growing sectors in the economy, fruit exports and forestry, were not favorable to unionization. Fruit cultivation requires large amounts of temporary labor, and the workers in forestry are too geographically dispersed to form unions. As Angell points out, unions in Chile played an important economic and political role before 1973, when they “enjoyed a relatively high level of internal democracy and participation.”<sup>18</sup> Chile could pride itself for the labor movement that supported democracy. The economic policies of Pinochet years saw to a weakening of labor, long considered an important part of civil society.

## Business Elites in Chile

Unlike the working class, the Chilean business class as a whole gained tremendously from the economic policies undertaken by the Pinochet regime after the crisis in 1982. The business elites are represented by the Confederation of Production and Commerce (CPC) which is the umbrella organization. Sociedad de Fomento Fabril (SFF) is industry's elite association. The SFF, along with the labor movement strongly supported import substitution industrialization (ISI) in the pre-coup period. The socialist experiment under Allende, however, ended the partnership between SFF and labor. Nevertheless, the SFF, which represented the internationally uncompetitive producers for the domestic market, supported the first policy period. Its members preferred gradual trade liberalization.

Radical neoliberalism enjoyed the support of the financial sector who experienced high growth during that period. The Cruzat-Larrain group, one of the largest financial conglomerates, increased its holdings from ten firms in 1969 to one hundred firms in 1978.<sup>19</sup> The Cruzat-Larrain, Banco Hipotecario de Chile, and the Edwards economic groups controlled 53 percent of the banking system's total assets, 42 percent of its dollar credit, and 40 percent of the assets of the largest firms in Chile.<sup>20</sup> There were close ties between the Chicago Boys and the conglomerates. Rolf Luders, Minister of Finance and Fernando Feliz, Minister of the Economy, came directly from conglomerate management.<sup>21</sup> The collapse of the economy in 1982 also meant the collapse of the financial conglomerates. If the Pinochet regime was to stay in power, it had to regain the support of the business classes, most of whom were against the radical neo-liberal policies.

In July of 1983, the CPC put together a detailed program for economic recovery, titled “Recuperacion Economica: Analisis y Proposiciones.” The business elites had formed a coalition in support of pragmatic neo-liberal policies as outlined in their proposal. By 1985, the Pinochet regime had adopted the

core of the CPC's propositions, and so regained the support of the business elites. Furthermore, the economic elites had much greater access to policy makers. In 1986, two government agencies were established in the Ministry of Economy, the National Commission for Commerce and the National Commission for Industry. These commissions formally enabled the CPC to propose policies and revise decrees.<sup>22</sup> We also begin to see at this time many business men occupying important government positions. Modesto Collados, a construction entrepreneur, was named Minister of Housing in 1983, and later became Minister of the Economy. In 1985 the new Minister of Economy was Manuel Delano, also a businessman, who had headed the Chamber of Commerce. The Minister of Agriculture in 1984 was Jorge Prado. He was also the leader of the Sociedad Nacional de Minería, the landowner's elite association.<sup>23</sup>

In 1982, the opposition to the Pinochet regime grew significantly. The main opposition group, *Acción Democrática* (AD), was established and massive public demonstrations were held on a monthly basis. The business elites however, refrained from joining the opposition, and continued to support Pinochet after pragmatic neoliberalism was adopted. During the pragmatic neo-liberal period, from 1983 to 1989, a strong tie was established between the business elites and the Pinochet regime. This is evident from the campaign that Chilean business elites ran before the 1989 plebiscite to support the continuation of Pinochet's rule. The campaign's central theme was "Progress and Modernization" which according to the business elites, Chile had achieved thanks to the economic policies undertaken by the military regime.<sup>24</sup> It is the link between the business elites and the Pinochet regime that allowed for a continuation of authoritarian practices within an essentially democratic regime. This obstructs the consolidation of true democracy.

## **The Military Regime in Argentina, 1976 to 1983**

Before 1976 the Argentine economy was characterized by import substitution industrialization (ISI) introduced in the 1930s. Unlike Chile, however, Argentina had experienced only non- or semi-democratic regimes since 1930. Carlos Waisman points out two important characteristics in the Argentine society that complicated the economic and political development of the country. The first characteristic was a strong labor movement. Labor was powerful due to three factors. First, Argentina's historical labor shortage increased their bargaining power as a class. Second, the Peronist movement empowered the unions by using them as political vehicles. Third, ISI created a large industrial sector. Labor supported corporatism, specifically Peronism, and the business elites opposed democracy which they associated with Peronism.



The second characteristic was a strong split within the business community. On one hand, there was the Pampean bourgeoisie, an internationally competitive group of exporters of grain and meat products. The opposing group was the internationally uncompetitive manufacturing sector. This sector was created through ISI, and was highly dependent on government subsidies and protection from foreign competition. The government imposed export tariffs on the agricultural producers to finance the industrialists' subsidies. Whereas the former group would strongly favor opening the economy, the latter group would hardly survive foreign competition. Thus, the business elites in the industrial sector and labor had an interdependent relationship. It was in labor's best interest to support ISI since that kept the industrial sector, their employers, from going under. In such a way, labor was able to maintain its livelihood. Peronism met labor's interest in its support of ISI. Two strong groups in civil society, the labor and business elites of the industrial sector, both supported Peronism which was associated with ISI.

### *The Economic Policies of the Argentine Military*

On March 24, 1976, the armed forces overthrew the highly discredited Peronist government that had led Argentina into a grave economic crisis. A military regime was established under General Jorge Rafael Videla who proposed a complete restructuring of society. Much like the government of its neighbor, the Pinochet regime in Chile, the military rulers in Argentina proposed to put an end to ISI and implement neo-liberal reforms. Argentina, too, had its share of "Chicago Boys." However, the implementation of such reforms was inconsistent and did not bring about economic liberalization in Argentina. The policies adversely affected labor and business elites, particularly in the non-competitive industrial sector.

The plan to restructure society was called Proceso de Reorganizacion Nacional. The economic team assembled to design and implement the economic reforms was led by Jose Martinez de Hoz, the Minister of Economy. The policies clearly departed from ISI, but were also highly inconsistent. Martinez de Hoz's policies can roughly be divided into four periods.<sup>25</sup> None of the policy periods lasted much over one year and none of them succeeded in controlling inflation which remained above 100 percent throughout the period of military rule.

In the first period (April 1976 - May 1977), the government drastically cut spending and increased taxes to reduce the fiscal deficit. Import tariffs were reduced and a liberal laws were adopted to attract foreign direct investment. Many price controls were removed and real wages were reduced. Inflation remained high, causing the economic team to introduce a policy shift. The

second period (June 1977 - April 1978) focused on monetary policies. Additional controls over the expansion of the money supply were put in place. The financial markets were also liberalized, freeing the interest rates, which in turn stimulated financial speculation and inflation. Once again the economic team adopted a new approach to curb inflation.

In the third period (May 1978 - November 1978), they attempted *desindexacion*. This policy proposed to control inflation by adjusting the exchange rate and public sector prices below any adjustment in private sector prices. *Desindexacion* resulted in a reduction of the real exchange rate which in turn had a very negative effect on meat and grain exports. The real price of meat and grain exports dropped twenty-five percent in 1978 and 1979.<sup>26</sup> *Desindexacion* too had failed. During the last period (December 1978 to February 1981), the value of the peso was kept below the general level of price increases in a final attempt to reduce inflation. This policy in combination with a further reduction in import tariffs had very adverse effects on the industrial sector. Total imports increased 73 percent in 1979 and 56 percent in 1980.<sup>27</sup> The producers for the domestic market could not compete with the cheap imports, and many of them were forced to go out of business.

All attempts then by Martinez de Hoz's economic team to reform the economy had failed. The Argentine economy found itself in a grave economic crisis in 1981. In January of 1981, Sasestru, an industrial conglomerate and Argentina's largest exporter of agricultural products, collapsed. By March of 1981, 72 institutions had gone out of business. Massive capital flight had reduced the foreign reserves by more than US\$2 billion, interest rates exceeded 200 percent, the fiscal deficit amounted to 11 percent of GDP, and inflation was at 344 percent.<sup>28</sup>

In March of 1981, General Roberto Viola was inaugurated and all plans to structurally reform the economy were abandoned. In an attempt to stabilize the economy, the peso was devalued by approximately 23 percent, which further aggravated capital flight. The government imposed a 12 percent export tax on agricultural products to extract revenue. It further reduced import tariffs. The economy could not be stabilized. Thus, the civilian government under Aylwin, elected in 1983, inherited an economic mess.



## Business in Argentina

The Argentine military regime never incorporated any sectors of the business class into their economic policy-making process. To the contrary, one of the first actions undertaken by the Videla government was to dissolve the Confederacion General Economica, the representative association of industrialists.

The industrial or manufacturing sector was most adversely affected by the economic policies of the military regime. This sector was not competitive in the world market, and thus heavily depended on government subsidies and import protection. The brief opening of the economy in the late 70s in combination with an overvalued peso led to a significant shrinkage of this sector, that is de-industrialization. Manufacturing's share of (GDP) fell to 22.1 percent in 1981 from 29 percent in 1974. Total industrial production was seventeen percent less in 1981 than in 1975. And the average annual growth rate of the industrial sector from 1977 to 1981 was -4.7 percent. Roughly 30 percent of Argentina's industrial sector was dismantled during the military regime.<sup>29</sup>

Even the Pampean bourgeoisie, though not as heavily affected, experienced losses under the Proceso de Reorganizacion Nacional. The only sector to gain from the inconsistent policies was the financial sector. Their share of GDP increased to over nine percent between 1976 and 1981.<sup>30</sup> But even the financial sector was adversely affected by the economic crisis that began in 1981. The military regime led the Argentine economy into a state of crisis. By the end of 1981, the military could no longer count on the support of any faction in the business sector.

## Labor in Argentina

The historically very powerful labor movement too was likewise weakened by the economic policies of the military regime. First, the government actively regulated the labor market to keep production costs low. Collective bargaining was outlawed and real wages were also kept low. Second, the working class was hit hardest by the de-industrialization. Industrial employment dropped 26 percent between 1975 and 1980. Industrial workers traditionally constituted the base for unions. Also, the share of salaried workers in GDP fell from 34.6 percent in 1976 to 28.9 percent in 1980.<sup>31</sup> The decrease of workers in the industrial sector, led to a labor surplus which weakened the workers' bargaining power, and caused a transfer of workers to the self-employed sector. The significant expansion of the self-employed sector, which grew by 25 percent between 1974 and 1980, further debilitated the labor movement.<sup>32</sup>

The continued growth of poverty evident in the decrease of real wages and the increase of the level of unemployment also hurt the working class. By the end of the military regime real wages were 24 percent lower than they had been prior to 1976.<sup>33</sup> Moreover, average wage levels in 1980 only covered 75 percent of minimum budget needs compared to 115 percent in 1975.<sup>34</sup> The increase in unemployment implied the demise of labor power. Historically, Argentina has been known for its dearth of labor, but the level of unemployment in greater Buenos Aires rose by 29 percent between 1974 and 1983, raising the rate of unemployment to 5 percent.<sup>35</sup>

## Democracy in Chile and Argentina

Today, both Chile and Argentina have democratic institutions in place. This is not to say, however, that democracy has been firmly consolidated. Prospects for Argentina are very positive. The country has seen an uninterrupted democratic leadership since 1983. Most importantly, a transfer of power to the opposition party took place peacefully in 1989. President Alfonsín of the Unión Cívica Radical, led the first democratic government, from 1983 to 1989. In 1989, Carlos Saul Menem of the opposition party, Partido Justicialista (Peronist party), won the elections. Despite the horrendous economic situation at the time (inflation reached 4923 percent in 1989), the transfer took place smoothly.<sup>36</sup>

If anything, the Alfonsín government if anything, worsened the economic situation in Argentina. Nevertheless, democracy did not collapse and the subsequent president, Carlos Menem, successfully managed the economic liberalization of Argentina. The economy today in Argentina is stable, and, with the exception of the recession in 1995, continues to grow. The main concern to democratic consolidation is the display of undemocratic behavior by President Menem.<sup>37</sup> This however, is not related to the economic policies undertaken by the military.

Chile only returned to democratic rule in 1990 when Patricio Aylwin of the Partido Demócrata Cristiano (PDC) was elected president. The second presidential elections took place in 1994, and another member of the PDC, Eduardo Frei, proved victorious. President Frei will remain in power until the next elections which are scheduled for December 1999. This means that a transfer of power to the opposition will not take place until at least the year 2000. The economy in Chile has seen significant positive growth since 1985. Unlike in Argentina, the democratic regime in Chile did not have to face any economic downturns. Thus, we cannot say whether or not Chilean democracy would survive an economic crisis.



The main obstacle to democratic consolidation in Chile is the lingering presence of authoritarian institutions. First, the 1980 constitution, despite some important modifications, is still in place. This constitution was designed by an authoritarian government, the military regime of General Pinochet, and is not entirely democratic in nature. For example, under the constitution the president is not allowed to remove or replace the heads of the armed forces until 1997. As a result of this, General Pinochet, the military dictator for seventeen years, still commands the military. The constitution also put in place the National Security Council. The members of the Council are mostly military leaders, and they have the right to appoint two of the seven members of the Constitutional Court. Furthermore, nine senators out of forty-seven are appointed rather than elected. Of the nine senators, the Security Council names four.

## Conclusion

In both Argentina and Chile the military regimes that seized power in 1976 and 1973 respectively, attempted to change the conventional ISI strategies prevalent in Latin America since the 1930s. Both regimes intended to implement structural reforms that would liberalize the economy and minimize state intervention.

In Chile the reforms were successful and, at the time of the transition to democracy in 1990, economic liberalization was a reality. The success of the economic policies and the incorporation of the business elites into the policy-making process created a strong link between the business sector and the Pinochet regime. Thus, an influential part of civil society, the business elites, supported the military regime until the bitter end. It is this support that continues to allow for the perpetuation of authoritarian principles in a democratic regime. The new government must rid itself of the authoritarian "garbage" to consolidate democracy in Chile. For now, the business elites will not be strong supporters of such changes since they see the authoritarian enclaves as protecting their interests.

This brings us to labor, the other important force in civil society that causes change. The economic policies of Pinochet have left labor significantly weaker than it was in the pre-1973 period. Unlike in Argentina, a strong labor movement successfully existed in democratic Chile before 1973. If anything, the working class' loss of power implies a weakening of civil society which does not help the consolidation of democracy.

In Argentina, market-oriented reforms were not imposed consistently and government intervention was hardly reduced. The policies of the military cul-

minated in the collapse of the economy in 1982. The economic crisis topped off with the disastrous Malvinas (Falkland Islands) War finally led to the fall of the military regime, followed by the introduction of democracy in 1983. The business elites were excluded from policy making. One result of this was that the economic policies implemented had very adverse effects on all sectors of the middle class. This caused the military to lose all the support it had ever enjoyed within the business community. The Argentine business elites were notorious for supporting military coups whenever they felt their interests were threatened. Thus, their change in attitude towards the military was one that made the consolidation of democracy a simpler process.

The marginalization of the labor force is also favorable to democratic consolidation. Labor had supported non-democratic regimes, including Peron, before 1976. Eventually, a strong "democratic" labor force will be necessary to finalize the consolidation of democracy in Argentina.

The Argentine military has lost all credibility among the working class as well as business sector. Thus, there has been a thorough break with the former authoritarian regime. Today, no part of civil society desires a return to authoritarianism. This is not the case in Chile, where the business continues to thank the Pinochet government for creating a prosperous Chile. It seems to be the case then that the economic policies of the Argentine military from 1976 to 1983 changed labor and the business in a way that favored the consolidation of democracy. On the other hand, the effects of the policies of the Pinochet regime on labor and the capitalist class obstructed democratic consolidation.

We do have to keep in mind that there are many other factors not discussed in this paper that either favor or obstruct the consolidation of democracy. Only one of those factors has been analyzed here. Ultimately, time will reveal the destiny of democracy in Latin America.

## Notes

1 Outline of economic policies taken from Remmer, Karen.

2 Karen L. Remmer, *Military Rule in Latin America*. (Boston: Unwin Hyman, 1989) 154.

3 Remmer, 155.

4 Eduardo Silva, "The Political Economy of Chile's Regime Transition: From Radical to 'Pragmatic' Neo-liberal Policies," in *The struggle for democracy in Chile*. Ed. Drake and Jaksiac. (Lincoln: University of Nebraska Press, 1995) 101.

5 Remmer, 159.

6 Silva:1995, 100.

7 Silva:1995, 101.

8 Remmer, 160.

9 Eva Pauls, "Economic Growth through Neoliberal Restructuring? Insights from the Chilean Experience," *Journal of Developing Areas*, vol.29, no.1 (October 1994).

10 Remmer, 165.

11 Silva:1995, 102.



- 12 Silva:1995, 105.
- 13 Remmer, 173.
- 14 Angell:1995, 190.
- 15 Angell:1995, 190.
- 16 Angell:1995, 190.
- 17 Angell:1993, 567.
- 18 Angell:1995, 188.
- 19 Remmer, 164.
- 20 Silva:1995, 100.
- 21 Remmer, 165.
- 22 Silva:1992, 94.
- 23 businessmen in government from Guillermo Campero, "Entrepreneurs under the Military Regime," in *The Struggle for Democracy in Chile*. Ed. Paul W. Drake and Ivaan Jaksic. (Lincoln: University of Nebraska Press, 1995).
- 24 Campero, 147.
- 25 Summary of economic policies taken from William C. Smith, *Authoritarianism and the Crisis of the Argentine Political Economy*, Stanford University Press.
- 26 Smith, 239.
- 27 Smith, 241.
- 28 Mainwaring, "Democracy in Brazil and the Southern Cone: Achievements and Problems," In *Journal of Interamerican Studies and World Affairs*, vol.37, no.1 (Spring 1995),122.
- 29 statistics on de-industrialization from Smith, 253-261.
- 30 Smith, 255.
- 31 Smith, 254.
- 32 Waisman, Carlos, "Argentina's Revolution from Above: State Economic Transformation and Political Realignment," *The New Argentine Democracy: the search for a successful formula*. Ed. Edward C. Epstein. (Westport, Conn.: Praeger, 1992.) 238.
- 33 Waisman, 238.
- 34 Mann and Sanchez, "Monetarism, Economic Reform and Socio-Economic Consequences: Argentina, 1976-1982." In *International Journal of Social Economics*, 11, no. 1., 12.
- 35 Waisman, 238.
- 36 Mainwaring, 122.
- 37 Mainwaring, 117.

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# NAFTA and its Effects on Mexican Migration to the US

*by Ryan O. Centner*

As the North American Free Trade Agreement (NAFTA) is liberalizing economic exchange between the United States and Mexico, many low-wage jobs have been created south of the border. In the United States, these jobs traditionally attract 1-3 million undocumented migrants from Mexico every year. But as opportunities move to Mexico, many observers, including former Mexican President Salinas de Gortari, believe Mexican workers will remain in their country as previously absent jobs become more plentiful. Though not an official objective of NAFTA, the curbing of illegal Mexican immigration to the United States is a tacit incentive which appeals to many American policymakers who favor the agreement. Supposedly, NAFTA will induce an economic restructuring in both Mexico and the United States that will alleviate migration pressures which have traditionally pushed Mexicans out of their country and pulled them to America. Hence, NAFTA supporters claim migration will diminish.

Migration from Mexico to the United States is hardly simple enough to be stemmed so easily. It is a complex process nurtured by many economic and cultural factors in both countries. Thus the eradication of one factor, like a

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*Ryan Centner will be graduating from Tufts University in 1998 with a Bachelor of Arts in International Relations and Sociology.*

dearth of jobs in Mexico, is not sufficient to restrain migration. Moreover, even the feat of widespread job creation is not assured as unemployment remains extremely high in Mexico. In fact, as Mexico undergoes intensive economic restructuring in the short term, migration can actually be expected to increase; it has grown in each year since NAFTA's implementation in 1994. Because it entails significant economic development, the short term will actually be rather lengthy and will last at least a decade.<sup>1</sup> Yet, even after major changes in the Mexican and American economies are complete, many of the factors that perpetuate migration will remain as fixtures in the long term. Indeed, although both governments claim to desire curbed migration, disagreement between public opinion in Mexico and the United States about the nature of migration itself makes its disappearance doubtful. Mexican society perceives undocumented migration as a necessary way of life; American society criminalizes it.<sup>2</sup>

This paper will argue that undocumented Mexican migration to the United States will continue both because of and in spite of NAFTA. It will seek to make this argument by answering numerous questions: How will factors of short-term economic restructuring, such as privatization, increased competition, and industrialization, affect the Mexican population? In the long term, what economic demand pulls on migration will remain in the United States after full NAFTA implementation? Most importantly, what cultural features will continue undocumented migration?

To understand why NAFTA will not deter undocumented migration, it is important to see how the agreement will transform (and has already altered) the Mexican and American economies. As privatization and industrialization in Mexico provoke urbanization and a growing border population, migration to the United States will increase in the short-term. Simultaneously, even while many other low-wage *industrial* jobs depart from the United States for Mexico, Mexican comparative advantage in the export of cheap labor will continue to send laborers to work as low-wage support staff for the burgeoning American service economy. These American jobs cannot be exported, so they will persist in drawing undocumented, low-wage earning migrants from Mexico. In addition to these developmental and economic issues, I also discuss the numerous cultural elements of migration and consider how they will be affected by changes under NAFTA. Because culture is habitual and therefore cannot be redefined by economic change, I argue that the culture of undocumented migration is impervious to NAFTA.



## The Effects of Economic Development in Mexico Due to NAFTA

Former President Salinas de Gortari and American policymakers have hailed NAFTA as the first step towards effective immigration control, but as economic development permeates throughout Mexico, its initial stages will increase migration pressures.<sup>3</sup> Jobs and traditional ways of life lost to privatization and competition from the United States will begin the process of dispossession among Mexican workers that will lead to higher levels of undocumented migration. Followed by rapid urbanization and movement to the maquiladora region that borders the United States, these relocations put Mexicans in prime positions to migrate to America as these geographic areas cope with the problems of new industrialization, rising unemployment, the lack of welfare systems, heavy environmental degradation, and worker exploitation. These negative attributes at the outset of Mexican development will push migrants to the United States due to its higher standard of living, lower unemployment levels, relatively higher wages, and better environmental quality. These migration pressures will continue until development begins to equalize standards between the United States and Mexico.

### *Privatization and Heightened Competition*

The first changes under NAFTA are already revolutionizing Mexico. To conform with economic liberalism, the Mexican government has ended land apportionment which provided agricultural subsistence for rural peasants. Subsidies to small-scale farms, known as ejidos, have been slashed as well. These agricultural establishments, which traditionally grew corn, beans, and rice for consumption by the Mexican populace, are disappearing because they cannot compete with the low-cost, high-quantity American production of these goods.<sup>4</sup> In the place of ejidos, immense corporate farms are rising in rural Mexico. These farms are designed to employ jobless rural Mexicans and capitalize on Mexico's climate-related comparative advantage in the production of fruits, vegetables, and flowers. However, these corporate farms are being undercut by mechanization in the United States during the spring, summer, and fall. Therefore, only during the winter months can Mexican agriculture compete with the United States and employ rural Mexicans.<sup>5</sup>

These drastic changes in agriculture are causing major upheavals in rural Mexico, which is home to 25 percent of the nation's population.<sup>6</sup> With many rural Mexicans not only unemployed but landless too, people are abandoning

the countryside in search of opportunity elsewhere. Though dispossessed Mexicans in rural areas have historically sought work in America, these potential migrants are now turning in great numbers to Mexican cities where industrialization is creating new jobs.<sup>7</sup>

But privatization is instigating unemployment in urban areas, too. In Mexico City, for example, inefficient government-controlled services and industries have historically employed many Mexicans. Today, consolidation and government relinquishment has become commonplace, cutting numerous urban jobs.<sup>8</sup> These newly unemployed urban workers will compete with urbanized peasants seeking scarce new jobs.

### *Industrialization, Urbanization, and Development Along the Northern Border*

Trade creation under NAFTA is moving certain industries, especially light manufacturing, to Mexico where unemployment is high and low-wage labor is abundant. This massive supply of cheap labor allows more efficient production, which is spurring extensive industrialization in Mexico. This industrialization is mainly occurring in two areas of the country: in the cities and in the maquiladora region. Despite rapid growth, jobs in the manufacturing sector simply cannot materialize fast enough to accommodate the copious numbers of workers pouring in from rural ejidos. The most optimistic outlook places annual industrial job growth at only 100,000 under NAFTA,<sup>9</sup> not nearly sufficient to satisfy the 1,000,000 Mexicans displaced from the countryside every year<sup>10</sup> (a more pessimistic estimate foresees only 50,000 new jobs created per year<sup>11</sup>). To make matters worse, Mexico has no substantial welfare system to aid jobless arrivals from rural areas.<sup>12</sup>

In addition, as unemployed rural workers venture into these industrial meccas in search of work, the low-wage labor supply becomes larger still, driving worker wages to dismal depths. Because the supply of labor greatly outstrips the demand for it, labor exploitation is routine as employers face little retribution for overworking and abusing their workers who are lucky enough to obtain scarce jobs. These conditions spawn a glut of unemployment, underemployment, and extremely unhappy employment, fostering masses of disenfranchised workers in Mexico's cities and the maquiladora region, the two most likely origins of undocumented migrants to the United States.<sup>13</sup>

### *Environmental Degradation*

Heavy industrialization in these regions has already led to unprecedented levels of pollution and deleterious effects on workers. Mexico City, for example, is the most polluted city in the world. Aging and inefficient machinery,



combined with poor waste management systems, has brought about the current dirty, smoggy condition.<sup>14</sup> Greatly increased industrial production in the capital and other Mexican cities cannot ameliorate this situation. As environmental quality in cities continues to plunge, unbearable ramifications will result, driving Mexicans out of cities, often to the United States.

Beyond cities, the border with America has been the site of even worse environmental crises. Since 1965, the maquiladora region has operated as a tariff-free export processing zone, attracting American businesses to hire cheap Mexican labor and function under less stringent Mexican regulations on safety and the environment. Industry in the border area has borne cancer in workers, physical abnormalities and mental retardation in their children, and toxic waste that has devastated numerous waterways.<sup>15</sup> Although Mexican environmental regulations are theoretically being strengthened to the level of American standards under NAFTA,<sup>16</sup> the environmental arm of the Mexican government has been chronically underfunded and lacks enforcement capability.<sup>17</sup> Thus, extensive damage has persisted. Under NAFTA, the further industrialization of the maquiladora area is greater now than it has ever been. With more industry, the problems of pollution and other environmental degradation will certainly multiply. This unfavorable atmosphere can only act to push Mexicans out of the country, especially given the proximity of the maquiladora region to the United States.

## Incremental Migration

As Mexicans migrate internally from rural areas to cities or the border region, they participate in a process known as stepping-stone migration. Both cities and the maquiladora area serve as funnels for undocumented migration to the United States. Both areas have poor labor conditions, low wages, vast unemployment, and unhealthy environmental conditions, as well as other unique characteristics, which serve to push migrants out.

In cities, Mexicans have greater exposure to the United States through mass media and other forms of communication, enabling them to see the positive differences existing north of the border. Urban centers also provide Mexicans with more opportunities to find transportation to America or some other way to migrate. Indeed, over 60 percent of migrants to the United States originate in cities.<sup>18</sup>

In the border region, where at least two million Mexicans work and over 3.5 million live,<sup>19</sup> migration to the United States is common. Migrant smugglers, known as coyotes, run a widespread, successful business, outstripping Ameri-

can border patrol resources.<sup>20</sup> Also, American businesses, including those in the meatpacking industry, send covert recruiters to the border, pulling undocumented Mexicans into the United States.<sup>21</sup>

### *Short-Term Push*

Mexicans in the process of incremental migration will increasingly be pushed to enter the United States for several years as migration pressures build as a result of the NAFTA agreement. Indeed, undocumented migration was at an all-time high in 1994 and 1995 after NAFTA took effect. Due to the peso crisis, during which the value of the Mexican peso dropped sharply, consequent economic crunches in Mexico, and the lack of a comprehensive infrastructure to cope with the stresses of development, the incentives to leave the country are great.

However, this phenomenon of increased migration due to initial economic development is logical. Europe and its industrial revolution serve as an historical precedent for Mexican industrialization and exodus, as similar conditions there sent a massive wave of immigrants to the United States just over a century ago. Though modern technology should allow Mexican development to occur at a faster rate, it should be noted that the outpouring of Europeans lasted more than forty years as the European economy developed its industrial base. Therefore, it is reasonable to assume that the short-term kinks of NAFTA that lead to migration will take a long time to work out.

## **Economic and Cultural Fixtures of the Mexican Migratory Cycle**

Not all factors provoking undocumented migration will be redressed by NAFTA. Both socio-cultural and some economic motivations will persist as NAFTA focuses primarily on altering the Mexican economic landscape and not the historic cultural links to the United States and its service economy. A cultural connection between Mexico and the American Southwest dates back to the eighteenth and nineteenth centuries when California, Arizona, New Mexico, Texas, and parts of Utah, Wyoming, Colorado, and Oklahoma still belonged to Mexico. In 1848, years of fighting between Mexico and America ended with the United States victorious and Mexico being forced to cede the land that is today part of the United States through the Treaty of Guadalupe Hidalgo. Many Mexicans living in this seized area, known as Aztlán, fled south. But connections remained between Mexico and Aztlán as split families and a divided culture kept in contact over the passing generations.



### *Mexican Migratory Culture*

This historic link has given rise to a migratory tradition that has developed among many families and communities throughout Mexico. People migrate between the two countries both as a rite of passage and for economic purposes. This constant movement of people has established social links that bridge the border, providing and facilitating access to jobs in America. In need of the valuable financial input of remittances, or money that is sent back by workers to family members still living in Mexico, the Mexican people continue to feed this labor demand by sending their young people to America for work. These remittances are an extremely important part of the Mexican economy. They amount to somewhere between two and four billion dollars annually, generating meaningful economic activity that accounts for more than 10 percent of Mexico's output and at least two percent of its gross domestic product.<sup>22</sup>

This movement has been cyclical largely due to the fact that relocating entire families to the United States under illegal conditions is often infeasible. Migrants often enter the United States, work, return home, and go back to America numerous times.<sup>23</sup> As Mexico sends its young people north, the adolescent ritual persists until it eventually evolves into an adult way of life.<sup>24</sup> Migration is made profitable because American companies want to hire migrants, whom they can hire at relatively low wages. Though the cognizant employment of undocumented migrants is prohibited by law, migrants can easily obtain counterfeit immigration papers to appease their employers. Also, punishment of migrant employers is extraordinarily lax and seldom enforced, so the hiring of migrant labor endures.<sup>25</sup> Because these economic and social contributors to migration have relatively few negative repercussions on Mexicans, and because economic restructuring will not be detrimental to their viability, they should withstand NAFTA's influence.

### *The Demand for Mexicans in America*

While industrial jobs are relocating to Mexico, the demand-pull for Mexican workers in the United States remains strong as they are sought to work in low-wage jobs that cannot be exported to Mexico.<sup>26</sup> As the American economy becomes more service-oriented, it demands the input of highly educated, more skilled workers at its top levels. However, the service economy requires an enormous foundation of low-wage, less skilled workers within the United States in order to function. The infrastructure of domestic, tourist, health, meatpacking, and maintenance services encompasses numerous positions with very low pay.<sup>27</sup> Many services face a labor shortage because American workers will not choose these poorly paying jobs, as they can earn more money elsewhere.<sup>28</sup> Undocumented Mexican migrants, however, cross the border to fill this low-wage la-

bor niche. They target very specific jobs, those which Americans shirk, and maintain the service economy from its base. In fact, undocumented Mexican migrants tend to hold jobs that are clustered in the support of services.<sup>29</sup> The fluid movement of Mexicans into these service sectors is ensured by Mexico's migratory culture as well as large transborder communities in California, Arizona, and Texas. These communities bridge the divide between Mexico and the United States, serving as the major supply of low-wage labor for many areas of western America.<sup>30</sup>

### *Barrios, Chicanos, and Receiving Networks*

From these metropolitan areas that straddle the border, Mexicans move to where labor demand is high, usually following the footsteps of previous migrants. Where undocumented migrants have been traditionally drawn by labor demand, such as Southern California in general and Los Angeles in particular, settlements composed almost exclusively of migrants have flourished. These communities, known as barrios, attract the majority of the Mexican migrants.<sup>31</sup> The approximately 1.6 million undocumented Mexican migrants living in the United States combined with millions of Mexican-born naturalized citizens create barrios with sizable populations.<sup>32</sup> Because the nature of undocumented migration is cyclical, these Mexican migrant communities are constantly changing. New arrivals meet with more experienced migrants who share their integration strategies, job contacts, and social networks. With a steady influx directly from Mexico, these barrios provide a comfortable cultural base for migrants as well as an integration locus.

Though initial friction between Mexican migrants and American Chicanos is common,<sup>33</sup> it is not permanent. As Mexicans become more accustomed to the United States through their integration channels in barrios, they interact with American-born Chicanos who serve as a further social conduit,<sup>34</sup> eventually connecting migrants with mainstream American society. Composing a significant 5.4 percent of the national population, Chicanos throughout the United States number 13,496,000.<sup>35</sup> In many border areas in Southern California, the Chicano population surpasses 10 percent of the general population.<sup>36</sup> These Chicanos are significant to Mexican migrants not only because they share a cultural heritage or because they extend social networks, but more importantly because they have political influence and organization that Mexican migrants, as non-citizens, do not. At local and national levels, Chicanos have the ability to lobby effectively for migrant rights and immigration policy reform.<sup>37</sup> Indeed, where Chicanos and Mexicans together constitute well over a third of the population in many parts of Southern California,<sup>38</sup> they create a formidable, influential force in social, cultural, and political arenas. Chicano support has



uplifted Mexican culture and the Spanish language on the American side of the border, protecting migrant flows and perpetuating migratory culture.

### *Long-Term Pull*

Though there are economic factors involved in this migration that make it viable, the historic connection between Mexico and the American Southwest engenders migration as more of a social process, albeit with sizable financial incentives. These extensive socio-cultural and economic links between Mexicans and Americans will remain unbroken, continuing to incite migration even as NAFTA develops the Mexican economy. A pull to America will therefore prevail in the long term.

## **Cumulative Analysis of Migration under NAFTA**

As economic restructuring in Mexico has short-term negative effects that increase migration pressure, undocumented migration to the United States will grow. Landlessness, crowded cities, unemployment, and amplified industrial pollution will make migrants move at least once, probably within Mexico. But after one relocation, another is likely, and another, until migrants finally cross the border into the United States. Though the cyclical nature of most migrations means that many undocumented migrants will return to Mexico, it also means they will at some point go back to America. This sinuous movement weaves Mexico and America together.

But such a connection is based more on reliance than unity, as Mexicans currently need American wages to survive economic tumult. Likewise, American services presently prefer Mexican labor in order to cut costs. Even as conditions in Mexico improve, it is highly unlikely that undocumented Mexican migration to the United States will lose its advantages for Mexican workers and American employers. This monumental shift would require not only a wage convergence brought on by free trade and factor-price equalization, but also the end of other non-economic incentives, including identical labor and environmental conditions in both countries. Such a drastic equalization between Mexico and the United States is not probable as NAFTA has no provisions for social equality and plans for developing a social infrastructure in Mexico along with industrialization are absent from the agreement. Economic development without concurrent social development is already causing high levels of unemployment, poverty, and other ills in Mexico. Further growth along these lines is

sure to exacerbate the problems that fuel migration.

With the pitfalls of development thus goading migration, and factors of reliance, culture, and history interacting to draw migrants, there can be little question about the future trajectory of undocumented migration from Mexico to the United States: it will persevere. Proliferating low-wage jobs in services will perpetuate the Mexican labor niche in America. Migratory culture and the need for hefty remittances will drive a movement of people to obtain these jobs. Migrant barrios and Chicano support will nurture this migration. Migration will be fruitful, and especially with a booming population in the maquiladora border region, migration will be easy. All these reasons make the lure of America seem endless despite NAFTA.

Thus it appears that the Mexican and American governments cannot effectively curb migration solely through economic development or anti-immigration laws. Perhaps government actors and agencies would be better served by examining thorough economic data about migrants (e.g., their contributions and costs in America and their benefits to Mexico) before targeting them as scapegoats for larger problems such as unemployment, the deficit, the welfare crisis, and ethnic fragmentation. If the American and Mexican governments still seriously wish to curtail undocumented Mexican migration to the United States, they must first recognize that it is not an action motivated on the personal level by economics alone. Rather, as demonstrated, migration is a complicated social process with cultural roots. A more effective way of spending government funds would be to aid the integration process of migrants (i.e., helping them locate the low-wage jobs that they will seek and probably find anyway) rather than to blockade integration by forcing migrants to operate covertly under illegal status.

I do not argue that America and Mexico should abandon NAFTA but instead that the agreement will not end undocumented migration. NAFTA is working to better Mexico in the aftermath of such troubles as the monetary crisis, indigenous rebellion, and political assassination. However, though liberalized trade between the United States and Mexico is mutually beneficial on economic and political levels, NAFTA must add the social realm to its focus in order to succeed in ameliorating living conditions in Mexico. Like government perspectives on migration, the process of development is viewed in a strictly economic sense under NAFTA. It cannot be stressed enough that economic development without a social infrastructure is dangerous. Such careless development is likely to end in vast inequalities between the rich and the poor, and probably an environmental crisis, both of which have further negative social implications.



# Notes

- 1Martin 1993: 25.
- 2Bustamante 1992: 22.
- 3Andreas 1996: 60.
- 4Monto 1994: 212.
- 5Ibid.
- 6Ibid.
- 7Monto 1994: 221.
- 8Krugman 1996.
- 9Martin 1993: 108.
- 10Andreas 1996: 61.
- 11Monto 1992: 219.
- 12Monto 1994: 212.
- 13Bustamante 1994: 89.
- 14Monto 1994: 213.
- 15Ibid.
- 16Watson 1995.
- 17Moon 1996: 146; Sánchez 1994.
- 18Bustamante 1994: 89.
- 19Castañeda 1996: 97; Martin 1993: 118.
- 20Graham 1996.
- 21Hedges 1996: 39.
- 22Castañeda 1996: 96; Durand, Parrado, and Massey: 423.
- 23Hondagneu-Sotelo 1994: 1-18.
- 24Hondagneu-Sotelo: 186-206.
- 25Graham 1996.
- 26Yang 1996.
- 27González-Aréchiga 1992: 319; Hawkins, Hedges, and Loeb, 1996.
- 28Muller 1992: 370.
- 29Cobb-Clark and Koussoudji 1996: 918.
- 30Ham-Chande, Rubin-Kurtzman, and Van Arsdol 1996: 1020-1021.
- 31Hondagneu-Sotelo 1994: 34-52.
- 32Andreas 1996: 59.
- 33Hondagneu-Sotelo 1994: 183-184.
- 34Alarcón, Durand, González, and Massey 1987: 256.
- 35Schaeffer 1995: 3.
- 36Ham-Chande, Rubin-Kurtzman, and Van Arsdol 1996: 1030.
- 37Gutiérrez 1995: 179-205.
- 38Ham-Chande, Rubin-Kurtzman, and Van Arsdol 1996: 1030

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# Israel's Move Towards Peace in 1993: a Rational Approach?

*by Sedat Cevikparmak*

On May 13, 1991, Yitzhak Shamir proclaimed, "There is no land of Israel other than a totally united land...We will never tire, even if it takes all the time in the world, of defending our rights in every part of the area which is the heritage of our fathers," during a gathering assembled to commemorate Israel's capture of East Jerusalem in 1967.<sup>1</sup> In spite of this statement, we see the leadership of Israel signing the Declaration of Principles, the first-ever peace accord between Israelis and Palestinians, on September 13, 1993 on the White House lawn in Washington, DC.<sup>2</sup> This reversal of Israel's attitude towards the peace process, commonly known as the Oslo breakthrough due to the secret talks there, was a shock to many people. However, a closer look at the events surrounding this initiative will reveal that Israel's decision to embrace the peace effort was purely rational. The Intifada or the so-called Palestinian Uprising, that began in December 1987, proved unexpectedly beneficial to the Palestinians.

This article contends that Israel's peace initiative reflected a rational decision aimed at combating the negative effects of the Intifada on Israeli politics,

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*Sedat Cevikparmak will be graduating from West Point in 1997 with a degree Middle Eastern Studies.*

society and economy. The Rational Actor Model (RAM) provides a useful analytical framework with which to assess the reasons for which the Israelis chose to pursue peace talks with the Palestinians. The RAM holds that state decisions are a product of rationality-driven cost-benefit analysis. This article consists of several sections that explain and prove this thesis. The first section provides relevant background information on the peace process and Israeli-Palestinian conflict. The next part explains the key aspects of the RAM approach. The last section will assess the ways in which Israel's decision to negotiate with the Palestinians reflected pure cost-benefit analysis.

## Historical Background

A brief look at the evolution of the Palestinian-Israeli conflict and previous attempts towards establishing peace furnish the crucial historical context for Israel's decision to negotiate with the Palestinians in 1993. On May 14, 1948, the founding of Israel was announced by David Ben-Gurion, who stated, "We hereby proclaim the establishment of the Jewish State in Palestine, to be called Medinath Yisrael [The State of Israel]."<sup>3</sup> The next day Israel was invaded by various Arab armies which Israel managed to defeat due, in part, to the Arab states' disorganization. By the end of the 1967 War, the Israelis had occupied the Sinai peninsula, the Gaza Strip, the Golan Heights, the West Bank and East Jerusalem. This incredibly short victory, achieved in only six days, resulted in Israeli overconfidence which was later shattered by the Yom Kippur War in 1973. The Arab states proved to the Israelis and the world with their surprise attack, that they could cooperate and fight effectively using modern weapon systems. Although the outcome of the war was a military victory for Israel, it was a psychological and diplomatic coup for the Arabs.

The Yom Kippur War led to the Camp David Accords between Israel and Egypt. Although Egypt regained control of the Sinai Peninsula, the future of the other Occupied Territories remained as major unresolved issues. By 1978, the Palestinian population in the Occupied Territories numbered approximately 1.3 million.<sup>4</sup> As Israeli government policy continued to support the creation of more Jewish settlements in the Occupied Territories and continued to implement harsh counterinsurgency measures, the unrest in these territories increased.

By the mid-1980s an entire generation of Palestinians had grown up under Israeli occupation. Additionally, Palestinian frustration at the inability of other Arab nations to liberate the territories from Israeli control exacerbated the overall situation in the Gaza Strip and the West Bank. By December 1987, Palestinian resentment towards the Israelis had soared. On December 9 spontaneous pro-



test led to a full-fledged civil uprising in response to the killing of four Palestinians in the Gaza Strip, which came to be known as the Intifada. The Intifada had mixed results. It led to tragedy, with the death rate in the first year of the rebellion six times the annual per capita death rate of American soldiers in Vietnam.<sup>5</sup> Despite its tragic consequences, the Intifada reshaped the nature of the Arab-Israeli conflict. The Palestinians finally attracted attention to themselves, which underscored the need to find a solution to the volatile situation in the Occupied Territories.

Although the Palestine Liberation Organization (PLO) did not initiate the Intifada, it organized its continuation. Yasser Arafat was quick to seize the moment and launched a peace plan in November of 1988. He explicitly stated that the PLO accepted the United Nations (UN) Resolutions 242 and 338 (which implied that he recognized Israel as a state) and renounced terrorism.<sup>6</sup> As a result of the PLO change in policy, the United States began dialogue with the organization, while the Israelis responded in kind, with their own peace plan. Diplomatic maneuvering continued alongside an uprising in the West Bank and Gaza Strip. A significant opportunity to push the peace process along came at the end of the Gulf War in 1991. American leverage in the region had increased and gave the U.S. greater ability to coerce the actors in the Arab-Israeli conflict to the table to talk peace. Persistent efforts by the Bush administration gave birth to first-ever peace talks between Israelis and Arab states in Madrid on October 30, 1991. Although peace talks continued until June 1992, no significant progress was made. A fresh opportunity arose with the Israeli election in June 1992. Yitzhak Rabin became the head of the Israeli government at this time, and his presence breathed new life into the peace process. Parallel to his victory at the polls was the continued violence of the Palestinian Uprising. Photos of Israeli soldiers breaking the arms of Palestinian children were being published world-wide. The Israeli government's brutal response to the Intifada elicited opposition both globally and within Israel, thus threatening the future stability of Israel. These and many other considerations propelled Israeli leadership towards accepting negotiation as a viable option. As a result of secret meetings held in Oslo, the Declaration of Principles was announced in the White House by Rabin and Arafat on September 13, 1993.

## **The Rational Actor Model**

**I**n order to answer the question of why Israel decided to make peace in 1993, it is necessary to discard purely deterministic assumptions of the systemic approach in political science. In the international arena, state actions reflect

not only the search for power and wealth, but illustrate the fact that choices made by leaders are constrained by the actual political system. According to this conceptual lens, beliefs and political systems affect system behavior. "Strong beliefs - whether they are religious, ideological, nationalistic, or philosophical - force international actors to interpret people, countries, and events in different ways."<sup>7</sup> Thus, "specific types of political systems and the types of foreign policy-making processes that they produce also often make 'why do states do what they do' a matter of choice."<sup>8</sup>

The RAM explains state behavior as a product of a government's strategic cost-benefit analysis and parallels some of the realist thinking. Hans J. Morgenthau states in his book *Politics Among Nations: The Struggle for Power and Peace* that "the true nature of policy is concealed by ideological justifications and rationalizations."<sup>9</sup> As a realist, Morgenthau argues that in their pursuit for power, states use rationalization extensively. In determining policies, states choose from different alternatives that are defined by the political ideology and value systems of the political elite.

Another scholar, Patrick M. Morgan, explains the assumptions of the RAM as follows: 1) a nation's actions are purposeful steps toward some international goal or goals, 2) decision-makers try to maximize their nation's achievements, so they select from among the various alternative courses of action by weighing the costs and benefits of each, and 3) in an interdependent world this means taking into account the goals and strategies of other governments.

Likewise, Graham T. Allison, the international relations theorist who coined the term "rational actor model," discusses the following assumptions that characterizes the RAM model: 1) states act with a purpose or intention, 2) the political actor in international arena is the national government, and 3) the decisions of the national government are made as calculated responses to the problem at hand.<sup>10</sup> According to Allison, if a nation executes a particular action, that nation must have had ends towards which the action constitutes an optimal means. The general principle of RAM can be put as follows: the likelihood of any particular action results from a combination of the nation's relevant values and objectives, perceived alternative courses of action, estimates of various sets of consequences, and a net valuation of each set of consequences. This gives us two propositions:

- A reduction in the value of the set of consequences which will follow from that action, or a reduction in the probability of attaining fixed consequences, reduces the likelihood of that alternative being chosen.
- An increase in the value of the set of consequences which will follow from that alternative, or an increase in the probability



of attaining fixed consequences, increases the likelihood of that action being chosen.<sup>11</sup>

Additionally, Alexander L. George raises the point that much of foreign policy-making consists of efforts to calculate the utility of alternative courses of action. He further argues that this type of calculation requires information, substantive knowledge of cause-effect relationships, and a way of applying the values and interests engaged by the problem at hand. Since a decision-maker cannot meet these requirements perfectly we have the problem of *value complexity*, the presence of multiple, competing values and interests that are imbedded in a single issue.<sup>12</sup>

Several hypotheses can be derived from the RAM which will be useful in explaining Israel's move towards peace in 1993. The first hypothesis contends that a state which faces a strategic problem will choose among the alternative policies that results from a cost-benefit analysis. Israel, faced with the negative effects of the Intifada both within the nation and in the international arena, chose to initiate peace talks, which resulted in the Declaration of Principles in September 1993. The second hypothesis contends that when multiple values or interests are at stake in a single issue, a rational decision-maker will choose to sacrifice less important ones for the greater good of the state. In this case, as the political, economic and psychological effects of the Uprising became unbearable for Israel, the government was compelled to modify its former policies and begin negotiations with the Palestinians. An examination of these propositions with regard to Israel's shift in 1993 will highlight the relevance of the RAM model in explaining Israeli behavior.

## The Decision to Talk Peace

This section will argue that Israel's decision to negotiate with the Palestinians resulted from a clear cost-benefit analysis of its alternatives. Thus, the RAM provides a valid explanation of Israeli action in 1993. To restate the first hypothesis, a state that faces a strategic problem will assess alternative policies and choose one weighing its options. The Israelis encountered many political, economic and morale problems due to the Intifada which led them to Madrid and ultimately the Oslo Accords in 1993.

In order to test the validity of the above proposition, the following two questions will be addressed: 1) Did the Intifada have a negative impact on Israeli politics, and if so, to what extent? 2) Was there a significant shift in Israel's policies and attitudes towards Palestinians in 1993?

The Intifada had very adverse results on the political and social life of Is-

rael. Politically, the Intifada stimulated a tremendous amount of discussion among various segments of the Israeli populace and contributed to severe polarization of Israeli society. The Intifada required the Israeli political leadership to contemplate the future of the Occupied Territories in a more concrete and realistic manner than it had previously done. "The implication of making no decision about the future of the territories and their inhabitants was brought home more powerfully than it had been in the previous twenty years."<sup>13</sup> Additionally, "the conscience of the Israeli left, especially the Peace Now movement was pricked by the government's beatings policy and some widely publicized instances of Israeli Defense Force (IDF) brutality - the burial alive of four Palestinian youths and the beating to death of a 41-year old Palestinian in his home, even though he had not resisted arrest."<sup>14</sup>

On the other hand, the right wing in Israel viewed the Intifada as another attempt by the Arabs to destroy Israel and thus wanted a severe reaction to follow.<sup>15</sup> The fact that the Intifada further created divisions in Israeli politics is illustrated by the fact that twenty-seven parties ran in 1988 with fifteen achieving the minimum amount of votes necessary for representation.<sup>16</sup> For the first time, Israel experienced a political crisis that was directly related to the Palestinian issue, namely, the collapse of the National Unity government in March 1990.<sup>17</sup> The political center shrank and the range of opinions on most of the central policy issues expanded.<sup>18</sup>

One institution on which the Intifada had significant detrimental effects was the IDF. At the outset of violence in the territories, the IDF was initially given the task of restoring the status quo. Yet, "the Israeli army was unable to use its massive arsenal because it was fighting civilians armed only with slingshots, gasoline bombs and stones."<sup>19</sup> Subsequently, the army's task was modified to reducing the violence to a "bearable level."<sup>20</sup> As the Intifada continued, the IDF introduced new methods which were both more lethal and inhumane. Beatings by clubs or stones, and use of tear gas became common practice, and plastic bullets were introduced when rubber bullets proved to be less effective. The continued hardening of Israeli policy towards the Uprising resulted in a process of "brutalization" in the ranks of IDF. This was a "process through which violence, intolerance, and contempt for the 'other' has become the norm, a routine part of everyday military life."<sup>21</sup> The Palestinian attitude also added fuel to the increasingly lower morale of the IDF. Palestinians considered the humiliation of an Israeli to be more of a victory than the taking of his life.<sup>22</sup> The Intifada was like gangrene, eating away at the IDF's moral core.<sup>23</sup> "The result was that the IDF, which had hitherto been the most sacrosanct of Israeli institutions, began to lose its self-confidence."<sup>24</sup>

Israeli public opinion also dramatically changed because of the Intifada.



Some Israelis had tried to justify the occupation by pointing to the Palestinians' improved standard of living under the Israeli rule.<sup>25</sup> The revolt removed this justification. The Intifada pushed the left-wingers further to the left as the stories of Palestinian beatings and killings by the IDF reminded them of the Nazis.<sup>26</sup> On the other hand, for some in the right wing, the Intifada was a bolstering experience rather than a damaging one. As one man said, "What I'm feeling is rage and frustration. If an Arab were to throw a stone at me I'd finish him. This may sound crazy but I feel that this situation strengthens me."<sup>27</sup>

The Intifada also proved to be costly for Israel in the international arena. The Palestinian success in drawing the attention and sympathy of world opinion to the plight of the Palestinians had negative effects for Israel. During the Intifada, Israel was criticized internationally more than any other time since its 1982 invasion of Lebanon.<sup>28</sup> For instance, the U.S. administration issued a travel advisory, warning Americans to be careful when visiting Israel and the Occupied Territories. The greatest blow to Israel was the onset of an official dialogue between the U.S. and PLO.<sup>29</sup> This dialogue undermined Israel's position towards the Occupied Territories and made the PLO an officially recognized player in the negotiations.

The Palestinian Uprising also brought Israel the mounting economic and political costs of a continued occupation, thereby reinforcing the recognition of a need for a historic compromise between Arabs and Jews.<sup>30</sup> By 1989, Israeli leaders began searching for some initiatives that would lessen Israeli isolation and soften the judgment that Israeli policy had slipped further into a rejectionist mode.<sup>31</sup> On January 7, 1989, Shamir submitted a peace plan to Baker, the U.S. Secretary of State. The plan called for direct negotiations on the permanent status of the territories with Palestinians who would be elected in those territories.<sup>32</sup> Rabin proposed his own plan, calling for free elections in the West Bank and Gaza Strip to select a delegation which would represent Palestinians in the negotiations. These negotiations would be aimed at the establishment of a transitional period of Palestinian self-rule.<sup>33</sup>

In the midst of these developments, some Israeli military and political analysts concluded that the cost of continuing Israeli domination over a hostile population in all of the territories would exceed any Israeli gains and would not serve Israel's interests.<sup>34</sup> As a result of this view, various political groups advanced options to deal with the territories. The following reflect several of those ideas:

- 1) Annex the territories either de facto or de jure, suppress the uprising, and convince the Palestinians to accept some form of limited autonomy.
- 2) Annex the territories and expel the Palestinians, by force if

necessary, in large numbers, thus giving Israel a completely free hand in the territories.

- 3) The 'Jordanian option,' which would involve discussing the Palestine question with Jordan, ceding some territory and sharing in a Jordan-Israel condominium of the West Bank and Gaza.
- 4) The two-state solution, reactivating the principles of the 1947 UN partition plan, with an independent Palestinian state being created within pre-1967 boundaries of the West Bank and Gaza Strip, alongside Israel, which would return to its pre-1967 borders.<sup>35</sup>

The above information illustrates Israel was indeed facing a serious strategic problem, and chose from the decision matrix of different policies in order to best fulfill its needs. Thus, the first hypothesis is valid.

The second hypothesis discusses instances in which multiple values or interests are at stake in a single issue, where a rational decision-maker will sacrifice the less important ones in order to choose that one which will maximize state interests. In the case of the Intifada, as Israel began to find its effects unbearable, the government was forced to rethink its policies concerning the Occupied Territories. Again, several questions need to be answered in order to assess the validity of this hypothesis in explaining Israeli behavior: 1) Were multiple values and interests at stake for Israel? 2) If so, how did the Israeli government decide which values and interests to sacrifice?

The Intifada forced most Israelis to question their values and interests as a people. In the early months of the Uprising, the prevailing attitude of Israelis towards the Intifada and the government's response was one of *notorious ineptitude*, a phrase coined by the Spanish philosopher Jose Ortega y Gasset.<sup>36</sup> However, continuation of the Intifada forces the Israelis to recognize that the Palestinian issue could not be solved in this manner. The effects of the Intifada were so potent, as reflected by the extreme division in Israeli society's response to this issue, that it could not be ignored indefinitely.

In order to understand the dichotomy in Israeli society, we will examine the values and interests of Israel as expressed by various groups within its borders. According to a dovish member of Labor Party, in the 1990s the danger of an internal split in Israel was so grave that the effort to avoid such a division was paramount.<sup>37</sup> As such, the leftists believed that the very existence of Israel was being threatened by her inability to solve the Palestinian Uprising problem.

Three groups are interesting to analyze in order to further demonstrate the division in the society: Yesh Gvul (There is a Limit), Peace Now and Gush Emunim (Bloc of Faithful). Yesh Gvul was a group founded during the Leba-



non War by the members of the Israeli military forces who refused to fight for a cause with which they disagreed. Yesh Gvul became a rallying-point for the "refuseniks" during the Intifada. A former Israeli commander argued that "the IDF was founded as the Israeli Defense Forces, but it has become the Israeli Occupation Forces, an instrument to oppress another people. I refuse to be a smoothly working cog in that machine."<sup>38</sup>

Although, the Peace Now movement tried to stay closer to the center of Israeli politics, the center itself was narrowing as the Uprising continued. Therefore, the values and interests that Peace Now advocated contradictory to the government's perception of values and interests of Israel. Peace Now launched a campaign in 1988 under the slogan, "There is a partner for discussion. Speak with the PLO."<sup>39</sup> On the other side of the spectrum, the Gush Emunim vehemently opposed the idea of talking peace, and called for the transfer of Palestinians to purify the Holy Land.<sup>40</sup> In short, there were very polar, conflicting views in Israel regarding the values and interests of Israel in dealing with the Palestinians.

Looking at the problem of the Palestinian Uprising from a broader perspective, the Israeli governments during the Intifada years had to make hard decisions in order to steer Israel out of both a possible civil war and international isolation. Observing the unrest in the society, and sensing the growing discontent with Israel's actions from abroad, the Israeli governments gradually shifted their policies, becoming incrementally less radical. During the first years of the Intifada, the Israeli government concentrated on suppressing the uprising and creating a power struggle among the Palestinian groups.<sup>41</sup> Moreover, the international pressure at the outset of Israel's response to the unrest was not at a level that Israel assessed as detrimental to its interests. Therefore, during the early period of the Intifada, the cost-benefit analysis of maintaining the status quo versus change yielded policies that advocated the maintenance of the status quo.

The Israeli military, economic and psychological policies, however, proved to be failures as the Intifada continued at a very high level. The attitude of the international community also shifted towards support and sympathy of the Palestinian cause. As we discussed above, polarization of politics in Israel posed a threat to the future of the Israeli regime. The IDF became increasingly inefficient and brutal in its struggle with the Palestinian stone-throwing youth. The IDF senior officers put pressure on the Israeli politicians to come up with a solution to the Uprising so that the military could return to training in order to maintain their combat readiness. They also wanted to rebuild the eroding morale of the IDF.

These factors forced the Israeli politicians to evaluate the different courses of actions and possible solutions to the Palestinian question. As it became obvious in 1990s that maintenance of the status quo was unbearably costly for

Israel, politicians including Shamir and Rabin began talking about a possible peace settlement with Palestinians. In short, when multiple values or interests are at stake in a single issue, a rational decision-maker will sacrifice less important ones for the greater good of the society. The above discussion illustrates the rationale behind Israel's decision that peace with the Palestinians would be more beneficial to society than continuing of past policies.

## Conclusion

In sum, the RAM proves to be a helpful tool in understanding Israel's decision negotiate with the Palestinians, which culminated in the Oslo accords of 1993. Although the discussion of the role of nationalism in this conflict is beyond the scope of this paper, nationalism permeates most aspects of Middle Eastern social and political life. One need only recall that Israel was founded on both religious and national grounds.

Thus, we should also be aware that there are some pitfalls in using the RAM to explain decisions in Israeli politics. The RAM assumes that the government consists of a group of people with a strong consensus on, at a minimum, the very basic issues regarding society. In other words, unity is expected and the ability of the government to make hard decisions depends on this consensus-based political environment. This is clearly not the case with the Israeli politics. The inherent nature of Israeli politics prevents one party from maintaining a very strong hold of power. Due to the coalition system of government, small parties can have tremendous impact on shaping policy. The prime minister has to accommodate the variety of opinions on different issues as expressed by more than twenty parties. Therefore, Israeli governments cannot act as "rationally" as it would like.

Another issue worth exploring is the extent to which the role of the international community helped to initiate the peace process between Palestinians and Israelis. It is possible to argue that if the pressure from outside of Israel had not been as great, the government would not have begun the peace talks. RAM recognizes that the international community can have some impact on the decision process. As such, international issues become part of the cost-benefit analysis of a state. According to the RAM, however, the amount of international pressure should not force a state to give in to a certain policy. The state should be able to make its own decision following a rational evaluation of different courses of actions. In the case of Israel and the Palestinian problem, Israel was under immense pressure from the U.S. and Europe. The outside pressure certainly expedited the Israeli decision to open talks with the PLO, leading to the current, rather tenuous peace.



# Notes

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- 3Ibid., 111.
- 4Ibid., 200.
- 5Ibid., 233.
- 6Ibid., 232.
- 7Daniel J. Kaufman, Joseph J. Collins and Thomas F. Schneider, *Understanding International Relations: The value of Alternative Lenses* (New York: McGraw-Hill Inc., 1995), 1021.
- 8 Ibid., 1022.
- 9Hans Joachim, Morgenthau, *Politics Among Nations: The Struggle for Power and Peace* (New York: Knopf, 1948), 101.
- 10Kaufman, 1133.
- 11Ibid.
- 12Ibid., 1154.
- 13Asher Arian, Michal Shamir, and Raphael Ventura, "Public Opinion and Political Change: Israel and the Intifada," *Comparative Politics*, 24 (April 1992) 318.
- 14Robert F. Hunter, *The Palestinian Uprising: A War by Other Means* (Los Angeles: University of California Press, 1991), 172.
- 15Ibid.
- 16Arian, 317.
- 17Souad R. Dajani, *Eyes Without Country: Searching for a Palestinian Strategy of Liberation* (Philadelphia: Temple University Press, 1992), 83.
- 18Arian, 329.
- 19Hunter, 58.
- 20Efraim Inbar, "Israel's Small War: The Military Response to the Intifada," *Armed Forces and Society*, 18 (Fall 1991), 44.
- 21Rigby, 75.
- 22Hunter, 82.
- 23Glenn Frankel, *Beyond the Promised Land: Jews and Arabs on the Road to a New Israel* (New York: Simon & Schuster, 1994), 79.
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- 26Ayala M. Pines, "The Palestinian Intifada and Israelis' Burnout," *Journal of Cross-Cultural Psychology*, 25:4 (December 1994) 446.
- 27Ibid., 447.
- 28Hunter, 83.
- 29Aryeh Shalev, *The Intifada: Causes and Effects*, (Oxford: Westview Press, 1991), 140.
- 30Efraim Karsh, and Gregory Mahler, ed., *Israel at the Crossroads: The Challenge of Peace*. (New York: British Academic Press, 1994), 40.
- 31Everett Mendelsohn, *A Compassionate Peace: A Future for Israel, Palestine, and the Middle East*, (New York: Hill and Wang, 1989), 10.
- 32 Ziva Flamhaft, *Israel on the Road to Peace: Accepting the Unacceptable* (Boulder: Westview Press, 1996), 64.
- 33Ibid., 65.
- 34Ibid., 66.
- 35Mendelsohn, 11.
- 36 Haim, Gordon, *Quicksand: Israel, the Intifada and the Rise of Political Evil in Democracies* (East Lansing: Michigan State University Press, 1995), 238.
- 37Karsh, 100.
- 38Rigby, 185.
- 39Ibid., 186.
- 40Flamhaft, 148.
- 41Hunter, 217.

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# Germany's Changing Role in Eastern Europe

by Laura Suchon

The collapse of communism, the end of the Cold War and the unification of Germany have fundamentally altered the political and economic concerns, priorities and aspirations of Germany. Germany's increased size and renewed location in the center of Europe have opened up new and unique economic and leadership opportunities for Germany while raising a plethora of new concerns for both Germany and her neighbors. Similarly, the collapse of communism has strongly influenced Germany's economic relations and security interests with the newly forming democracies in eastern Europe. While some European countries have expressed concern about a unified Germany, this paper will argue that the pursuit of her interests in the east will not stunt her commitments to the west nor will it be characterized by hegemonic aspirations.

During the Cold War, numerous constraints prevented Germany from acquiring full autonomy in its foreign policy. The end of the Cold War has meant an end to these constraints. With this newly found freedom, Germany has enjoyed a sixteen million person addition to its population, not to mention the acquisition of five new Federal States, or *Bundesländer*. Despite these increases in size and population, unification has not translated into an absolute political or economic gain for Germany. The unification of Germany has tre-

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*Laura Suchon will be graduating in 1997 with a Bachelor of Arts in International Relations and German Studies.*

mendously strained the German economy. Despite the economic and foreign policy advantages which Germany's increased size and new central geographic location may award it, overcoming the economic burden of unification will keep Germany from exercising these new advantages in anything but a modest way.

Along with these changes have come both new security concerns as well as economic opportunities. The newly forming democracies of eastern Europe are threatened by instability, and Germany is concerned that this instability could migrate westward. Because of this, Germany is taking an active role in supporting the development of stable political and economic systems in those newly forming democracies which have demonstrated the ability to successfully adapt to the changes they are undergoing. Economically, such countries as the Czech Republic, Slovakia, Hungary and Poland have lured German investment into the region by means of the lower costs which exist in their markets.

## German Unification and Its Economic Impact within Germany

### *The Economic Ramifications of Unification within Germany*

In the years following the Second World War, the economies of East and West Germany took divergent paths. Aided by the Marshall Plan, the West German economy went through a period of unprecedented growth, which came to be known as the *Wirtschaftswunder*, or "economic miracle." At the same time, flawed Soviet economic policy led to a largely underdeveloped East German economy. Since unification, the eastern Germans have been faced with massive decline in industry and astronomical unemployment rates while the western Germans have been faced with the burden of financing the reconstruction and reorganization of the former GDR. The economic integration of the new *Bundesländer* into the Federal Republic of Germany has, in fact, resulted in an overall weakening of the German economy.<sup>1</sup>

An almost immediate result of unification was the collapse of eastern German industry. In 1991, production in the former GDR decreased by over 50 percent while production in western Germany increased by 3.2 percent.<sup>2</sup> In an effort to minimize the disparity of wealth between East and West Germans, the West German government offered a very favorable one-to-one exchange rate of the East German currency to the West German DM. This, however, pushed the price of East German goods up making eastern German industry less competitive. Consequently, millions of people lost their jobs.



The favorable currency exchange was not the only reason wages increased in the former GDR. West German trade unions had been concerned that cheap labor in eastern Germany might encroach upon western jobs. The unions sought to increase eastern German wages, thereby narrowing the wage gap. The end result is that workers from the new *Bundesländer* now on average, make three-fourths of their west German counterparts. However, because productivity levels in the new *Bundesländer* remain substantially lower than those in the old *Bundesländer*, average unit wage costs in the east are still more than 50 percent higher than in the west.<sup>3</sup>

The transition from a planned Socialist economy to a market economy has been extremely difficult for many citizens of the former GDR. Although the majority of the citizens from the new *Bundesländer* have made material gains as a result of unification,<sup>4</sup> adjusting to high energy costs, high housing costs and high unemployment rates has proven itself very difficult. The unemployment rate in the new *Bundesländer* as of January 1996 was estimated to be about 15 percent, while that of western Germany was only 7.3 percent.<sup>5</sup> Official figures suggest that East German unemployment rates are roughly twice that of West Germany. However, if boosters such as work-creation and retraining measures were to be discounted, unemployment in the new *Bundesländer* would be calculated to be about three times of that in western Germany.<sup>6</sup>

For the eastern Germans, unification meant facing up to realities of the market economy from which they had formerly been shielded. For the western Germans, however, it meant absorbing an economically inferior neighbor and supporting its reorganization and reconstruction. West Germany greatly underestimated the cost of unification and now holds the burden of supporting reconstruction in the east which is estimated as costing anywhere from 100 billion<sup>7</sup> to 150 billion DM a year.<sup>8</sup> Altogether about 5 percent of west German GDP is devoted to financial transfers to East Germany and west Germans are now financing this endeavor with money out of their own pockets. Subsidies to eastern Germany have meant higher taxes, including a recently extended 7.5 percent "solidarity" surcharge on income and corporation tax bills for westerners. It has also created higher interest rates and a larger budget deficit for all of Germany.<sup>9</sup>

Another drain on the German economy has been the legal extension of west German welfare benefits to citizens of the new *Bundesländer*.<sup>10</sup> Considering the huge disparity between east and west German unemployment rates, it is easy to imagine why the 16 million new citizens present a challenge to the lucrative welfare system of the Federal Republic. To revoke these benefits would most likely, however, trigger a mass migration of east Germans to the west.

To this point, German unification has had a negative impact on the overall wealth of Germany. Before Germany will be able to benefit substantially from its new geopolitical position in Europe, it will have to slowly integrate eastern Germany. The key to transforming eastern Germany from a burden on the Federal Republic into an asset, will be the successful reconstruction of its infrastructure to attract investment.

A program to develop an appealing infrastructure in eastern Germany began almost immediately after Unification. This included the renovation of towns and the construction of roads, office buildings, industrial estates and shopping centers.<sup>11</sup> Investments in eastern Germany have risen from DM 90.6 billion in 1991 to DM 207.5 billion in 1996. And approximately 84 percent of these investments were private, not public. Eastern Germany had a clear advantage over other post-communist countries in that it was the first to be privatized as well as the first to have "sound legal and financial structures and [a] stable currency."<sup>12</sup> Although eastern Germany has clearly benefited from an investment in its infrastructure, it has yet to attract the level of investment which it desperately needs to break free from west German subsidies. If eastern Germany does not break free from the subsidies of western Germany, it could become excessively dependent upon them. This could create a permanent drain on the economy of the Federal Republic, and might threaten Germany's ability to meet Maastricht criteria for deeper European integration.<sup>13</sup> Although Germany's new geopolitical position has given her renewed opportunities for leadership roles and economic advancement in Europe, Germany will first have to overcome the obstacle of internal economic difficulties before she can take on an ambitious foreign policy.

## Germany and Its Changing Role in Europe

### *The Perceived German Military Threat*

Once again, the "German question" — or what to do with a large, autonomous Germany in the center of Europe — has become cause for concern. Twice in the twentieth century, Germany has made an attempt to dominate Europe. Although it has been speculated that Germany's renewed economic strength might lead to greater military aspirations, Germany's military, at least for the time being, does not present a threat to Europe.<sup>14</sup> When East and West Germany were unified, according to the agreements reached by the Allies and the two Germanys in the 1990 Two-Plus-Four Treaty, it was agreed upon that Germany's military status would continue to be held in check. West Germany's *Bundeswehr* (military) and the East German People's Army were to be com-





Photographer-Oscar Mann; Photo courtesy of UNEP/The Image Works

## Ecological Contours Development Pathways

A Photographic Exploration  
of Global Consequences

# Ecological Contours/Development Pathways:

## A Photographic Exploration of Global Consequences

Ecological Contours/Development Pathways, an exhibition of photographs carefully selected from two international competitions sponsored by the United Nations Environment Programme (UNEP) and Canon Inc., was on display at the Tufts University Gallery from February 13 to March 30, 1997. The exhibition includes 175 images culled from the UNEP sponsored contest, which had received over 76,000 submissions from 144 nations. The UNEP organizers invited contestants to express their vision of the world either in celebration or condemnation of its present condition. The exhibition at Tufts sought to capture that theme and organize it into distinct themes.

The images chosen by co-curators Susan Masuoka, Gallery director, and Richard Wetzler, director of the Environmental Studies Program at Tufts, were divided into four thematic clusters:

- The Seed Bank: Textures of Tillage, Harvest and Renewal
- Populations and Their Habitats
- World Forests: Inhabitants, Regeneration and Prospects
- Watersheds and Oceans: Sources, Sinks; Ebbs, Flows; Thirsts and Pollutants

After choosing the images, the co-curators went about assembling a group of faculty and outside advisors to help organize the photos into thematic clusters and create captions that would serve to educate the exhibition's viewers. The faculty, from a wide range of disciplines, included Associate Provost June Aprille; Frances Chew, Benjamin Dane, George Ellmore, and Sara Lewis from the Department of Biology; William Moomaw from the Fletcher School of Law and Diplomacy; Howard Woolf from the Experimental College; Marian Zeitlin from School of Nutrition; Soheir Morsey from the Department of Anthropology; Reed Ueda from the Department of History; as well as Stephen Gersh, Margot Moomaw, and Jeremy Liu from outside the University. Together they created an exhibition that explores the beneficial and harmful relationships between humans and nature, the distribution and ownership of natural resources, and the interdependence of life, death, and the environment.

We at **Hemispheres**, believe in the old adage that a picture is worth a thousand words. Captured in the following images are ideas and emotions that we believe are intrinsic to this year's theme of Global Development. The photos are but a small sampling of the Ecological Contours/Development Pathways exhibition. If you are interested in learning more about the exhibition, please contact the Tufts University Gallery at (617) 627-3518 for more information. All images are courtesy of UNEP and Imageworks. We thank the Tufts University Gallery for allowing us to reprint these images and the accompanying text.





Photographer: Atan Mohd. Aris/Malaysia Photo courtesy of UNEP/The Image Works

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Rivers are used intensively for clothes washing and as a dumping ground for garbage and raw sewage. The pollution often gets re-deposited near the homes of the poor, situated along the riverbanks.

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Photographer- Do quang Sue/Vietnam; Photo courtesy of UNEP/The Image Works

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Fishing in a canal originally intended for irrigation after a monsoon.



Photographer-Frederic Fournier/France; Photo courtesy of UNEP/The Image Works

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Gypsies viewing the visual representation of upward mobility in the skyscrapers. Their poverty contrasts sharply to the affluence of those inhabiting the skyscrapers. The question is really: "Who sees whom and how?"

"What children experience is what children expect. Loss of healthy environments, places to play and develop for these children -  
- are these the norms characterizing the rise of the next generation?"

-- Prof. Marian Zeitlin, Tufts School of Nutrition

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Photographer-Pers-Anders Pettersson/Sweden; Photo courtesy of UNEP/  
The Image Works

In Manila, the Philippines, an entire “city”  
lives upon a smoky landfill, scavenging daily  
through refuse piles for food, clothing and  
goods to barter.

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People and birds scavenging at a garbage  
dump.



Photographer Unknown; Photo courtesy of UNEP/The Image Works



Photographer-Trachenko; Photo courtesy of UNEP/The Image Works

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The aftermath of deforestation is shown in this site that once consisted of both marsh and crane habitat. Without the natural shade of trees, which shield water from heat and subsequently reduce its evaporation, water cannot be maintained in this wetland at its former capacity. Such a shift can be catastrophic for an area, as evidenced by the lack of seedlings or other signs of growth.

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Photographer-Richard Jules; Photo courtesy of UNEP/The Image Works

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Children planting a tree. “An average tropical tree has been valued at \$196,250 for the carbon dioxide it sequesters from the atmosphere over its 50-70 year life. A tree sold for timber is worth approximately \$590.”

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Photographer-Mohamed El Quehee; Photo courtesy of UNEP/The Image Works

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The linkage of a nation's economic security to the sustainability of its resource base is not a new phenomenon. The Gulf War, in which oil wells were deliberately set afire once again demonstrated the importance of natural resources to national security.

"The Earth, our Mother, is telling us to behave. All around, signs of nature's limitations abound. Moreover, the environmental crisis currently underway, involves all of humanity, making national boundaries of secondary importance."

-- H.H. The Dalai Lama

"The [Persian] Gulf Oil reserves are of strategic importance to the security of the United States and its standard of living and will be protected and defended by our military."

-- Former President Jimmy Carter



“Both sugar cane and the technique for extracting sugar were carried westward from India, first by the Persians...and then by the Arabs, who...introduced the cane to northern Africa, Syria and Spain. Christian Europe first encountered sugar during the Crusades to the Holy Land in the 12th century...The first large shipment to England that we know of came in 1319.

from: McGee G., **On Food and Cooking: the Science and Lore of the Kitchen**. New York: Macmillan, 1984 as adapted within the 1996 Center for Interdisciplinary Studies Challenging Boundaries syllabus.

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Photographer-Van Cappellen; Photo courtesy of UNEP/The Image Works



Photographer-Kayode Fadseke; Photo courtesy of UNEP/The Image Works

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In 1952, the percent of the total global population living in cities of the developing world was 17%. Within 40 years, this had more than doubled, reaching 37% in 1992.

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Photographer Unknown; Photo courtesy of UNEP/  
The Image Works

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Man can capture nature on film, in words, and in thoughts. He cannot, however, reproduce it.

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bined. This military would remain small and its task would remain purely defensive in nature. The forces, which originally numbered 600,000, have been reduced to 370,000. Additionally, Germany's ban on nuclear, biological and chemical weapons remains in effect.<sup>15</sup> Unification, consequently, has not transformed Germany into a military might.

### *Different Security Zones in Central Eastern Europe*

According to Burkhard Koch, the Central East European region can be broken down into three separate security zones. The first, and the one to which Germany will devote substantial time and resources, is the "zone of relative stability". This zone constitutes Poland, Hungary, the Czech Republic and Slovenia. These countries have the potential to develop into stable democracies receiving popular domestic support.<sup>16</sup> Economic and political endeavors in these areas seem promising and German economic efforts in Central Eastern Europe will be concentrated in this area.

The second zone, which includes Russia and until recently the Ukraine, is "the zone of nuclear capability." The region's economic, social instability tied with its nuclear capability make it of great concern to Germany. However, the threat which Russian nuclear capability presented to Germany has declined since the end of the Cold War. Although a nuclear threat remains, in general the new security situation in Europe leaves "a non-nuclear, largely civilian power" such as the Federal Republic less vulnerable to a Russian nuclear threat than had been the case during the Cold War.<sup>17</sup>

The third zone is "the zone of crisis." It refers to countries such as Albania, which in the face of political, economic and social upheaval, have had difficulty making the transition away from communism and toward democracy. No longer supported by Soviet institutions and finding it difficult to reach a political consensus, these nations are "finding themselves on the brink of social unrest or even civil war."<sup>18</sup> Solving the problems in this region has proven itself virtually impossible in both financial and absolute terms.

The emergence of new "decentralized, and diffuse threats" such as "fragmentation, anarchy and chaos, border conflicts, ethnic conflicts potentially turning into ethnic wars, [and] mass emigration"<sup>19</sup> has now become a security concern for Germany. Because means are limited, and because the prospects for successful transition appear bleak in much of the region, Germany will be forced to prioritize her interests in Eastern Europe. Due to Central East Europe's immediate geographic proximity to German soil, Germany's immediate interests in Central East Europe will be in the "zone of relative stability." "[B]y supporting the restoration of democratic capitalism in these countries..." Germany hopes to help establish and maintain economic and political stability,



and in turn create a "buffer zone," shielding itself from instability which exists further east. This will serve to transform Germany's role as an importer of security to that of an exporter of security. Despite reservations about Germany taking on such a leadership role, neither Germany nor her neighbors would be comfortable in its absence.<sup>20</sup>

## German Foreign Policy

### *Obstacles of the Past and Obstacles for the Future*

Despite the Federal Republic's rapid economic recovery after the war, the economic and political stability which it gained by no means translated immediately into power and influence. Instead, the Federal Republic found itself relying heavily on its western allies and often needed the consent of both superpowers to implement a policy. A prime example of this is *Ostpolitik*, West Germany's policy towards the Soviet Union in the Cold War era which aimed to achieve peaceful coexistence with the Warsaw Pact countries. Although *Ostpolitik* is a policy whose goals were individual to West Germany, implementation was impossible without the consent of both superpowers.<sup>21</sup> The freedom of the Federal Republic was also limited insofar as it was vulnerable to blackmail from Moscow and East Berlin,<sup>22</sup> once again, especially on issues of *Ostpolitik*. The disadvantages which the Federal Republic experienced as a result of limited sovereignty and limited autonomy compelled it to work in closer unison with other western European powers. Overall, European integration gave Germany more diplomatic and economic advantages than its restricted sovereignty had allowed for in the past.<sup>23</sup> These are obstacles which Germany must no longer face. Although Germany chooses to work very closely with its neighbors, its absolute dependence upon them has declined in the post-Cold War era. Berlin is no longer divided and Germany is no longer held captive by superpower security arrangements.<sup>24</sup> Germany must now face new challenges as it is presented with new constraints.

### *Foreign Policy Options For Germany*

Germany's two top priorities remain the same: keeping the U.S. engaged in Europe and pressing for greater European integration. Its two new additional goals — drawing the emerging democracies of Central Europe into the Western European clubs of prosperity and security and convincing Russia that its loss of empire does not shut it out from Europe — follow from the first.<sup>25</sup> The Germany of today "...is larger, more powerful and more sovereign, and it occupies a more central geopolitical position than the old Federal Republic."<sup>26</sup> This

has left Germany in the position to develop a foreign policy based more on the pursuit of national interest than had been the case during the Cold War. It potentially directs German national interest further eastward. According to Timothy Ash, Germany's foreign policy will take one of four possible directions over the next twenty years. Germany will either pursue a "deepening" of European integration, a "widening" of European integration, a special relationship with Moscow, or it will aspire to become a key world power.<sup>27</sup>

### *European Integration and the European Union*

European integration has strongly influenced the identity of Germany. The Federal Republic received both material and political advantages, not to mention intangible psychological advantages from European integration. An immediate effect of European integration was the creation of the European Coal and Steel Community (ECSC) which fused the coal and steel industries of France and Germany. This sent a clear signal to Germany that cooperation and integration would translate into economic and diplomatic advantages. Psychologically, involvement in European integration resulted in the Federal Republic's neighbors forming positive and accepting opinions of West Germany.<sup>28</sup> With two-thirds of its exports and over half of its foreign investments going to other EU countries, the EU is Germany's most important trading partner.<sup>29</sup> Germany's leading role in creating a single European currency also demonstrates Germany's continued enthusiasm for deeper integration with the EU.

Germany's population is greater than that of any other EU country. Today, whereas the populations of France and Britain each comprise only 16 percent of the European Union's total population, Germany's accounts for 22 percent of the EU total. Germany's important role in the EU is not only derived from its size but also its economic might. Furthermore it contributes more to the budget than any other member country.<sup>30</sup> With export sales still rising, Germany is an "exporting colossus" trailing only behind America.<sup>31</sup> And although Germany's present budget deficit may prevent Germany from meeting the Maastricht criteria for European Monetary Union, the new European currency will be based on the Deutsch Mark. Because Germany's budget contributions are vital to the functioning of the EU, Germany's economic strength could win Germany leverage when it comes to such issues as expanding the EU into the east.<sup>32</sup>

Since unification, Germany's commitment to the EU has on occasion been called into question. When speaking of European integration Chancellor Kohl's vision is no longer that of a "United States of Europe" or of a "federal Europe." He has backed away from such bold visions and turned to one which envisions merely an "integrated Europe". Not only has the ambition of Kohl's vision



abated, but now Germany is looking to escape from some of the financial burden which financing 30 percent of the EU budget has created.<sup>33</sup> This does not change the fact, however, that Germans are considered "...the staunchest proponents of European integration."<sup>34</sup> If anything, Germany's commitment has been strengthened by unification.

[Kohl's] greatest pride is German unification, but his greatest ambition is to ensure that a united, democratic Germany becomes a "normal" nation, worthy of international respect and willing to assume her rightful place in the family of European nations....He wants to embed Germany in a united Europe, resolving the geo-political dilemma of the continent's most powerful and most prosperous country as it faces both east and west.<sup>35</sup>

In the early 1990s Chancellor Kohl expressed his belief "that 'deepening' of European integration was not only compatible with 'widening' it, but complementary."<sup>36</sup> When making the statement he received little confirmation from his EU partners, and now only a few years later the belief that the two are complementary has become common among fellow EU members.<sup>37</sup> Chancellor Kohl is working hard to make Germany's economy eligible for membership in European Monetary Union (EMU). Because Maastricht criteria stipulate that a country's budget deficit may not exceed 3 percent of GDP, the German government has begun taking steps to cut federal spending and bring Germany's budget deficit down to 2.5 percent. In order to be eligible for EMU by 1997, Germany's economy would have to experience an annual growth rate of 2 percent, a condition which is by no means a given for the unified German economy.<sup>38</sup> Although monetary union will encounter both domestic resistance as well as resistance from the Bundesbank, Chancellor Kohl is determined to overcome these objections and further Germany's integration into the EU. Not only does Germany want to deepen its relationship with existing EU members, but ideally, it would like to see the EU extended further east, especially into countries like Poland and the Czech Republic. Essentially, Germany feels that a larger EU would help make Europe a "more secure and prosperous" place.<sup>39</sup>

Certainly in the East, Germany is viewed as the Central Europeans' window to the West. Bonn prodded its allies to issue a written promise of future membership for qualified Central European candidates and has pushed the opening of the European market to prospective members. Prior to membership, it has also gotten Central European heads of government admitted as regular observers at EU summits. And bilaterally, united Germany and Poland—the largest and economically most dynamic country in the region and the one that suffered the most dead proportionally in the Second World War — have finally copied French-German post war reconciliation to establish exemplary relations.<sup>40</sup>

Germany clearly supports the enlargement of the EU eastward, with Chancellor Kohl showing special considerations toward Poland. He even proclaimed it his "task" to have Poland accepted into the EU by the year 2000.<sup>41</sup> Central East European countries clearly view Germany as their closest ally in terms of gaining admittance into the Union. Enlarging the EU, however, will be extremely difficult to finance. "...[B]ringing in Poland, Hungary, the Czech Republic, and Slovakia under existing rules would boost EU spending by \$80 billion annually, requiring a 60 percent increase in member state budget contributions."<sup>42</sup> The Czech Republic, for example, despite being one of the most eligible Central East European countries for EU membership, has a GDP per head that is only 45 percent of the EU average.<sup>43</sup> Germany would like nothing more than to see its eastern neighbors incorporated into western organizations such as the EU. These organizations would then help finance the newly forming democracies of the east. It is a task which Germany views as necessary for its security, and a task which it cannot accomplish alone.

#### *Germany's Post-Cold War Relationship with Russia*

Timothy Ash suggests that future German foreign policy may be anchored foremost in a unique relationship with Russia. In defense of this option, Ash states that German gratitude for Russia's cooperation with German Unification, in conjunction with German fear, will draw Germany increasingly closer to Russia in the years to come.<sup>44</sup> The unification of Germany was agreed to by the Soviets on the condition that Germany return the favor in the form of both economic and political assistance. Among other things "[t]he economic compensation included credits, the assumption of all of the GDR's economic obligations to the USSR, the construction of housing and retraining centers for returning Soviet soldiers and their families...."<sup>45</sup> But politically it was expected that Germany would "...encourage its allies to become more committed to assisting the USSR's transition and that it would take the lead in the creation of a new security system in Europe to replace the Warsaw Pact, one that would give the USSR an important role to play in future European affairs."<sup>46</sup> Of all the European countries, Germany contributes more aid than any other state to the states of the former Soviet Union, with Russia receiving the largest percentage. Although the Newly Independent States (NIS) have received a total of DM 87.55 billion from Germany in the form of credits, export guarantees, grants, and free shipment of goods,<sup>47</sup> trade between Germany and Russia has been less than impressive. In the first half of 1995, Russia received \$31 million in German investment, compared to the combined \$1.9 billion which went to Central Europe in 1995.<sup>48</sup> Although Germany is concerned with Russia's stability, the patterns which Germany is forging in trade are leaning towards



favoring Central Eastern Europe and not Russia. Even Ash concludes that German foreign policy is more likely to be characterized by a privileged relationship between the Bonn government and the countries of East Central Europe than by a privileged relationship with Russia.

## German Unilateralism

Since the Second World War, the national interests of the Federal Republic have been closely tied to the collective interests of multilateral organizations such as the EU and NATO. Now that Germany is undergoing a reevaluation of its national concerns and priorities, other nations are experiencing doubts as to German intentions. Since the unification of Germany there have been at least two instances in which German decision-making has sparked uncertainty and suspicion: Germany's premature recognition of Croatia and Slovenia as independent states in December 1991 and the September 1992 ERM (Exchange Rate Mechanism) crisis. Many countries viewed these actions as blatant demonstrations of German power and as warning signals as to Germany's inability to compromise in a collective European framework.<sup>49</sup>

### *Germany's Recognition of Croatia and Slovenia*

In June 1991, the Yugoslav republics of Croatia and Slovenia declared themselves independent states. This secession from the Yugoslav federation led to a violent civil war and a general feeling of unrest throughout Europe. In mid-December 1991, in the face of resistance from the United States, the United Nations and the European Union, German Foreign Minister Hans-Dietrich Genscher announced Germany's intentions to recognize the Yugoslav republics of Croatia and Slovenia as independent states. Italy was the only EU nation to immediately follow the German example and announce its intention to recognize the Yugoslav republics of Croatia and Slovenia. In the end Germany and the EC reached a compromise and established a coordinated process under which the individual republics would be recognized. The Bush administration gave the EC strong warnings as to the potentially bloody consequences premature recognition of the Yugoslav republics could trigger, not to mention how it would complicate efforts to send a UN peace-keeping force into the region.<sup>50</sup> The Yugoslav republics of Bosnia-Herzegovina and Macedonia had also warned that the recognition of Croatia and Slovenia could exacerbate the conflict.<sup>51</sup> The European Community (EC) was confident that Germany would act unilaterally in the absence of an EC agreement, leaving the EC very few options. Germany's threat to act unilaterally in order to achieve her foreign policy aims

triggered extensive criticism from both the European Community as well as the US. Even French President François Mitterand criticized Germany "for offending the spirit of European unity."<sup>52</sup>

In this instance, multilateral organizations failed to keep Germany's pursuit of its own national interests in line with the collective interests of the international community. Although Serbia was quick to label Germany a power-hungry nation of Europe looking to "forge a 'Fourth Reich' from the Baltic to the Adriatic,"<sup>53</sup> it is more likely that the sustained conflict in the east left Germany feeling threatened and in turn drove it into assertive action. The geographically central location of Germany resulted in Germany feeling more immediately threatened by the conflict than the US or the other eleven members of the EC. Germany was frustrated by the inaction of its allies, and feeling that it had more at stake, Germany took it upon itself to start resolving the problem in what it viewed as the most effective manner.

### *The September 1992 ERM Crisis*

Another event that was perceived as German "muscle flexing" in Europe was the 1992-1993 ERM crises — especially during the September 1992 crisis — in which Germany refused to adjust its interest rates for the benefit of weaker currencies. "The financial markets' confidence in the Federal Bank's performance ...[in] its role as guarantor of the Mark through tight monetary policy..." had led to the mark being the fundamental point of reference for the ERM.<sup>54</sup> In September 1992 the Bundesbank, fearing rising inflation, refused to lower German interest rates in order to protect the currencies of other nations. In the end, the British pound and the Italian lira were suspended as full members of the ERM.<sup>55</sup> Many interpreted Germany's decision as unacceptable. The structure of the ERM was creating a situation in which the German currency was artificially propping up weaker currencies at its own expense. It was the structure of the ERM and not Germany "muscle flexing" which was at fault. After all, it is not realistic to expect the leading country of the ERM to give up her right to take on anti-inflationary policies when her own domestic situation calls for her to do so.<sup>56</sup>

Acting multilaterally gives legitimacy to German actions. Situations such as the recognition of Croatia and Slovenia and the September 1992 ERM crisis are the exceptions and not the rule, and do not point towards an era of overly aggressive and assertive German foreign policy. Because of Germany's history, Germany is always looked upon with suspicion. By acting in unison with the U.S. and other West European nations, Germany is able to implement its foreign policy decisions without threatening its neighbors. By having the U.S. as a partner, Western Europe knows that if Germany starts asserting itself,



there is a stronger counter-force to keep such actions in check. The post-Cold War era has not lessened Germany's commitment to these organizations. Rather, it has increased Germany's desire to both deepen and widen the EU as well as maintain a US presence and expand NATO into the East.

## Germany and Economic Involvement in Central Eastern Europe

As infrastructure improves, a closely knit commercial region is emerging in the heart of Europe with Berlin as its future capital. German companies view this area as one with enormous potential both as a manufacturing zone and as a market.<sup>57</sup> Germany is now the leading trading partner of Central and Eastern Europe, in terms of both exports and imports.<sup>58</sup> Although security issues are clearly a force which draws Germany closer to its eastern neighbors, there is no denying that these newly forming democracies lure Germany with the investment and trade opportunities which their markets have to offer. And while countries welcome German trade and investment, there is also mounting concern that German economic involvement in this region is becoming disproportionate. That is to say, in the absence of Soviet domination in the region of Central East Europe, Germany will dominate trade in the region. It is feared that these countries will grow dependent on Germany, forming a relationship with Germany similar to those which they had with the Soviet Union.

Low costs in the east often serve to attract German investors. In fact, wage costs in western Germany are approximately ten times those in the Central and East European countries.<sup>59</sup> It is therefore not surprising that companies like Siemens and Volkswagen are investing heavily in the region. However, some Germans fear that low wages in the East are resulting in the loss of job opportunities and investment, which a unified Germany so desperately needs.<sup>60</sup> "...[H]igh interest rates, a strong mark, and rising production and labor costs" in Germany have also been an incentive, especially to smaller companies which do not receive subsidization from the German government, to invest in Central and Eastern Europe instead of in Germany.<sup>61</sup>

However, history still weighs heavily in the minds of Central and Eastern Europeans. This is clearly the case in Poland. In 1993, when Germany's Henkel KGaA returned to Poland to take over the Pollena soap factory, "the company was received as if a medieval feudal lord had come to re-conquer old holdings."<sup>62</sup> Regardless of the over \$35 million which the company had already invested, the company eventually turned control of its factory over to its Aus-

trian subsidiary. The managing director of Henkel Austria explained this by saying "we Austrians are not so big and frightening."<sup>63</sup> The combination of fearing German domination along with the longing for western investment is what Heinrich Machowski refers to as the "twin fears of German investment: the fear that German investors will come, and the fear that they will not come."<sup>64</sup>

A closer analysis of German trade in Central East Europe reveals a distinct reorientation of the Visegrad countries' trade away from Moscow and toward Germany. Between the years 1990 and 1992 Czech and Slovakian exports to Germany increased almost twofold from 15 percent to 30 percent of total exports.<sup>65</sup> At the same time, Czech and Slovakian exports to the former Soviet Union decreased from approximately 30 percent to 10 percent. This trend existed in imports as well, with Germany's total share of Czech and Slovakian imports increasing from 17 percent to 25 percent, and the former Soviet Union's share decreasing from 30 percent to 25 percent. The period between 1988-1993 held similar trends in Polish imports and exports. In this time period Germany's total share of Polish exports rose from 20 percent to 35 percent, while the former Soviet Union's share decreased from 25 percent to 15 percent. Similarly, Germany's share of Polish imports increased from 18 percent to 28 percent, while the Soviet Union's share decreased from 22 percent to 7 percent. Hungary's exports exhibit this trend. From 1988 to 1993, Germany's share of Hungarian exports went up from 16 percent to 26 percent, while the former Soviet Union's share went down from 28 percent to 15 percent. Unlike the other Visegrad countries, during this time period Hungary's imports remained oriented toward the former Soviet Union.<sup>66</sup>

Germany's economic involvement in the region of Central and East Europe is characterized much less by German exports than by German direct investment, which according to 1993 figures is more than twice as prevalent in the region than German exports. Another significant trend is that, as of 1993, approximately 92 percent of German direct investment in Central East Europe went to the Visegrad Four alone. This trend is indicative of how Germany intends to focus its energies on the countries in closest proximity to her with more reliable infrastructures. Despite increased amounts of German direct investment, the US still leads in foreign direct investment in the region.<sup>67</sup>



## Conclusion

Although Germany's role in the economic and political affairs of post-Cold War Europe will be substantial, her primary objectives will be stability and security, not conquest and domination. Above all Germany is looking to integrate herself as deep and as wide as possible into the other nations of Europe. Her actions will necessarily be linked to and influenced by the desires and concerns of other western democracies, and in the end it will be through interdependence and not autonomy that Germany will most effectively achieve her goals. Despite the underlying fears of her neighbors, a united Germany's role in Europe will be a positive one from which many European nations stand to benefit.

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- 4 "A Survey of Germany: Divided Still," *The Economist* (Nov. 1996): 5.
- 5 Simon Bulmer and William E. Paterson, "Germany in the European Union: Gentle Giant Of Emergent Leader," *International Affairs*, vol.72, no.1 (January 1996): 14.
- 6 "A Survey of Germany: Divided Still," *The Economist* (Nov. 1996): 5-10.
- 7 Angela Stent, Between Moscow and Bonn: East-Central Europe in Transition, p. 441-456, *East-Central European Economies in Transition*. Study Papers submitted to the Joint Economic Committee Congress of the United States (1994): 443.
- 8 Elizabeth Pond, "Germany's new foreign policy: Looking both East and West," *Europe*: 12.
- 9 "A Survey of Germany: Divided Still," *The Economist* (Nov. 1996) 5-9.
- 10 *Ibid.*, 9.
- 11 *Ibid.*, 9-12.
- 12 *Ibid.*, 18.
- 13 *Ibid.*, 9.
- 14 Willfried Spohn, 80.
- 15 "A Survey of Germany: Divided Still," *The Economist* (Nov. 1996): 20.
- 16 Burkhard Koch, 90.
- 17 Bulmer and Paterson, 18, 30.
- 18 Burkhard Koch, 90.
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- 20 Arnulf Baring, "Germany What Now?" in *Germany's New Position in Europe: Problems and Perspectives*, ed. Arnulf Baring, 13.
- 21 Bulmer and Paterson, 10-11.
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- 23 Bulmer and Paterson, 10-11.
- 24 Bulmer and Paterson, 30.
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- 26 Timothy Garton Ash, 66.
- 27 Timothy Garton Ash, 73-79.
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- 33 "A Swampy Path To Closer Union," *The Economist* (September 14, 1996): 48.
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- 35 Lionel Barber, "A Passionate European," *Europe* (May 1996): 11
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- 44 Timothy Garton Ash, 77.
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- 47 Ibid., 447-448.
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- 59 Ibid.
- 60 Ibid., 420.
- 61 Anjana Shrivastava, "Smaller firms lead German push to East: History forces low profile on investment in region," *The Wall Street Journal* (June 14, 1995): A15.
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- 65 The Visegrad countries consist of the Czech Republic, Hungary, Poland and Slovakia.
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# When Economic and Security Interests Collide: The Paradox of Trading Conventional Weapons

by Amy Stepanian

The termination of the Cold War has precipitated a dramatic transformation in the international market for conventional weapons. Since the early 1990s, developed nations that excel in the production of these weapon -- combat aircraft, combat vehicles, warships, missiles, etc. -- have been markedly less concerned with the need to protect themselves against rival states, and have therefore required fewer conventional methods of defense. Domestic budget deficits and pressing social concerns have likewise hastened this decrease in military expenditures. For example, a 1996 study by the Institute for Defense Analyses found that the Pentagon has terminated twenty major weapons since 1991, and overall procurement expenditures have declined by as much as 71 percent since fiscal year 1985. This marks the lowest U.S. investment in military hardware since 1940. The Ministry of Defense stated that Russian defense procurements have also declined by 80 percent since 1990.<sup>1</sup>

Despite this, the sector of the economy charged with generating these weapons has continued production in every developed country. With domestic consumption waning, many of these producers-- concentrated primarily in the United States, France and Russia-- have been forced to seek new markets for

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*Amy Stepanian will be graduating in 1997 with a Bachelor of Arts in International Relations.*



their products abroad, primarily in developing and newly developed countries whose governments are eager to modernize their military forces through the acquisition of technologically-advanced weapons of war.

Consequently, since the end of the Cold War, we have witnessed the development of a new arms race. This race is not driven by the national security interests of the producing states, as in the past, but rather by private sector competition for market share and equal access to prospective buyers. Paradoxically, the primary backers of this "commercial arms race" have been politicians, who see such sales as a means of preserving their nation's defense industries, jobs, and balance of payments. By overtly assisting their respective nation's defense companies, high-powered government officials, who are elected in part to curb international conflict, are adding fuel to the fires of war. Even in the absence of Cold War rivalries, the transfer of conventional weapons continues to create dangerous threats that cannot be overlooked in the race to maximize profit.

## Historical Background

At the height of the Cold War, nations of the developed world considered the production and acquisition of conventional weapons as a necessary step to insure their respective national security interests. Both the United States and the Soviet Union exported conventional weapons to satellite states in the developing world, from the 1940s onward, in the hopes of influencing regional conflicts. During this time, the possibility of accruing economic profits from arms transfers was not a consideration. As Jack Shanahan, former senior advisor to the Joint Chiefs of Staff and ambassador to NATO asserts, "...during the Cold War, the U.S. government never urged the defense industry to market its products overseas...during that time, the transfer of weaponry was based on strategic concerns."<sup>2</sup>

Following years of direct U.S. military intervention and aid programs created to combat the growing Soviet threat, the Nixon Doctrine, introduced in 1969, was the first U.S. policy which championed arms exports rather than direct military assistance. This declaration was an explicit attempt to avoid further involvement of U.S. troops in international conflict-- such as in Vietnam-- and to simultaneously quell the communist advances of the Soviet Union. The Nixon Doctrine promised a more "hands-off" strategy for exerting global U.S. military influence by recruiting influential regional powers to serve as lesser partners in a U.S.-dominated anti-communist coalition.

Nixon and his advisors reasoned that it was in the interests of the United

States to sell weapons to its allies in the Third World, rather than physically assisting them in the fight against communism. As a result, the overall volume of U.S. sales rapidly increased from annual amounts of less than \$2 billion in the 1960s to \$17 billion in the mid-1970s.<sup>3</sup>

Not only was the size of U.S. arms transfers about to increase at a phenomenal pace under the Nixon/Kissinger strategy, but the composition of U.S. exports was going to change dramatically as well. Prior to the Nixon administration, most U.S. overseas arms shipments involved second-hand equipment transferred through military aid programs.<sup>4</sup>

During the early stages of the Cold War, the Soviet Union, like the U.S., practiced restraint, supplying weapons and assistance exclusively to socialist countries such as the People's Republic of China and North Korea. During the Stalin regime, the Soviet leadership did not trust alliances with the elite of the newly decolonized nations and did not consider the rising national freedom movements as revolutionary forces. However, after Stalin's departure, the country systematically increased the amount of arms transfers to its satellite states. In 1962, the Soviet Union for the first time became the largest supplier of weapons to the Third World.<sup>5</sup> The motives governing the Soviet Union's arms transfers were similar to those of the United States. The almost total lack of economic assistance and political, social and cultural ties with client states created an even greater reliance on arms transfer relationships to achieve Soviet aims.<sup>6</sup>

During the Sino-Soviet split of the 1960s the Soviet Union responded to the Chinese challenge to its leadership of the world communist movement by supporting the independence and revolutionary movements around the globe. The Soviet Union also sought to increase its naval presence. In line with this goal, it negotiated arms deals for facilities with clients like Guinea, Egypt, Somalia, Vietnam, South Yemen, and Syria. Scholar Keith Krause notes, "[B]y the 1970s, the Soviet Union had successfully established a global arms transfer presence that, with short-term fluctuations, was the same order of magnitude as the United States."<sup>7</sup>

Faced with this ongoing and powerful Soviet threat, U.S. arms exports rapidly expanded during the Reagan administration. Throughout the 1980s, the United States defense industry strove to match the production and export levels of its rival. Between fiscal years 1981 and 1985, the U.S. defense budget increased by 54 percent, procurement funding grew by 116 percent, and funding for research and development increased by 82 percent.<sup>8</sup> With government spending at unprecedented levels, U.S. companies were able to meet the demands of the Defense Department as well as those of First and Third World buyers. "By the end of Reagan's second full year in office...foreign orders for



U.S. arms topped \$20 billion for the first time ever, outpacing even the peak years of the Nixon/Kissinger arms boom.”<sup>9</sup>

The flood of new arms orders stimulated by the Reagan policy to combat communism enhanced the business opportunities for U.S. defense contractors. Yet, these deals came at a high price in terms of international security. With increasing frequency, U.S. weapons were being used by its allies to escalate local and regional conflicts. For example, the United States poured billions of dollars of weapons into Pakistan, its front-line ally against Soviet forces in Afghanistan.<sup>11</sup> At the same time, India, Pakistan’s main political enemy, began purchasing weapons from the Soviet Union. Thus, a regional arms race commenced between these two countries which continues in the present day. Similar security concerns arose in Latin America, where the Reagan administration sold weapons to countries in the region to fight against leftist guerrilla insurgencies and Soviet encroachment.

## The Changing Rationale

At first, George Bush maintained his predecessor’s realist commitment to defense spending and arms sales. However, the relaxation of international tension following the collapse of the Soviet Union and the subsequent disintegration or transformation of almost every communist regime eroded the political rationale behind arms transfers. It was with these factors, in conjunction with the events of the Persian Gulf War in 1991, that the rationale behind arms exports began to change. Replacing this was a new economic rationale. As William Keller notes, “In the summer and fall of 1991 the Iraqi invasion of Kuwait tarnished the image of the ‘New World Order.’ It also failed to add coherence or intelligence to the arms export and military industrial policies of the United States and Europe.”<sup>12</sup>

The Gulf War provided an excellent opportunity to showcase major US weapons systems.<sup>13</sup> During the Gulf War, the U.S. defense industry for the first time surpassed its rival arms-exporting nation, Russia, making the U.S. the dominant supplier of arms worldwide. Since that time, the United States has maintained its global position as the number one supplier of conventional weapons worldwide. The Gulf War graphically demonstrated the consequences of extensive commerce in modern conventional weapons. It also showed the superiority of American weapons, which in turn increased demand for the demand for them, particularly in the Middle East and East Asia”<sup>14</sup> Charles Sennot notes:

In the four years prior to the end of the Cold War, 1986-1989, the U.S. ex-

ported \$34.5 billion in arms, according to the US Defense Secretary Assistance Agency. "Foreign military sales," a federal program of government-to-government transfers which are among the most well-documented arms transactions, put total exports for the four year period 1991-1994 at \$83.1 billion, an increase of 140 percent.<sup>15</sup> It is worth noting that these figures only reflect commercial sales that involved government assistance. The actual increase was certainly even more dramatic.

The U.S. share of the international market for conventional weapons continues to grow every year. The Pentagon forecasts that the U.S. share of the world's arms market will increase from about 50 percent in 1993 to 63 percent by the year 2000.<sup>16</sup> Yet, while the percentage of overall arms transfers from the United States grows, a counter force is at work. Since 1989, there has been a reduced global export demand for exports. According to the U.S. Arms Control and Disarmament Agency, in 1991 the world trade in arms fell to its lowest level in twenty years.<sup>17</sup> Furthermore, "Despite a brief surge caused by the intensification of the Iran-Iraq War, the demand for arms on the world market has been in sharp decline ever since."<sup>18</sup> Most developed countries today neither face an immediate threat to their security, nor possess the financial means to maintain their previous levels of militarization.

In economic terms, the decline on the demand side and over-capacity on the supply side of arms markets, coupled with the eased political tensions in the restructured international order, has changed how developed nations, particularly the United States, France and Russia, view the defense industry. For the most part, both manufacturers and their respective governments maintain it is necessary to continue production and vigorously market their products to the developing world, where interest in maintaining and enhancing military forces continues. The largest, and therefore most competitive markets, are currently in the Middle East and East Asia.

While Jordan Singer notes, "one of the greatest lessons learned by the international community in the wake of the Persian Gulf War was that the unchecked proliferation of conventional armaments during the Cold War had left rogue nations in the possession of significant destructive capabilities,"<sup>19</sup> very little has been done to change the growing international conception that trade in armaments is now hardly different than the commerce of any other good. As William Keller points out, the end of the Cold War presented an opportunity for creating a multilateral regime to constrain the flow of arms and military technology. It would have required sustained leadership by the United States and a minimum amount of compliance and cooperation from the European powers and Russia because these nations are responsible for 90 percent of the trade in arms, a trade in which the vast majority (78 percent) of weapons is imported by developing nations.<sup>20</sup>



Such a regime never came into being. Instead, the new international order created a "buyers' market" into which developed nations that possess technology and expertise have entered into economic combat. They are struggling to serve the declining number of nations, predominantly in the developing world, that are interested in purchasing conventional weapons. During the period from 1988 to 1995, the value of arms transfer agreements (which represent orders for future deliveries) with developing nations comprised on average 69.4 percent of all such agreements.<sup>21</sup> Thus, the liberal ideology of economic profit often supercedes realist strategic concerns and foreign policy goals on arms export issues.

### *The United States*

In the United States, which accounted for 45.3 percent of all arms transfer agreements with the developing world during the period of 1992-95, President Clinton has taken a strong stance on assisting and supporting the economic interests of the US defense industry.<sup>22</sup> Not long after his election in 1992, the State Department instructed embassies to "push arms deals as if they were agricultural or pharmaceutical exports."<sup>23</sup> Secretary of State Warren Christopher asserts that, he "make[s] no apologies for putting economics at the top of our foreign policy agenda."<sup>24</sup>

Clinton and his advisors have rationalized that it is in the economic interest of the United States and its industrial laborers to maintain a commitment to the sale of armaments. As the market for conventional weapons has diminished and major U.S. arms producers have downsized, large numbers of high paying American jobs in the industrial sector have been lost. The Stockholm International Peace Research Institute (SIPRI) estimates that approximately one-fifth of worldwide defense-related employment, or three to four million jobs, could be lost by the end of the 1990s. A study by the Defense Budget Projects predicts that more than one million such jobs could be lost in the U.S. alone.<sup>25</sup> Thus, when the total value of U.S. arms transfer agreements with developing nations declined from \$15.4 billion in 1993 to \$6.1 billion in 1994, arms exporters, industrial employees and administration officials alike expressed concern.<sup>26</sup>

In February 1995, the Clinton administration formally announced its conventional arms transfer policy in Presidential Directive 34. This directive states that arms sales are a necessary part of the policy to preserve industrial jobs and keep down the cost of producing weapons. It also orders foreign service officials to become "actively involved" in "promoting sales." Beyond providing funding for research and development, the U.S. government has begun taking active measures that support arms exports in order to preserve jobs and keep

American producers competitive in the international arms market. Such steps have included employing its overseas mission personnel to support the overseas marketing efforts of American companies bidding on defense contracts. Senior government officials are actively promoting sales of particular importance to the United States in terms of economic profit, though not necessarily in terms of security related issues. The government also actively supports official Department of Defense participation in international air and trade exhibitions.<sup>27</sup> The administration's argument concerning the need to sustain a viable American military-industrial base "publicly elevates the significance of domestic economic considerations in the arms transfer decision-making process to a higher degree than has been the case in previous administrations."<sup>28</sup>

### *France*

France has traditionally relied heavily on foreign sales in order to maintain an expansive military-industrial base at low unit costs. In the mid-1980s, French arms producers exported approximately 40 percent of their output, while the exported share of U.S. arms production during the same period averaged less than 20 percent.<sup>29</sup> Thus, the French industry has been hit particularly hard by the decreased international demand for arms. Despite a tradition of vigorous government intervention in support of the French arms industry, industry voices have accused the state of doing too little to assist French exporters in an increasingly competitive international market. As the president of the French Aerospace Industries Association (GIFAS) said in 1994, "Our government is doing a lot to support French exports, but the U.S. government is doing more. We cannot succeed without backing from all government agencies and all government ministries."<sup>30</sup> But France is succeeding, as it ranked first in arms transfer agreements with developing nations in 1994, holding 44.9 percent of such agreements.<sup>31</sup>

### *Russia*

Russia, which inherited 67 percent of Soviet military production and 74 percent of research and development facilities, has also begun to view arms exports as more of a panacea for domestic social and economic problems than a foreign policy tool.<sup>32</sup> Russia, like the US, has expressed concern for its industrial labor force. Indeed, conversion efforts of the state-owned arms industry in Russia, which were initiated by the Soviet government in late-1990, have been for the most part disappointing. Many plants lay idle or continue production at significantly less than full capacity.

Therefore, increased arms sales overseas represent the dual promises of a quick infusion of hard currency and continued production of Russia's many



arms factories. As Mikhail Maley, Russian State Counselor for Defense Conversion, stated in 1992, "The thing is that the weapons market does exist and will exist. Weapons are sold and produced by highly moral Germans and by Americans concerned about human rights. Why cannot we do likewise, finding ourselves in a very grave crisis?"<sup>33</sup> This philosophy has perhaps paid off for Russian arms producers, as Russia's share of all developing world arms transfer agreements rose from 4.8 percent in 1993 to 18.1 percent in 1994.<sup>34</sup> In 1995, Russia ranked first in arms transfer agreements with developing nations, holding 39 percent of such agreements.<sup>35</sup>

## The Paradox

This "money game" to gain equal access to markets in the developing creates a paradox in international affairs. The rationale serves to weaken the international political framework of peace and democracy that these governments claim to be attempting to foster and protect. The report, "World Military and Social Expenditures 1996," asserts that "[w]hile today's wars are fought largely by developing countries, most [states] are armed with equipment representing twentieth century advances in technology and mainly produced by industrial countries."<sup>36</sup> And as Randall Forsberg, director of the Institute for Defense and Disarmament Studies, asserts, "We end up fueling the conflicts we seek to contain...and missing an opportunity for arms control." To illustrate Forsberg's point, 1995 study by the World Policy Institute concluded from Pentagon data that of the fifty significant wars being waged during 1993-94, 90 percent of them involved one or more parties that had received some US weapons or military technology in the period leading up to the conflict.<sup>37</sup>

Profit-driven arms exports can therefore have a negative impact on the goal of preserving and fostering democracies. A 1995 report by the Project on Demilitarization and Democracy found that "85 percent of American arms sales to developing countries in the last four years went to non-democratic governments, as defined by the State Department."<sup>38</sup> Furthermore, even when steps are taken to assure that conventional weapons are not sold to rogue states, nothing can stop the purchasing country from then reselling these goods. In the United States, for example, industrial analysts believe that end-user certificates, which were created to avoid such resale, are inadequately reviewed and virtually impossible to enforce. As a result, they believe that Islamic countries like Pakistan, Turkey and Saudi Arabia sent American-made military inventory to Muslims in Bosnia during the civil war in that region.<sup>39</sup>

Ironically, when democratic countries like the United States step in to promote their foreign policy goals, they may face their own technology. This

phenomenon, known as the "boomerang effect," was made acutely apparent during the Gulf War to both the United States and France. Each of these countries had previously made sales to Iraq. The US was able to manage this situation, presumably because US troops had faced this phenomenon on prior occasions. In fact, the last five times the United States has sent significant military force into combat-- in Panama, Iraq, Somalia, Haiti and Bosnia-- American forces faced adversaries that had previously received either U.S. weapons, military technology or training. The French were less accustomed to facing their own technology. This led to a situation in which, "...the French air force could not operate its top-of-the-line Mirage fighters in the Persian Gulf War because they could not be distinguished from those flown by the enemy."<sup>40</sup>

Government officials in the U.S. are quite aware of this "boomerang effect" and the ramifications it may create. As the Central Intelligence Agency (CIA) Nonproliferation Center asserted in March 1995, "the acquisition of advanced conventional weapons and technologies by hostile countries could result in significant casualties being inflicted on U.S. forces or regional allies in future conflicts." Likewise, in his 1995 annual report to Congress, Defense Secretary William Perry noted that "many nations, including members of the North Atlantic Treaty Organization (NATO) and the former Warsaw Pact alliance, are selling weapons in the international market. Thus, U.S. forces must be prepared to face a wide variety of systems, including some previously produced in the United States."<sup>41</sup>

International arms sales further inhibit the spread of democracy in the developing world and pose international security threats when sales are made directly to pariah states. While the United States refuses sales to such nations, Russia has not discounted their business. In fact, many Russian arms producers have stated expressed discontent about the UN embargo against sales to Iran and Libya. Instead of considering the potential security threats associated with sales to these and other rogue states, Russian suppliers see the embargo as a means for Western firms to put them out of business in the increasingly competitive markets.<sup>42</sup> Russian products are inherently less competitive internationally than are U.S. and European armaments. Russia's difficulties selling its weapons stem primarily from the fact that most potential cash-paying purchasers have been long-standing customers of the United States or Western Europe, and are unlikely to change suppliers. Furthermore, many of Russia's former arms clients in the developing are restricted by a lack of funding and the absence of generous loans and discounts that the former Soviet Union had once offered. Thus, Russian producers have seen sales to potentially unstable countries as their only prospect.

Accordingly, Russia has made significant efforts to gain arms agreements



with developing nations that can pay cash for their purchases. Their current role as the world leader in agreements with the developing world illustrates this point. This is perhaps due to the fact that "[i]n the post-Cold War era, Russia's principal arms clients have been nations such as Iran and China."<sup>43</sup> Deals with such potentially unstable countries pose an extreme threat to the spread of democracy and international peace. Yet, in the drive to pursue economic profits, Russia has done what it deems necessary to secure its share of the market.

What both Russia and other countries are failing to realize is that conventional arms exports contribute directly to the proliferation of weapons technologies, including weapons of mass destruction (WMD). Although in 1995 the value of all arms transfer agreements with developing countries hit its lowest annual level, in real terms, for the period 1988-95, the existence of a buyers' market and the intense competition among producers from all countries increases the likelihood that technologically state-of-the-art systems will be transferred on a wider scale.<sup>44</sup> In such a way, the security threat associated with such sales is dramatically increased. Indeed, customers now enjoy the leverage to demand the best.

One of the big changes in the international arms market is that nations are no longer offering stripped down export versions of top of the line equipment like aircraft and combat vehicles. Now suppliers offering state-of-the-art electronics, optics and munitions to prospective buyers gain a competitive advantage over rival firms.<sup>45</sup>

These advanced conventional weapons, particularly combat aircraft, can deliver WMD (nuclear, biological and chemical weapons) more accurately than ballistic missiles. Yet, they continue to be competitively traded without substantial consideration of how and why they will be used.

Moreover, due to the high cost associated with purchasing modern conventional weapons, an increasing number of developing countries are insisting that weapons production knowledge be made part of major arms deals. As Richard Grimmett assesses, "In an era when some arms suppliers are very dependent on arms sales to maintain their domestic military industry base, there is every prospect that they will be willing to agree to such arms sales agreements...."<sup>46</sup> Consequently, wealthy countries in the developing world, predominantly in the Middle East and East Asia, are now pursuing defense industrialization as part of their broader industrialization plans. Many of these countries are now quite advanced in the development of their own defense industries and may eventually achieve independence from major arms suppliers. Thus, the debate over controlling the sale of conventional weapons to developing countries may very well be for naught, as the proliferation of these weapons may soon be beyond the control of the developed world.

## Possible Solutions

It is not feasible, nor perhaps desirable, for the production and trade of conventional weapons among the world's nation-states to cease. However, the declining demand for these armaments, in both the developed and developing worlds, illustrates that major changes must be initiated among the primary producers in order to create a more efficient industry worldwide. Steps must be taken at the multinational level to insure that the rationale regarding the production and trade of these weapons is not based solely on liberal economic precepts that disregard or overlook the potential security threats of such sales. Therefore, the nations in question, such as the U.S., Russia and France, must consider the economic prosperity of their defense industries, while maintaining a commitment to peace and social prosperity in the developing world.

An integral part of the struggle to restrain weapons proliferation, and at the same time maintain a military-industrial base, is to consolidate the international production force. This notion does not refer simply to downsizing and *intranational* mergers, but to creating a closely monitored, *international* industry among the world's largest suppliers. Ideally, "[T]he best competition, in the long run, would not pit one American aero-space giant against one European behemoth. It would be to pit two transatlantic companies against each other."<sup>47</sup> By engaging Russia's military industries, the economic gains of transatlantic cooperation could enhance foreign policy goals by leveraging against channeling weapons to generally undesirable customers. "Russia's involvement in co-development, co-production and joint marketing of weapons and military hardware on mutually acceptable terms....has a potential for filling in some short-term gaps in arms control and developing a more manageable long-term policy in the future."<sup>48</sup>

It may take decades to create a transatlantic industry dominated by two "mega-companies." Yet the joint manufacture of weapons systems originally developed in one country, known as co-production, has increased worldwide. In addition, co-development programs—governments or multinationals teaming up to develop an original weapons system—have expanded as well, particularly among the countries of the European Union. The French defense minister announced in September, 1995 that "his government's strong support of European cooperative efforts on arms production in order to maintain a viable European military-industrial base."<sup>49</sup> By taking steps to further globalize and carefully monitor these co-production plans, both economic and security interests can be met.



### *Economic Interests*

The internationalization of the arms industry can enhance efficiency by helping individual producers achieve economies of scale, as each producer focuses on the manufacturing of specific weapons systems. This process will therefore decrease the consistently rising costs of producing high-tech conventional weapons. Cooperation on what are now ad hoc co-development projects, and the consolidation of operations through multinational joint ventures, can also "spread the cost of design and development among several partners while simultaneously reducing duplicative R&D."<sup>50</sup>

In addition, a continued commitment to the conversion of military technology to commercial uses, in all of the primary producing countries, can go hand-in-hand with transatlantic cooperation. Through conversion, producers with a comparative advantage in producing conventional weapons will have a better opportunity to maintain their profits, as less successful arms exporters will focus on the production of other goods. Employees around the world will maintain their jobs, and the excess arms being pushed on eager buyers in the developing world will decline. The few highly successful producers throughout the developed world will then be better able to coordinate their policies and exchange technologies, creating a more efficient arms industry worldwide.

### *Security Interests*

As greater international cooperation in the production of conventional weapons is pursued, more attention must be paid to monitoring the sale of these weapons. The United Nations Register for Conventional Arms, established in December 1991, can perhaps serve as a model. This Register is intended to provide greater transparency in the arms trade, thereby providing early warning of excessive accumulations and perhaps inhibiting some transfers by subjecting them to public scrutiny. The goal of arms transparency is for states to increase international security by simultaneously sharing information about their own weapons acquisitions and gaining access to information on the weapons systems of other countries. This new body has been only partially effective thus far, as many countries have failed to participate in the compilation of information, particularly data on imports. Furthermore, much of the arms data submitted by exporters and importers did not match.<sup>51</sup> Thus, improvements in the transparency of arms sales are still necessary. If the production of conventional weapons was more global in nature, increased transparency would be an intrinsic characteristic of the industry.

A stronger commitment to oversee measures may also help improve transparency and regulate the increasingly globalized arms industry. The most prominent international oversight body during the Cold War was the Coordinating

Committee on Export Controls (COCOM), a group which monitored and controlled exports to the Soviet Union and Eastern Europe. COCOM ceased to exist in 1994, but a new international body has been created to take its place. It is this new regime, the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, that may efficiently serve future regulatory needs. In December 1995, twenty-eight countries agreed to establish this Arrangement in order to focus on the threats of international and regional peace security, and to prevent destabilizing accumulations of conventional arms throughout the world. As its membership and authority grows, this new regime can effectively monitor the international arms transfers, set multilateral regulations on the production of such weapons, and maintain a focus on the security issues that arise from arms trade.

## Conclusions

The security implications associated with the arms trade dictate that this industry will always be viewed in terms of its potential foreign policy ramifications. The transfer of conventional weapons began at the onset of the Cold War with the explicit intention of serving the security interests of the world's major powers. This rationale regarding arms exports guided the industry well into the 1980s, as governments in the primary producing countries supported the build-up and exchange of these weapons in order to protect their allies and spread their political ideologies throughout the world.

The recent changes in international relations, including the disintegration of the Soviet Union and the rise of an interdependent global economy, have tended to diminish these security concerns. They have also created new economic considerations, where nations increasingly view arms trade as an engine of profit and a means of remedying domestic difficulties. It is necessary, in light of the new international order, to consider these political and economic issues in tandem while creating future policies.

As we enter the twenty-first century, both security arrangements and international markets will benefit if arms exporters, supported by their individual governments, consolidate and cooperate. The governments that support the arms industry must be more attuned to the potential security concerns that are associated with arms sales. Both producers and governments must focus their attention on arms control objectives, regional stability and efficient production, rather than on harmful economic rivalries.



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# The Impact of Israeli Behavior on Syria's Foreign Policy Approach to the Golan Heights

by Carl McCoy

Within the academic discipline of international relations, the central debate involves the fundamental question of the basic determinants of state behavior within the greater international system. Indeed, scholars continue to disagree over the very nature of the international arena itself. The neo-realist position, as articulated by Kenneth Waltz in his book entitled *Theory of International Politics*, suggests that domestic and individual level factors are subordinate to greater systemic forces in determining inter-state behavior. Neo-liberalism, the competing school of thought, tends to focus on the individual/psychological and domestic factors in shaping inter-state behavior, while de-emphasizing the role of the greater systemic forces of the international arena itself. According to Waltz, the distribution of power is of paramount significance in determining state behavior. That is, Waltz suggests that one can most fully understand the international system by examining the

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*Carl McCoy will graduate in 1997 with a Bachelor of Arts in Political Science.*



balance of power. The elegance of Waltz's theory is its simplicity; it tends to ignore regime type, individual leaders, economic ideology, multinational corporations, etc. in its simple account of state behavior. In his influential book entitled, *The Origins of Alliances*, Stephen M. Walt presents a significant adaptation to Waltz's original position by incorporating the element of "threat" in the calculus of balancing and alliance formation. While he argues from a decidedly realist perspective, the core of Walt's argument critically challenges a very central assumption of Waltz's theory. That is, by allowing for the calculation of "threat" in the determination of state behavior, Walt is in fact calling into question the wisdom of looking purely at the systemic distribution of power alone. According to Walt, one also needs to account for the level of "threat", as determined by such factors as regime type and individual leadership styles. Walt's argument is therefore of critical importance to understanding the basic nature of state behavior. This paper will attempt to shed new light on this fundamental debate by testing Walt's argument with a case-study involving recent Syrian foreign policy towards Israel vis-a-vis the Golan Heights. By examining the extent to which Israel's relative level of threat towards Syria influences Syrian tactical behavior in its attempt to secure the Golan Heights from Israeli control, one can gain a deeper insight into the greater debate between Walt and Waltz regarding the fundamental motivating factors of inter-state behavior.

Before beginning, it is useful to outline the basic structure of this paper. If one is to understand the extent to which Israel's aggressive or moderate intentions have shaped Syrian foreign policy towards Israel, one needs to establish a causative link between Israel's level of threat, and Syria's tactical foreign policy decisions. Therefore, this paper will begin by examining Syrian tactical foreign policy decisions while Israel pursued a relatively moderate and non-threatening policy under Prime Minister Yitzhak Rabin. Using this as a basis for comparison, Syrian foreign policy will then be analyzed within the context of a more aggressive and threatening Israeli position, as articulated by the Likud party under Benjamin Netanyahu. By contrasting Syrian foreign policy in response to a relatively less aggressive Israeli government under Rabin with that of a relatively more aggressive government under Netanyahu, one can draw some important conclusions regarding the validity of Walt's theory concerning the "balance of threat."

For the purposes of this paper, I will operationalize the two concepts of "aggression" and "moderation" as follows: "aggressive" Israeli foreign policy towards Syria will include an obstinate refusal to withdraw from the Golan Heights. Likewise, a "moderate/conciliatory" Israeli foreign policy will include rhetoric or policy favorably inclined to a phased, or complete withdrawal from Golan. In terms of a Syrian response, an "aggressive" tactical Syrian

response will be the obstinate refusal to accept anything less than a complete and immediate Israeli withdrawal, as well as its continued objection to the normalization of relations with Israel. Likewise, a more "moderate" tactical Syrian response will include rhetoric or policy favorably inclined to accepting a phased Israeli withdrawal, as well as the complete normalization of diplomatic relations with Israel (see table 1). It should be noted that I am only dealing with the tactical approaches to foreign policy within each respective state. It is assumed that the basic foreign policy objectives of each state will remain constant (i.e. Israel's basic objective being the normalization of diplomatic relations and peace with Syria; Syria's basic objective being the withdrawal of Israeli forces from the Golan).

If Walt is correct, one would expect Syria's tactical approach towards securing its basic foreign policy objective, the neutralization of the Israeli threat, to adapt in accordance with the increased level of the Israeli threat. If Waltz's exclusive emphasis on the "third image", or systemic factors, of international behavior is correct then one would not expect Syria's approach to foreign policy to be affected by the domestic political situation of Israel or the aggressive rhetoric of its leaders. Waltz's theory would suggest that Syria's tactical approach to achieving its foreign policy objectives would be shaped entirely by Israeli power, which is not a function of Israeli domestic politics or the rhetoric of its leaders. That is, it is not a function of Israeli "threat".

Walt identifies four basic elements which constitute a country's level of "threat": aggregate power, geographic proximity, offensive power, and aggressive intentions. Because this paper will focus on a relatively short span of time, the first three factors (aggregate power, geographic proximity, and offensive capabilities) will remain unchanged. The only variable in calculating Israel's level of threat towards Syria will therefore be its aggressive intentions, as measured by such factors as Israeli political rhetoric, Likud party policies, military action, alliance formation, and the general public sentiment among the Israeli people towards Syria and the issue of the Golan Heights. Accordingly, I will begin by assessing the method by which Syria pursued its foreign policy objectives with respect to the Golan Heights during the relatively moderate, non-aggressive approach of the Labor party under Prime Minister Yitzhak Rabin. Of course, it is difficult to generalize the entire foreign policy of Mr. Rabin as being "moderate" with respect to the Syrian state. However, when viewed within the context of the more hard-line stance of Benjamin Netanyahu, it is possible to make some general assumptions regarding Mr. Rabin's more flexible approach to the issue of the Golan Heights. More specifically, I will focus my attention on three distinct "phases" in recent Israeli-Syrian relations: the years immediately following Rabin's election (1992-1993); the later years of



the Rabin government (1994-1995); and finally, the current year following the election of Benjamin Netanyahu. For each distinct phase, I will first attempt to outline the general approach of the Israeli government towards Syria (i.e. moderate vs. aggressive) as measured by such factors as the actions and rhetoric of its leaders, followed by an assessment of the corresponding response of the Syrian government, once again measured by the rhetoric and actions of its leaders.

## Historical Background

Having captured the Golan Heights during the War of 1967 and having officially annexed the territory in 1981, Israel has been reluctant to return this strategically significant area to its Arab neighbor, with whom it has had extremely tense, and very often bloody relations. With a history marked by numerous territorial wars, one would certainly expect a great deal of lingering animosity between these two states. Indeed, the fundamental barrier to a comprehensive settlement of the Golan Heights continues to be the persistent mutual fear between these two states. The population of the Golan Heights is comprised of about 13,000 Israelis and about 18,000 pro-Syrian Druze Arabs.<sup>1</sup> With regard to this particular conflict, Syria's primary objective is the complete Israeli withdrawal from the territory. In exchange, Israel is primarily concerned with bringing about the Syrian government's official declaration of peace, as well as the normalization of diplomatic relations between the two states. That is, Israel has been somewhat willing to make territorial concessions in exchange for peace. Essentially, each state is primarily concerned with neutralizing the other state as a potential future threat.

As the Labor party returned to power in 1992, Yitzhak Rabin was primarily concerned with orchestrating a peaceful compromise with the Palestinians and the neighboring Arab states. In the aftermath of the collapse of the Soviet Union and the decisive victory of the allied coalition during the Gulf War, the Israeli bargaining position was quite strong. Not only had the expansionist ambitions of the most powerful Arab state been thwarted in a dramatic fashion, but the chief supplier of financial and military aid to the Arab world had been dissolved. Indeed, Israel had considerable political leverage as the Labor party returned to power in 1992. However, the Persian Gulf War had certainly made clear to Israel its vulnerability to long-range chemical, biological, or even nuclear missile strikes from Iraq or other hostile Arab states. This new threat diminished the significance of the West Bank and the Golan Heights as strategic assets, therefore making the Israeli government more willing to surrender its

control of these regions in exchange for a comprehensive and lasting peace with its Arab neighbors. The Occupied Territories now took on a more symbolic political value, rather than a vital strategic value. It was within this international climate that Yitzhak Rabin came to power, more willing to pursue a moderate and conciliatory approach to his Arab neighbors than his predecessor, Likud's Yitzhak Shamir.

While examining the extent to which Rabin's foreign policy may be characterized as "moderate" and "conciliatory", one needs to look at his rhetoric and his actions. In doing so, it is worth examining his foreign policy approach not only to Syria itself, but also to the greater Arab world. Because of the lingering spirit of Pan-Arabism and the large Arab population within Syria (approximately ninety percent of the Syrian population is ethnically Arab), Rabin's approach to the PLO and the surrounding Arab states is extremely relevant to the discussion of its moderate approach to Syria. That is, one can not really divorce Israeli policy towards Syria with that of Israeli policy towards the PLO and the greater Arab world.

In the years immediately following the Israeli election of 1992, some extraordinary steps towards peace were taken by Israel and the PLO, which had enormous consequences for Syria as well as the entire region as a whole. Again, the extraordinary international events of the early 1990s, such as the unparalleled demonstration of U.S. hegemony within the region as well as the concurrent decline of the Soviet Union as a hegemonic power base for the Arab world, certainly facilitated the peace process by creating an international climate conducive to the Israeli position. Israel was indeed more willing to pursue a more conciliatory and compromising approach to the Arab world in light of its tremendous bargaining position created almost entirely by its strong base of support within the United States. Since the United States was the unrivaled hegemon within the Middle East, Israel was no longer as vulnerable to its Arab neighbors as it had once been, and it was therefore more willing to pursue a slightly more vulnerable, conciliatory tactical approach in its dealings with its Arab neighbors. The Madrid Peace Conference in October of 1991 set the stage for this new climate of moderation and optimism as the peace process was revived by President George Bush and Secretary of State James A. Baker III. However, this new spirit of multilateral negotiation was hindered by the non-compromising approach of the Likud party under Yitzhak Shamir. Consequently, the first eight months of negotiations were quite substantively unproductive, focusing on procedural issues governing the negotiations themselves. Indeed, it was not until the victory of the Labor Party on June, 23 1992 that the peace process was given a new impetus by the Israeli government. While the post-Gulf War international environment was certainly



conducive to a new effort towards peace, it would also require a more moderate Israeli government inclined to parlay this new spirit of cooperation into tangible actions and results. Rabin's Labor party provided this new impetus for moderation and peace.

## **Phase 1: The Election of Rabin and the Early Years (1992-1994)**

Immediately following his election, Rabin approved a partial housing construction freeze in the Occupied Territories, thereby sending an important conciliatory gesture to the PLO regarding Israel's willingness to make concessions for peace. Furthermore, in a symbolic gesture of good-will, he also invited neighboring Arab leaders to Jerusalem. While Rabin had a reputation as being one of the most hard-line politicians within the Labor Party, he certainly appeared to be a lot more favorably inclined to negotiations than his predecessor. Indeed, he campaigned on a platform calling for the acceleration of the autonomy talks with the Palestinians, the cessation of political settlements in the West Bank and the Gaza Strip, and a government committed to reaching an agreement with the Palestinians within nine months.<sup>2</sup> In addition, Mr. Rabin accepted the principle of "territorial compromise" with Syria, thereby paving the way for a negotiated "land for peace" settlement, as outlined in UN Security Council Resolution 242. While Rabin made it clear that he was committed to pursuing peaceful negotiations with Syria, he emphasized that his initial priority would be the West Bank and the Gaza Strip, thereby delaying the issue of the Golan Heights. Accordingly, the post-1992 peace process dealt primarily with Arab-Israeli relations vis-a-vis the West Bank, while tending to ignore the Syrian track of negotiations. However, as suggested earlier, because of the nature of lingering pan-Arab sentiment, any diplomatic rapprochement between Israel and the Arab world could be seen as a favorable gesture towards the Arab population of Syria as well. Therefore, the historical breakthrough in the peace process in the early 1990's is entirely relevant to Israeli-Syrian relations. That is, it demonstrates the extent to which Rabin's Labor party was more moderate and conciliatory in its dealings with the Arab World, of which Syria is a vital part. It is therefore worth briefly examining the major highlights of the recent peace process.

Following the January 1993 lifting of the Israeli government's ban against any contact with representatives of the PLO, a secret dialog of negotiations began between representatives of both sides in different locations outside of Oslo, Norway. After much negotiation, an agreement was reached on Septem-

ber 10, 1993, whereby the PLO formally recognized Israel's right to exist in peace. In addition, the PLO renounced the use of terror and violence, and pledged to remove the clauses within the PLO charter that had originally called for the elimination of the Israeli state. In exchange, Rabin officially recognized the PLO as the legitimate representative of the Palestinian people. The Oslo Accords were highly significant in that they paved the way for the historical "Declaration of Principles on Interim Self-Government and Arrangements", signed in Washington on September 13, 1993. This agreement created a five-year plan whereby Israel would gradually remove its military presence from the Occupied Territories, while Palestinian self-rule would slowly be established within the same territories. In addition, it was decided that in December of 1995, final negotiations would begin on the prospect of reaching a permanent settlement of the Arab-Israeli conflict by December of 1998. In addition, during the bilateral peace talks in Washington in August of 1992, Rabin reemphasized his willingness to accept the principle of exchanging "land for peace", mentioning the possibility of a partial withdrawal from the Golan Heights, and thereby increasing the prospect for a negotiated settlement with Syria. Clearly, there were optimistic signs that a lasting and comprehensive peace was on the horizon. Indeed, the Rabin government truly was more moderate and compromising than its Likud predecessor in both rhetoric and policy.

While one would perhaps have expected Syria to have responded quite favorably to the election of Rabin and his more conciliatory rhetoric, the evidence suggests that the Syrian response was at best a mixed reaction, characterized by a great deal of doubt, skepticism, and reservation. As the *Economist Intelligence Unit* suggests, the official response of Damascus was that of extreme caution:

...Syria expressed its view that Israel's offer to engage in autonomy talks with the Palestinians reflected a divide and rule approach by Israel designed to split the Arab ranks. Moreover, it was felt that Israel's readiness to make concessions on the settlement issue was just a tactical ploy to persuade Congress to unblock the \$10 billion worth of housing loan guarantees which Israel has requested from Washington.

Basically, there was no change in Syria's approach to the peace process following the election of Rabin. Syria's foreign minister, Farouq al-Shara, made it clear that President Assad would continue to push for the complete withdrawal of Israel from the Golan Heights, the pursuit of a comprehensive peace settlement based on the principles outlined in UN Security Resolutions 242 and



338, as well as the political self-determination of the Palestinian people. Furthermore, many Syrian-based Palestinian groups actually rejected Mr. Rabin's more moderate approach, unwilling to accept the peaceful overtures of someone they viewed as an enemy of the Palestinian people. As the *Economist Intelligence Unit* suggests, the Damascus based Popular Front for the Liberation of Palestine (PFLP), headed by George Habash, and the Democratic Front for the Liberation of Palestine (DFLP), headed by Nayef Hawatmeh, were extremely hesitant to trust the new Israeli leader. They "regard[ed] the track record of Yitzhak Rabin...as tainted by his brutal clampdown on the intifada in the Occupied Territories, which (had) earned him the name of 'bone crusher'".<sup>4</sup> Clearly, there was a great history of animosity that would have to be overcome if there were to be an agreement on the Golan Heights. In addition, despite the more moderate rhetoric of the new Israeli government, Syria continued to pursue its plans for a regional security framework with Egypt and the six member states of the Gulf Cooperation Council (GCC). Furthermore, President Assad continued to strengthen relations with Tehran, while pursuing joint Syrian-Turkish-Iranian talks focusing on regional security. While this new regional alignment was primarily motivated by the shared interest in preventing the territorial break-up of Iraq and the potentially threatening Kurdish nationalist movement, one cannot ignore the implications this would have on Syrian-Israeli relations. As long as there continued to be animosity over territorial borders with Israel, Israel would continue to be wary of Syrian alliance formation within the region. Indeed, given Tehran's support for the anti-Israeli Shia Hizbollah and other extremist pro-Syrian Palestinian factions which threaten Israeli positions in South Lebanon, Israel would be well-advised to consider any Syrian-Iranian alliance as a potential threat to the national security interests of the Israeli state. In addition, with the collapse of the Soviet Union, Syria's primary diplomatic and military supporter, President Assad reached out to countries in the Far East (i.e. China, North Korea) for military aid. In early November of 1992, President Assad met with North Korea's army commander to discuss improved military cooperation between the two states. While Assad accepted the principle of arms reduction with Israel, he was unwilling to weaken his military assets in light of Israel's strong military support by the United States.

While the argument could certainly be made that Rabin's new moderate tone of rhetoric had little impact on tactical Syrian foreign policy vis-a-vis Israel in the early years following the election of Rabin, President Assad's handling of a minor international crisis in South Lebanon in July 1993 certainly bode well for a new era of reconciliation and moderation in Syrian-Israeli relations. Israel used the dead-locked peace process and the killing of six Israeli

soldiers as a pretext for an Israeli air attack on Hizbollah and other extremist pro-Syrian Palestinian targets in Lebanon in the most intensive air campaign since the Israeli invasion of 1982. According to *The Economist*, during this six day operation, 128 people were killed (most of them civilians) and 470 were injured in Southern Lebanon, while 300,000 people were forced to flee their homes.<sup>5</sup> While this certainly exacerbated tensions between Israel and Syria, President Assad exercised a considerable degree of self-restraint, deciding not to intervene in the crisis. While Syria had committed itself to the defense of Lebanon with its signing of the Treaty of Fraternity, Cooperation and Coordination in 1991, Syria pursued a diplomatic solution to this crisis. This was a significant turning point in Israeli-Syrian relations in that it created a higher level of trust between the two states, creating an atmosphere conducive to continued peaceful negotiation over the issue of the Golan Heights. As Israel's foreign minister, Shimon Peres, declared on August 2, 1993, "there is no doubt that the way in which Assad played his cards in the latest incident strengthened this feeling that there is someone to talk to and something to talk about."<sup>6</sup> President Assad expressed this newfound optimism by declaring that "chances for peace have improved because of the international climate and the increase in the number of people who want peace, even in Israel."<sup>7</sup>

While there was certainly a great deal of conciliatory and moderate rhetoric between the two states, there was little substantive change in policy; there was no major break-through in the peace process concerning the Golan Heights. Furthermore, there has not been any breakthrough to this day. This is primarily due to the incompatible objectives of each side. Syria will settle for nothing less than the complete withdrawal of Israel from the Golan, while Israeli public opinion is highly opposed to such a withdrawal. However, one should not entirely discount the importance of Rabin's new moderate/conciliatory approach in fostering an atmosphere more conducive to peaceful negotiation. Syria's diplomatic handling of the July 1993 crisis in Southern Lebanon is certainly evidence of a more moderate/conciliatory approach to Israel. However, one can only speculate as to how President Assad would have responded to this crisis if the Israeli government were more hard-line in its posture towards Syria and the Golan Heights. Therefore, it is difficult to make any conclusions regarding the effect of the more moderate approach of Rabin's Labor government on Syrian tactical foreign policy towards Israel in the early years after the election of Rabin. However, this first phase of relations will serve as a useful comparison when examining how Syria responded when Israel adopted a more hard-line approach in the years leading up to the election of Benjamin Netanyahu.



## Phase 2: The Later Years of the Rabin Government (1994-1995)

The later years of the Rabin government initially saw greater reconciliation between both sides. However, the process of reconciliation was severely undermined by domestic political pressures within Israel which caused Rabin to adopt a more hard-line stance. In an effort to pursue a more moderate policy towards Syria and the Golan Heights, Rabin unwillingly created a high degree of internal dissent within his own government. Rabin's assassination by a right-wing Israeli extremist was indicative of this growing rift between the more moderate and extreme factions within the Israeli government. Indeed, while Rabin sought to advance a more moderate policy towards Syria, he was severely limited by internal political pressure which was not supportive of relinquishing military control over the Golan. In early May of 1993, Reuters news service published the results of an opinion poll conducted by the Smith Research Center for the Jerusalem Report, which indicated that 62 percent of the one thousand Israelis surveyed were opposed to any Israeli withdrawal from the Golan Heights. Furthermore, only 19 percent favored a withdrawal from a small part, while 8 percent favored withdrawal from most of the Golan, and 9 percent favored a withdrawal from the entire Golan Heights.<sup>8</sup> Clearly, Rabin's policy was not popular with the Israeli people.

Following the meeting in Geneva between President Clinton and President Assad in January of 1994, there were new hopes for a negotiated settlement to the issue of the Golan Heights: "[t]he statement by Mr. Assad was the most explicit sign yet of Syrian willingness to rejoin peace talks with Israel in earnest."<sup>9</sup> While Mr. Assad called for "normal, peaceful relations" with Israel, he failed to explicitly elaborate on his definition of "normal relations." As Foreign Minister Shimon Peres declared, "[t]he tone, was too positive to be disappointing, but it was too general to be satisfactory."<sup>10</sup> While Assad publicly called for a new era of peace and stability, this did not satisfy Israel's demands for a formal commitment to pursue full diplomatic and trade relations with Israel. Once again, optimistic rhetoric was not followed by tangible policy results. As Mr. Rabin raised the possibility of a national referendum on the Golan issue, opinion polls in Israel suggested that a higher proportion of the Israeli population was more favorably inclined to a "land for peace" settlement than had previously been estimated. Opinion polls showed that forty percent of Israelis supported a full withdrawal in exchange for peace and security arrangements.<sup>11</sup> Indeed, it appeared that the Israeli people were beginning to embrace Rabin's more moderate position towards Syria.

In the Spring of 1994, there were definite signs of rapprochement on both sides as it appeared that a new era of reconciliation and moderation had indeed finally taken hold. Despite the Hebron massacre on February 25 and the subsequent revenge attacks by Hamas in the towns of Afula and Hadera, the Syrian peace track continued to go forward. On April 20, Mr. Rabin told the Knesset Foreign Affairs Committee that he was willing to pursue a "deep withdrawal from the Golan Heights." The next day, while addressing members of the United Kibbutz Movement, he publicly stated that he was prepared to dismantle the Jewish settlements in exchange for peace with Syria:

[t]o me, peace is a more important value for the security and future of Israel than this or that group's settlements...Let's once and for all put things in a context that corresponds to the new reality of a great and strong country, not a country on the eve of the war of independence,<sup>12</sup> when we had to hold onto every settlement.

Syria responded with an equally conciliatory gesture, stating that it was prepared to accept a phased withdrawal, rather than a complete and immediate withdrawal. When Secretary of State Christopher left the region on May 18, both sides had exchanged position papers addressing such issues as the duration of Israeli withdrawal, mutual security arrangements, and demilitarized zones.<sup>13</sup>

Following the Israeli-Jordan Washington Declaration on July 25, 1994, the Israeli-Syrian negotiation track was given a new impetus. After the Washington Declaration, a formal peace treaty between Israel and Jordan was signed in October 1994, thus paving the way for continued Israeli reconciliation with the Arab world. With the official cessation of hostilities between Israel and Jordan, Syria was left as the sole remaining bordering Arab state that had not formally ended hostilities with Israel. International focus now turned to the Golan Heights and the Syrian track of the Middle East peace process. In October of 1994, President Clinton visited Damascus in a show of increased U.S. support for the Syrian government and the negotiating process. In addition, Mr. Assad expressed his increased willingness to cooperate with the Israeli government:

In his opening address to the newly elected People's Assembly, Mr. Assad struck an optimistic note on prospects for peace with Israel. He reiterated his demands for a full Israeli withdrawal...but expressed his willingness to work for peace. For the first time he publicly acknowledged that Syria would have to fulfill certain requirements in a peace



settlement with Israel: 'We really want peace and we are aware that everybody has an interest in peace...we also realize that peace has objective requirements and we will meet the objective requirements that are agreed on.'<sup>14</sup>

While it appeared that Syria was finally adapting to the moderate and conciliatory approach of the Rabin government during this second phase (1994-1995), Rabin was coming under increased political pressure from hard-line factions opposed to a "land for peace" settlement with Syria. While the Golan Heights is no longer of paramount strategic importance, lingering public sentiment within Israel presented a challenge to the objectives of the Israeli government. However, in late 1994, Israeli public opinion was certainly beginning to sway towards the prospect of Israeli withdrawal. According to an opinion poll conducted by Haifa University, nearly two-thirds of the Israeli population now believed that Israel would eventually have to withdraw from the Golan to achieve a lasting and comprehensive peace with Syria.<sup>15</sup>

Indeed, during these moderate years of the Rabin government, one could certainly argue that Israel and Syria were closer to achieving a lasting peace than they had ever previously been. In response to the conciliatory and pragmatic overtures of Prime Minister Rabin, President Assad appeared more willing to accept a phased withdrawal from the Golan Heights. It appeared that the non-aggressive tact of Rabin was in fact having a direct impact on Syria's tactical means of achieving its basic foreign policy object vis-à-vis Israel. While President Assad remained firmly committed to his basic objective of complete Israeli withdrawal from the territory, he demonstrated considerable moderation in his acceptance of a phased Israeli withdrawal and his willingness to normalize diplomatic relations with Israel. That is, he adopted a moderate tact in response to Rabin's moderate approach.

During the latter part of this second phase (1994-1995), internal political pressure forced Rabin to be less compromising in his stance towards the Syrian negotiations. Hopes were raised in June of 1995, following the meeting in Washington of the two countries respective chiefs-of-staff, Hikmat Shehabi and Amnon Shahak, whereby an agreement was tentatively reached which called for Syrian demilitarization of up to 1,000 meters from the Syrian border, for every 600 meters of Israeli demilitarization from the Israeli border.<sup>16</sup> While this proposal was viewed with optimism on both sides, the negotiating process took a turn for the worse as it entered the critical Israeli pre-election phase of late 1995. That is, Rabin found it increasingly difficult to garner public support for the peace process with Syria while the Likud party was hammering away at his conciliatory position, fueled by domestic outrage over recent radical Islamist bombing attacks within Israel. Furthermore, in an interview with

Israel's television news station in September of 1995, the leading Likud party candidate, Benjamin Netanyahu, firmly declared that he would only negotiate with Syria on the precondition that the Golan would remain under Israeli military control. Obviously, this did not bode well for the negotiating process. In late 1995, as the pre-election rhetoric divided the Israeli government, Syria became increasingly alarmed at the mixed signals it was receiving from the Israeli government. That is, Israel was no longer speaking with a coherent, unified voice on the Golan. Accordingly, peace talks were officially put on hold until after the election. It appeared that the progress made by the moderate and conciliatory approach of Rabin's government was being jeopardized by the internal political situation of Israel.

The assassination of Mr. Rabin in November of 1995 by a right-wing Israeli extremist ironically helped to further the peace process by weakening the image of the right-wing opposition within Israel. Mr. Rabin's widow mobilized public opinion against the right wing by declaring that the Likud Party, under Netanyahu, had created a political climate conducive to right wing extremism with their hard-line rhetoric. The assassination greatly stigmatized the Likud party, thereby allowing for Shimon Peres to formally resume peace talks with Syria. In his November 1995 speech to the Israeli Knesset, Mr. Peres emphasized that he would make peace negotiations with Syria a top priority, declaring that the "logic of war" was over. By calling for resumed negotiations over the Golan, Peres made himself quite vulnerable from a political standpoint. Lacking Mr. Rabin's domestic political stature, Mr. Peres did not have the political capital to maintain such a stance in the face of waning public support for moderation and negotiation over the Golan. While he suggested that he would eventually recognize Syrian sovereignty over the Golan, he did not want to compromise his position with an increasingly hostile Israeli electorate any more than was necessary. He therefore gave out conflicting signals on the issue, stating that he would adhere to Mr. Rabin's previous position whereby the depth of Israeli withdrawal would be contingent upon the depth of Syria's commitment to peace with Israel. The Hamas suicide bombings in Jerusalem and Ashqelon in late February and March of 1996 certainly eroded any remaining public support for the Labor position, shifting the electoral favor towards the Likud party.

While the Israeli position towards Syria was becoming increasingly aggressive due to internal political pressures, the Syrian position was adapting to this increase in Israeli aggression. While the official Syrian response was favorably inclined towards Mr. Peres' conciliatory and peaceful overtures, there is evidence to suggest that Syria was taking note of the internal dissension within Israel and the increased belligerence of the Likud party. In December of 1995,



a Jordanian newspaper, *al-Majd*, fueled speculation that Syria was creating a new regional axis of power with Iran and Iraq with reports that a delegation of top officials from Iraq's Ministry of Interior had visited Damascus on the pretext of border talks.<sup>17</sup> As Israel has been improving relations with Jordan and the PLO, it is understandable that Syria would feel isolated as the sole remaining bordering Arab state hostile to Israel. As tensions escalated with Israel during the pre-election year of 1995, it is understandable that Syria would be inclined to seek allies elsewhere. In addition, the negotiating process was further derailed by a flare-up of violence in South Lebanon in April of 1996, involving the Israeli military and the pro-Syrian Shia Hizbullah. Clearly, Israeli-Syrian relations had declined since the assassination of Rabin, and the domestic political climate of Israel was indeed more favorably inclined to the Likud position as the election neared.

In examining the effect of the level of the Israeli threat on Syria's tactical foreign policy decisions during the second phase (1994-1995), one can conclude that there appeared to be some correlation between the aggressive intentions of the Israeli leadership and the consequent tactical response of the Syrian government. That is, before the pressures of domestic politics made the Israeli position more hard-line in nature, there appeared to be substantive compromise on both sides. In response to the conciliatory gestures of Rabin, Mr. Assad took an unprecedented step in conceding that Syria would have to meet its "objective requirements for peace" (i.e. normalization of diplomatic relations with Israel). Furthermore, the Syrian government further demonstrated increased moderation by accepting the principle of a phased Israeli withdrawal from the Golan. Indeed, in late 1994 and early 1995, Israel and Syria were closer to establishing a peace accord than they had ever previously been in history. The negotiating process was derailed by the domestic political scene within Israel. In response to Israel's more hard-line position, Syria became less favorably inclined towards normalizing diplomatic relations with Israel, thereby weakening the prospects for a negotiated settlement over the Golan Heights. Therefore, based on an evaluation of this second phase, one can conclude that the "aggressive intentions" of the Israeli government did in fact have a direct impact on Syrian tactical foreign policy.

### Phase 3: The Election of Netanyahu Until Present (1996-)

The final phase under examination presents a dramatic test-case of the impact of Israel's "aggressive intentions" on Syrian tactical foreign policy vis-à-vis the Golan Heights. This is an explicit example of the extent to which the domestic political situation of a particular state can indeed play an important role in dictating the tactical foreign policy of another state. While Israel's aggregate power, geographic proximity, and offensive capabilities remained constant throughout all three "phases" in question, its aggressive intentions varied according to the rhetoric and policies of its leaders. This had a direct impact on Syrian-Israeli relations as it produced greater tension between the two states, and increased aggression and belligerence on both sides. Again, it is assumed that the basic foreign policy objectives remain the same; Israel would like peace with Syria, while Syria would like Israel to withdraw from the Golan. I am concerned with the specific means by which each state attempts to achieve these basic foreign policy objectives--by aggressive means, or by moderate means. This paper will now examine the extent to which Mr. Netanyahu's election in May of 1996 has shaped Syrian tactical foreign policy towards Israel vis-à-vis the Golan Heights. In this case, Israel adopts a more aggressive posture. In response, Syria also becomes more aggressive as tensions continue to escalate.

Mr. Netanyahu has ruled out an Israeli military withdrawal from the Golan Heights. Because this is the primary objective of the Syrian government with regards to Israel, this certainly presents a problem for the peace process. Indeed, while Netanyahu continues to maintain this policy, there appears to be little hope for reconciliation between the two sides. Netanyahu's early rhetoric seemed to indicate that he was committed to the peace process in spirit, "...And we plan to advance the peace and the negotiating process with all our neighbors in order to get a stable peace, a real peace, peace with security...This evening I stretch out my hand in peace to all the Arab leaders and all of our neighbors, our Palestinian neighbors. I call on you to join us on the road to real peace with security."<sup>18</sup> Despite this rhetoric in support of the peace process, his policies have not been consistent with this new vision for peace. As long as he is adamantly opposed to the concept of "land for peace", it will be extremely difficult to reach a negotiated settlement with Syria over the issue of the Golan. Furthermore, Mr. Netanyahu's opposition to the formation of a Palestinian state has also provoked harsh criticism within the Syrian government.



In addition, his refusal to discuss the sovereignty of Jerusalem with the Palestinians has further contributed to his hard-line, uncompromising image. In a fundamentally different approach from his two Labor predecessors, Mr. Netanyahu attempted to restart the negotiating process with Syria on the basis of a "Lebanon First" settlement, whereby Israel would withdraw from South Lebanon in exchange for the Syrian government's security guarantee against further military activity by the pro-Syrian Lebanese Shia Hizbullah organization. However, despite Mr. Netanyahu's willingness to compromise in South Lebanon, a comprehensive peace with Syria will require an Israeli withdrawal from the Golan as a fundamental precondition. Mr. Netanyahu is unwilling to do this. Furthermore, Mr. Netanyahu has also stirred Arab resentment by campaigning on a platform opposed to the immediate withdrawal of Israeli troops from the West Bank city of Hebron, despite a commitment made in an interim Israeli-Palestinian peace Accord signed in the Fall of 1995.<sup>19</sup> He has also been supportive of plans to expand the Jewish settlements in the West Bank. While visiting President Clinton in Washington in July of 1996, Prime Minister Netanyahu once again unequivocally expressed his refusal to withdraw from the Golan Heights. He was also somewhat contradictory in suggesting that he wanted to resume peace talks with Syria (peace talks had been on hold since the Hamas suicide bombings in March of 1996) without any preconditions. However, by ruling out the prospect for a "land for peace" settlement, he had in fact already created a basic precondition which was unacceptable to the Syrian government. While visiting Israeli-occupied South Lebanon in August of 1996, Mr. Netanyahu sternly warned the Syrian government that further attacks by the Syrian-supported Hizbollah guerrillas against Israeli soldiers in the occupied zone of Southern Lebanon would provoke a massive Israeli retaliation. Indeed, while professing to be supportive of the peace process, Mr. Netanyahu's actual policies were entirely contradictory to that basic objective. Recently, the Israeli government has approved an increase in the number of settlements in the Golan Heights<sup>20</sup>, thereby provoking fears and hostilities within Syria as tensions continue to rise.

Clearly, on the basis of Mr. Netanyahu's rhetoric and policies, one can certainly label his approach to Syria and the Golan heights as being "aggressive". Unlike Mr. Rabin and Mr. Peres, Mr. Netanyahu is unwilling to even consider a phased withdrawal from the Golan. While one can certainly speculate as to the effects of increased U.S. pressure for an Israeli withdrawal in the aftermath of the U.S. Presidential election, for the time being, there will be no foreseeable change in Mr. Netanyahu's position regarding the Golan. This is indeed a more aggressive stance than that of his Labor predecessors. I will now briefly examine the Syrian response to this increased Israeli aggression.

Syria has appealed to the U.S. to put more pressure on the Israeli government to adopt a more conciliatory approach. However, while Syria continues to remain on the U.S. State Department's list of states that sponsor terrorism, it is unlikely that the Syrian government will have much impact on shaping U.S. policy towards Israel. Indeed, Syria can expect little support from the U.S. in light of the powerful Jewish lobbying force within the U.S. and America's strong historic ties to Israel. Only several days after the Israeli election on May 29, President Assad called for a meeting of the Arab League for the first time since the Gulf War of 1990. Held in Cairo on June 21, substantively fourteen Arab leaders and representatives of seven other Arab states joined together to put pressure on Israel to support the principle of "land for peace". As the *New York Times* reported, "Syria has taken the toughest position against Israel so far by urging Arab countries to put the brakes on improving relations and has suggested that they intensify their economic boycott of Israel until comprehensive peace is reached in the region."<sup>21</sup> More specifically, Syria put pressure on the other Arab states to reformulate their policy towards Israel until the Israeli government agreed to accept the principle of "land for peace". For example, President Assad asked the Saudi Prince Abdullah to put pressure on Oman and Qatar to slow their improved economic trade relations with Israel for the time being. However despite these appeals to Arab solidarity, only the United States can really influence Israeli policy towards the Golan Heights. While facing difficulty in garnering U.S. support for its position, Syria has also made diplomatic gestures to the European Union, most notably perhaps in its improved relations with France and the French government's efforts to mediate a ceasefire in South Lebanon. The Syrian foreign minister, Farouq al-Shara, has also been visiting Paris in an effort to encourage France to put diplomatic and economic pressure on Israel to adopt a more conciliatory posture towards Syria. Of course, despite the French government's ambitions, France has a marginal influence within the region. In a further effort to gain international support, just prior to the election in May of 1996, Syria made a goodwill gesture to North Korea by agreeing to send them 100,000 tons of food. This is indicative of Syria's recent efforts to secure military support from the North Korean government in light of the collapse of the Soviet Union and the increasingly aggressive rhetoric of the Israeli government. In addition, Syria has continued to improve its relations with Iran. The Syrian prime minister, Mahmoud al-Zubi, led a Syrian delegation to Iran in August of 1996, whereby efforts were made to forge closer economic and political ties with the Iranian government. Indeed, it appears that Syria has been actively engaged in fostering closer alliances with external powers in response to the increased aggression of the Israeli government.



In late September of 1996, the Syrian-Israeli track of negotiations was further hindered by violence between Israeli and Palestinians in the West Bank and Gaza. In addition, guerrilla fighting has continued in South Lebanon, further contributing to the increased tensions between these two states. Furthermore, in August of 1996, Israeli television news stations reported that Syria had test-fired a Scud-C surface-to-surface missile capable of carrying a 500 kg warhead up to 600 km, therefore capable of striking some of Israel's most populated urban areas, such as Tel Aviv.<sup>22</sup> Also in August, Syria began to redeploy thousands of its troops away from Lebanon and into areas near the Golan Heights, in response to increased fears of a potential Israeli preemptive strike in South Lebanon. Following this massive redeployment, the Syrian army's substantive chief-of-staff, General Hikmat Shehabi, was quoted as saying that Syria still possessed a "war option" to resolve its dispute with Israel.<sup>23</sup> Indeed, there has been inflammatory and belligerent rhetoric on both sides as the peace process has ground to a halt in the wake of Benjamin Netanyahu's election. President Assad has remained adamantly opposed to pursuing negotiations with Israel while Netanyahu continues to maintain his policy towards the Golan. In an interview with CNN on September 25, 1996, Mr. Assad stated that prior to his assassination, Mr. Rabin had reached an understanding with the United States whereby Israel was prepared to withdraw completely from the Golan Heights. Mr. Assad called upon Mr. Netanyahu to honor the commitment of his predecessor. Since then, tensions have continued to escalate on both sides, as relations have seriously deteriorated. Indeed, the prospects for a negotiated peace over the Golan Heights currently appear to be quite dismal.

Thus, in examining the rhetoric and policies of the Israeli and Syrian government during this third phase (election of Netanyahu to present), there appears to be a direct correlation between the aggressive approach of the Netanyahu government, and the tactical foreign policy decisions of the Syrian government.

## General Conclusions and Implications

Based on the results of this study, there appears to be sufficient evidence to support Walt's claim that one must account for the "aggressive intentions" of a particular state in understanding inter-state behavior and alliance formation. The evidence presented would appear to support the contention that the Israeli government's relative level of threat (measured by the aggressive or moderate rhetoric and policies of its leaders) has a direct impact on the tactical foreign policy approach of the Syrian government (measured by the aggres-

sive or moderate rhetoric and policies of its respective leaders). During the first phase (1992-1994), the moderate and conciliatory approach of the Rabin government appeared to have a mixed reaction upon the Syrian government. During the second phase (1994-1995), there was a definite correlation: Rabin's moderate approach seemed to promote a more moderate and conciliatory approach by the Syrian government, as the prospects for peace were quite promising in late 1994 and early 1995. However, during the latter part of this second phase, as internal political pressures caused a more hard-line Israeli posture, there appeared to be a correlative change in the Syrian posture as well, as it became increasingly suspicious of the growing public tide in favor of the Likud party. Finally, in the third phase, from the election of Netanyahu until present, there appears to be convincing evidence to suggest that the Syrian government has adopted a more aggressive tactical approach to the Golan issue by seeking alliances, redeploying its troops, and testing scud missiles. During this final phase, relations have deteriorated as both sides have adopted an aggressive posture vis-à-vis the Golan Heights.

While the evidence suggests that there is in fact a correlation between Israel's level of threat and Syria's tactical approach to securing the Golan Heights, it is somewhat more difficult to establish a definite causative link. Throughout this paper, I have first outlined Israeli actions and rhetoric during three basic stages, and then sought to identify the Syrian response by outlining Syrian actions and rhetoric during these three stages: event "A" occurs in Israel, and event "B" then occurs in Syria. While there appears to be a correlation between the level of Israeli threat and Syria's tactical response, one can not definitively state that there is in fact a causative link. That is, it is difficult to isolate event "A" in Israel as the sole causative factor in determining outcome "B" in Syria. While it is possible to observe Syria's behavior in response to Mr. Netanyahu's election, one can only speculate as to whether Syria would currently be engaged in the same behavior if the Labor Party had won. However, had Peres defeated Netanyahu, it is not likely that Syria would have called an Arab Summit, redeployed thousands of its troops, aggressively sought alliances with external powers in the same urgent fashion, tested scud missiles, warned Israel of the "war option", and placed pressure on other Arab states (i.e. Qatar, Oman) not to promote better diplomatic and economic relations with Israel. Thus, while it cannot be proven, there appears to be a causative link between Israel's level of threat, and Syria's tactical foreign policy decisions. Indeed, there is certainly a correlation.

The evidence presented in this paper therefore appears to support Walt's argument. The level of threat does indeed appear to be a factor in accounting for inter-state behavior and alliance formation with respect to Syria and Israel



vis-à-vis the Golan Heights. While the basic distribution of power alone has not fundamentally changed during this relatively short period in question, the behavior of each state towards the other state has changed quite dramatically. The aggregate power, geographic proximity, and offensive capabilities of both states have remained fairly stable during this time period. Indeed, the only factor which can account for the changed behavior of each state is the aggressive intentions of the Israeli government. This appears to be the only variable. Furthermore, it appears to be a rather important variable. It is the only variable which accounts for the current increased tensions between the two states. If war broke out in the near future, it would not be due to any major shift in the balance of power. It would only be due to a shift in the "balance of threat". Fear often provokes international conflict. Yet fear is not merely a function of the distribution of military power. It is also a function of a particular state's willingness to use that military power. More specifically, it is a function of a particular state's offensive threat to another state. Power alone does not create fear. Power and threat together produce a climate of fear. Thus, it appears that the distribution of power alone is not sufficient in fully explaining, and predicting, inter-state behavior and alliance formation. This undermines Waltz's position, which places exclusive emphasis on the distribution of power. Furthermore, it suggests that Walt's theoretical framework provides a more comprehensive and satisfactory account of international relations theory.

## Notes

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# An Interview with Dr. Jeffrey Sachs

conducted by Bryan Shiloh Graham

In its December 1994 issue on fifty promising young leaders, *Time* magazine characterized Jeffrey Sachs as "the world's best-known economist." Having served as a foreign economic advisor or done academic research in upwards of forty countries, Dr. Sachs brings to the table an unsurpassed familiarity with economic and political conditions in the developing world, as well as the technical skills of his discipline: *economics*.

Graduating *summa cum laude* from Harvard in 1976, Dr. Sachs stayed on to complete his Ph.D. at Harvard in 1980, joining the faculty of economics that same year and reaching Full Professor in 1983. He is currently the Director of the Harvard Institute for International Development (HIID), the Galen L. Stone Professor of International Trade at Harvard University, and a Research Associate at the National Bureau of Economic Research (NBER).

While Dr. Sachs has a distinguished record of academic research, it is in his role as an economic advisor that he has defined his professional reputation. In addition to serving as a consultant to the International Monetary Fund (IMF), the World Bank, the OECD, and the United Nations Development Program (UNDP), Dr. Sachs has served as an economic advisor to several governments in Latin American, Eastern Europe, the Former Soviet Union, Asia, and Africa.

From 1986 to 1990 Dr. Sachs served as an advisor to President Víctor Paz Estenssoro of Bolivia and was a key architect of Bolivia's stabilization program which reduced inflation from 40,000 percent a year to 10 percent a year in the context of large adverse terms of trade shocks. He also helped design Bolivia's innovative debt buyback program (see bibliography) which was first

case of successful commercial debt reduction for a developing country in the 1980s. Dr. Sachs has also advised the Governments of Argentina, Brazil, Ecuador, and Venezuela on various aspects of financial reform.

In 1989 Sachs served Poland's Solidarity movement as an economic advisor, and prepared a draft program on radical economic transformation. After August of 1989, he worked with Poland's first post-communist government on the implementation of radical economic reforms. Other work in Eastern Europe has included advisory roles with the governments of Russia, Slovenia, and Estonia.

A long-time advocate of the efficacy of free trade and outward orientated economic policy, Sachs is at the forefront of advocating policy reform within the developing world. As a believer in the importance of debt relief for developing countries, Sachs has also been critical of the policies of OECD governments and multilateral development institutions, like the World Bank and the IMF, in regard to their treatment of developing country debt.

In his capacity as Director of HIID, Dr. Sachs works to implement the Institute's goals of "assisting developing countries as they undertake economic and social reform in order to achieve sustainable growth, promote public welfare, and participate in the emerging global economy." The Institute conducts a variety of programs that provide assistance in promoting economic and financial reform, as well as programs in the environment, health, education, and agriculture.

**As an economist concerned with the developing world, how would you define development? What are its goals? And finally, what has motivated your interest in development as such?**

Development, for an economist, means a broad based improvement in the material conditions of life. This is often summarized, in the most shorthand of ways, by increases in per capita gross domestic product (GDP), and while this simple index is often criticized, and indeed it has many flaws, it is actually not a bad indicator of broad based material conditions. We find improvements in per capita GDP are associated with improved life expectancy, infant mortality, literacy, freedom of economic opportunity and many other important dimensions of human life. In a sense we have an indicator, but a pretty broad definition of development as well.

I became interested in development from the very start of my thinking about problems in politics and economics. For me the most important question from my beginnings in this field was "what makes for a good society?" "What makes for meeting material needs and aspirations of a society?" As I traveled around the world and saw the vast differences in living conditions across countries and



the struggles for improved living conditions among the poor in developing countries, I became captivated with the problems of development and have devoted my energies to solving them.

**What measures do you believe are most effective in promoting development, or broad based economic growth?**

History tells us a great deal. There is an enormous worldwide experience over the last two centuries that gives us lots of hints and lessons. We don't understand some aspects of growth but we do understand many others. There are two principal lessons of the worldwide historical experience, and they are very *closely related*. *First, market institutions* are absolutely a key underpinning for long term sustained *rapid improvement in living standards*. *Second*, an economy's relations to the world economic system are crucial: *closed economies* do not succeed. Open economies, *deeply integrated into the world economic system* through linkages of trade, finance, production, and technology, and ideas, and science, and culture tend to have vastly greater success than countries that try to close themselves off from the world.

**You have served as an economic advisor in several developing and transition economies, and done academic work on many others. From your experience, under what conditions do you think your system of policy reform as a mechanism to promote growth is most effective? Under what conditions do you feel it is less effective, or alternatively unfeasible?**

The main reason why a country calls for a foreign economic advisor is because it is in the midst a very deep crisis. Countries typically don't request a foreign economic advisor when they are moving along in good condition, because of this I basically work in crisis countries. Crisis countries are countries that are experiencing extreme conditions. Typically the countries I have seen are undergoing extreme financial crises and need fundamental change in their economic systems. Crises, of course, lead to winners and losers, to stresses and anxieties, to great differences of opinion, and so forth, so they are very tumultuous events in the life of a society, never easy, never the matter of broad consensus. We are talking about very complex historical conditions.

Now where is policy reform likely to succeed? Of course, if the name of the game is first, market institutions and second, a deep integration into the international system, countries that have experience with markets and are geographically located to be engaged in profitable international trade have an advantage.

A country like Poland, for example, compared to Russia, has big advantages. It has historical experience with markets and it sits right on the West European border, and therefore has a tremendous opportunity for rapid export-led growth. Russia has much less experience with markets, relatively little in its historical experience, as the communist system was much more deeply en-

trenched. Russia is also geographically a vast land mass with some regions eleventh time zones from parts of Western Europe. Under these conditions integration into the world market is more difficult. Poland however, has advantages of history, system, tradition, and geography. This is just one example of how various factors influence the relative ease and performance of countries undertaking reform.

However, regardless of the situation, I would characterize reform along the lines of making markets function and integrating with the world economy, as really indispensable and common features of any development strategy. There are lots of specific details: budgetary allocations, the relationship of central governments to regional and local governments, the nature of public administration, the priorities of a given country, and addressing differences in infrastructure — these issues, of course, are country specific, and specific institutions will no doubt emerge based on national traditions. However, I do believe that success does depend on a common core of institutions of the kind that I have mentioned.

**The Clinton administration has downgraded overseas development assistance (ODA) aimed at promoting policy reform both in rhetorical emphasis and in funding, how do you explain this attitude, and what are its implications?**

We have a shrinking aid budget that is under lots of demands. Some groups want a population focus, some want health, some want education, others want environment, and so there has been a tremendous strain on the aid budget. It has been true in the last few years that the Economic Growth Center at the United States Agency for International Development (USAID) has had its budget shrinking and the focus has sometimes been taken away from economic reform.

I think that this ought to change, and I have reason to believe that it is going to change. If we are going to create a broad based consensus in this country on development assistance, it is going to have to be on the basis, in my opinion, that we are helping countries help themselves, in other words, that we are giving them the wherewithal to undertake self-sustaining economic growth. I think that the role of our aid policy ought to be to help countries get on a self-sustaining growth path and that means that we need a lot of attention on the reform process. I think USAID is going to move in this direction. In a sense, return to this direction, thus while policy reform and growth has been understressed recently I believe it is making a comeback.

**My understanding is that, almost certainly, USAID will be merged into the State Department this year; assuming that happens, how should the Secretary of State use its new "aid" bureau?**



It is hard to know exactly what is going to happen to the organizational charts. I believe that there is an enormous expertise at USAID and it ought to be enhanced and the recognition that we need a center of excellence in issues of economic development and growth ought to be recognized widely in this country. I very much hope that USAID is not gutted.

**You are an outspoken advocate of the benefits of free trade. In a recent forum attended by leaders of U.S. organized labor in Los Angeles, Congressman Gephardt, according to the Washington Post, promised to resist Administration efforts to extend the free trade pact [NAFTA] to other Latin American countries unless it includes additional protection for workers and the environment. Do you support or object to Congressman Gephardt's promise? Why? Do you believe that Congressman Gephardt's promise, if carried out, would benefit the poor of the Western hemisphere?**

I think that extending free trade within the Americas is a very high priority and I am glad that the U.S., together with the Latin American countries, is committed to free trade. We made an agreement at the Miami Summit that we would have free trade in the Americas by the year 2005. I think this is good for us and it is good for the rest of the Americas.

Now what Congressman Gephardt is saying is that free trade expansion ought to be negotiated with understandings on labor and on the environment. The essence of this issue is going to be what is in those agreements. For example, simply trying to promote the United States' style of environmental regulation to the Americas might not be sensible for them or for us. There are alternatives that ought to be approached, there are different environmental considerations across the Americas, and there are different sets of priorities among these countries. There are different instruments of environmental management, market based instruments rather than administrative based control for example, that ought to be explored.

I think what we need to do is to make sure that all free trade agreements embody sound and sensible economic principles so that we don't lock ourselves or our partners into a bad set of labor and environmental policies.

The problem with the labor provisions is that one of the sources of employment growth in Latin American countries is their ability to compete in labor intensive, relatively low wage, products. Given where they are in the development process this is where their comparative advantage lies. We should not hinder this process. We should recognize that the U.S. should be, and will be, basically an importer of labor intensive goods and an exporter of high technology goods and that free trade will be of mutual benefit for both the U.S. and the rest of the Americas.

Ill conceived labor policies may hinder Latin America's ability to reap the

benefits of its comparative advantage in labor intensive goods and thus they could be the very thing that frustrates trade, in other words, they could be a hidden form of protection.

**In a recent article in the Economist you advocated debt forgiveness for African economies, how do you think the goal of widespread debt forgiveness for the most severely indebted LDCs can best be realized.**

This is an issue where I have been debating and arguing the point for over a decade now. There has been some progress. When I first advised the Bolivian government, Bolivia was the first country to achieve any commercial bank debt reduction. Now debt forgiveness is being discussed more widely for developing countries.

The whole issue has now progressed a great deal, there is a lot of recognition that Africa needs a fresh start on debt. Africa's bad debt was accumulated through many years of bad policy. Debt forgiveness doesn't exculpate the lousy policies that a lot of Sub-Saharan African countries enacted, but it does recognize that, like a personal bankruptcy, when you get into such a corner the only way out is a fresh start. I think this is what has to be done: debt relief combined with very ambitious economic reform. Our Institute is working to promote this package in the current Congress and I think the Africans will make some headway on this. I think more generous debt relief is on the way.

**You are relatively new to HIID, what has been the most difficult challenge in assuming the directorship of the Institute? What direction would you like to see the Institute take in the near future? And finally, since becoming involved in HIID have you become interested in any new aspects of Development Studies?**

HIID is a wonderful institution with development work all over the world. One thing the Institute is doing is giving me the opportunity to broaden and deepen my understanding of many different parts of the world where I had not been deeply involved before, Africa being one. This is among the most exciting aspects of my work. The other very exciting aspect of working at HIID is that our whole style, approach and intellectual belief is that development is inherently cross-disciplinary. We are finding, more and more, that we need to understand the interactions of economics, public health, demography, and politics. Of course it is widely recognized that these things move together, but we have to study them not as separate disciplines but in a deep and multi-disciplinary fashion. We are designing our projects as much as possible to reflect this philosophy.

Our challenge is to be able to mobilize intellectual support on a very broad and multi-disciplinary basis to look deeply into the toughest intellectual problems of development and to be available to take this knowledge, which is gen-



erated by the academic research, and apply it in practical circumstances in the kinds of projects we work on. It is a big challenge but I think we are having success, and it is extremely exciting for me personally.

**What advice would you give to students interested in studying development and pursuing a career aimed at promoting global development?**

I would say that if you are interested in development it is a direction that is one of great fulfillment and great intellectual challenge, as well as a great opportunity to help the world. There are many exciting careers in development, economics is one, but many other intellectual disciplines, ranging from medicine, to business, to public health, to education, to law all have a crucial role to play in helping the development process.

I think there is a great challenge for this generation. We have a world economy that is becoming more and more integrated and the spread of democracy at a more impressive rate than ever before. There is a tremendous chance now to make good on these gains of democratic and market reform, and help create a world where prosperity is widely shared, and democratic and human freedoms are also widely shared. And I would encourage all to join in this quest.

# An Interview with Dr. Neva R. Goodwin

*conducted by Bryan Shiloh Graham and Nils Mueller*

As co-director of the Global Development and Environment Institute (G-DAE), Dr. Neva R. Goodwin seeks to broaden the scope of economics. Dr. Goodwin is on the leading front of a new breed of economists who see economic development as a complex and interdisciplinary process that includes everyday human concerns such as happiness, justice, and the health of the ecosystem. Her understanding of development extends far beyond strict economic growth; she believes that each economy develops within a specific context with social, cultural, political, ethical, environmental and technical variables that together lead to real and sustainable economic growth. Through her research, publications, and numerous other scholarly activities, Dr. Goodwin has sought to understand and address the issue of human well-being within the neo-classical economic framework.

Dr. Goodwin is a professor of economics at the Fletcher School of Law and Diplomacy at Tufts University, where she has been a member of the faculty since 1991. She came to Tufts as a part of the Program for the Study of Sustainable Change and Development, which merged with the International Environment and Resource Policy Program at Fletcher in 1993 to form G-DAE. Dr. Goodwin's educational background is as eclectic as it is distinguished. She received a B.A. in English Literature from Harvard College in 1966, earned her M.A. in Public Administration from the Kennedy School of Government at Harvard University in 1982, and completed her studies in 1987 with a Ph.D. in



Economics from Boston University. From 1986 through 1990, Dr. Goodwin was the Director of Program Development at The African Studies Center at Boston University.

Through G-DAE, Dr. Goodwin is involved in a number of forthcoming publications that are on the cutting edge of economics research and theory. She is the lead author of *Contextual Economics*, an introductory textbook to be published in both Russian and English that examines the complexities of the current Russian economic development. Utilizing the existing strengths of western neo-classical economics, Dr. Goodwin aims to trigger a reevaluation of the meaning, the purpose and the process of economic development. The text is specifically designed for use in Russian undergraduate economics courses. Her future plans include subsequent text books with a similar approach but using case materials and examples from other rapidly developing economies, including other Eastern European countries and China.

Dr. Goodwin is also the editor of two series of books, *Frontier Thinking in Economic Issues* and *Evolving Values for a Capitalist World*. Her experiences include being a member of a World Bank Mission to Russia in 1993 and serving as a Visiting Fellow at the World Institute for Development Research of the United Nations University in Helsinki, Finland. Dr. Goodwin is also an active member and trustee of a number of boards, including The Rockefeller Brothers Fund and The International Center for Research on Women. She has lectured on topics ranging from "Lessons for the World from U.S. Agriculture" to "The Limits of Realism in Economic Models."

**As an economist concerned with the developing world, how would you define "development"? What are its goals? And finally, what has motivated your interest in "development" as such?**

You are asking the most important question, and it is one that often doesn't get answered at all — namely, "What are development's goals"? People usually fall back on the assumption that the goal of development is to raise GNP; the reason they fall back on that is because it is measurable. We often find ourselves abandoning the quest for the answer we really want, but accepting the answer we can measure.

This is a topic that has been of great interest to us at the Global Development and Environment Institute. We just finished work on a book that went to press two weeks ago called *Human Well Being and Economic Goals*. There we tried to press more deeply into the issue of what are the goals of development. "Well-being" is a good term because it can be used to summarize a multitude

of development goals. However, you might then ask, "what do you mean by well-being?"

One of the first answers is that it's obviously not adequately represented by per capita GNP. One of the issues you have to ask about well-being is "are you talking about well-being in the present, or over a longer term?" If you can achieve what looks like well-being next year, but in the process you are degrading the basis on which you have achieved this well-being, so that five years later, things are much worse, that is clearly unsustainable development. That realization is what has led people to start worrying about sustainability — most obviously in environmental terms — but social, cultural and ethical sustainability are also very important pieces of the whole puzzle.

My interest in development stemmed from my awareness of the unevenness of how people were living around the world. From a very young age, I was very aware that many people in China and India lived in great poverty while many people in this country are very well off. To a young child, of course, it seemed fairly obvious that if you had plenty of material goods you were better off, and that accumulating material goods was something that you should be interested in if you lacked them.

It is pretty evident that below a certain level of material well-being, everybody would agree that wanting more material goods is natural. Up to a certain threshold, it's pretty easy to define what it is that people want. Past that threshold, you say "just a minute, material goods are not the end, they are the means to an end." They are the means to the end of well-being, but they are not the only means. There are other issues we have to worry about first.

**Most of the economics literature uses growth in per capita GNP as proxy for "economic development." Is this an appropriate indicator of development, what are its strengths and weaknesses? Finally, a component of G-DAE's mission is to develop "appropriate measures and indicators of economic and ecological health;" what additional ingredients has G-DAE brought to the "statistics of development"?**

We have dropped that line from our mission statement because we realized that we were not going to be developing indicators, but we certainly are extremely interested in the new ones that are coming out. The *Human Development Reports* of the UN have their Human Development Index which is very useful. It has some problems however. For example, it counts GDP up to a certain level, and past that level it takes a logarithmic function of GDP so that any increments above the threshold level are reduced to almost zero. What you are really saying is that for developing countries, you consider a multitude of issues, including GDP, but past a certain level of development GDP drops out as a measure because additional increments are so heavily discounted. Dis-



counting the value of additional increases in GDP in measuring economic development is an interesting topic and the UN may have made the right decision. However, I think that they need to provide a better discussion of why they made that decision, which has not been made sufficiently clear.

The other most striking new indicator of development was initially developed by Herman Daly, John Cobb and Clifford Cobb in *For the Common Good*. Then John and Cliff Cobb continued developing the indicator in subsequent work. This indicator also has some problems, and in the book I mentioned before, *Human Well Being and Economic Goals*, there is a long article by Richard England, of the University of New Hampshire, and Jonathan Harris, here at G-DAE, in which they discuss a number of indicators and discuss in depth particularly, the *Daly, Cobb and Cobb* and *Human Development* Indices.

**You are currently working on developing a basic economics text for Russia titled *Contextual Economics*, that while building on the strengths of the neoclassical paradigm also takes into account environmental, institutional, political, social and cultural issues. Once these additional issues are brought to the fore, how robust is the neoclassical paradigm? That is, how much of the "universalism" of the neoclassical framework survives once social, historical and cultural issues are considered? What are the implications of this loss of "universalism"?**

These are very good questions. Let me start with your last one. There certainly is going to be a loss, but we can reconsider this loss as a gain because what we are going to lose is the weakest part of the neoclassical paradigm. In trying for universalism, neoclassical economics has backed into ever greater abstraction which has often made it less and less relevant. One of the interesting things this move towards abstraction has done is made common sense less and less relevant, in fact, hardly even respectable. Alfred Marshall, who died in 1924, was probably the last of the great economists who took common sense seriously. The loss of respect for common sense in economics has been quite a serious loss.

One of the things that is most anti-universalist is a re-injection of history into the neoclassical paradigm. I remember that when I was getting my doctorate at Boston University there was a general exam that cause a great furor among the students because we were given an example and a date of something that happened in the early 1970s, and the professor assumed that every student knew that the Energy Crisis occurred in the early 1970s. Knowledge of the Energy Crisis was the critical issue that was needed to understand why the oil producing country in the example suddenly had a problem with its exchange rate. A lot of the students did not know this or did not think that it was appropriate to blend real world knowledge into a general exam question in

economics. They were furious at the professor because those who plugged in the reality of the 1970s Energy Crisis were able to answer the question and those who did not floundered around and couldn't make any sense of it. Different countries are hit differently by events; the energy crisis meant very different things for Mexico, for Saudi Arabia and for the United States.

One of the first things you have to discard from the neoclassical approach, as it is presently understood, is the ahistorical approach. This means that the framework is less general, but you capture the insight that there are different answers for different times and places.

Take the issue of price elasticity of responsiveness to an oil shock. That is something that you can hypothesize about, but in reality you're going to have different elasticities in different places at different times, and until you actually have an oil shock you won't know what kind of elasticity you actually face. The concept of elasticity is very valuable, but it is extremely abstract, and as soon as you want to think about how it's going to play out in the real world you need some historical knowledge, some psychological knowledge, and knowledge about culture.

For example, different cultures put a very different value on trying to get the best price. Some cultures regard that as a shameful thing to do, others regard it as extremely irrational not to. All of that is going to affect how elastic people's responses are going to be to a price shock. This is an example of the ways in which a more contextualized approach would have to be different for each place and time. However, this move towards realism would, I think, be useful. **Milton Friedman noted that there is no such thing as "no policy." In light of the discipline's broad consensus that government policy has an important, if not central effect on economic development, how do you think some of the "contextual" issues you have raised can be incorporated into the policy dialogue in LDCs?**

The example that immediately comes to mind is the cultural and ethical issues that are emerging as predominant in Russia's re-development. In Russia you have a situation of a country which had been highly industrialized, but did not have a market. In the early 1990s, when the old system collapsed, it was assumed that, particularly given how industrialized, sophisticated and educated the Russians are, it would be pretty easy to just set up a market. People were aware of a lot of infrastructural problems of transportation and distribution, but what they didn't sufficiently recognize was the cultural and ethical problems associated with setting up a market.

One of these problems is very interesting. For over 70 years it had been assumed that anybody engaging in entrepreneurial activity was a criminal, and this didn't change when the way was suddenly open for people legally to be-



come entrepreneurs. Those who did step into this vacuum, and began to act entrepreneurial, self identified themselves as criminals. This has been, I believe, one of the reasons for the rise of the criminal activity in Russia. The saying goes, "Might as well be hung for a sheep as a lamb." That is, if I am already a criminal because I'm acting like an entrepreneur, and I have been taught all my life that this is criminal, than I will let go of all my other ethical and moral values as well.

There are really big ethical issues at the root of the functioning of any market. You have to have what Adam Smith would have thought of as a "code of honor." Honor is not a word that is much used today, but it includes an idea of honesty, of keeping your promise, of sticking to contracts so that you do not have go to the law all the time to make sure that a contract is in force. The ideal is that enforcement of contracts is mostly done through the assumption of honest behavior and, as a last resort, you have a State that is ready to step in and enforce contracts if "honor" fails.

One of the things that has been very unfortunate about the way the economic paradigm has developed has been that the concept of rationality has excluded and even seemed to be opposed to a lot of concepts of ordinary honesty and decency. Rational behavior has been associated, in many people's minds, with grabbing as much as you can get for yourself as soon as possible and not worrying about the future or about other people. The code of honor that Adam Smith assumed, and indeed wrote about in his first great work, *Theory of Moral Sentiments*, has been noticeably eroded in countries like ours and was certainly not given any large assistance in Russia as they struggled to create a market. The need for the ethical underpinnings was not recognized.

**Recently several international development organizations, such as the World Bank and USAID, have attempted to include environmental considerations into their project development, and develop broader definitions of development that explicitly incorporate dimensions of human wellbeing other than per capita consumption. How would you characterize these trends, what good do you see in them, and what do you feel is lacking in them?**

Well, it does seem that there is improvement (laughs). That is about as strong a statement as I am going to make. Those who have been looking for this improvement for a long time, such as Friends of the Earth, which has been a major Bank basher, feel that it is too little and too slow. Of course, there are plenty of people who say the Bank would do much better without organizations like Friends of the Earth. That is a judgement I cannot make. It certainly is true that an enormous amount of environmental harm has been done by the World Bank, and quite a lot of social and cultural harm. Andrew Hess, here at the Fletcher School, comments about an experience he had working in the

Middle East where he saw a mud village destroyed in a day when modern marketing and modern products came in along with the oil money. There went a way of life, in an instant. Of course, that was not a Bank project, it was part of an oil company project.

The problem is you see how you can do something more efficiently without seeing the wider implications of the associated change. You can bring in plastic pails, which are extremely convenient and practical, to a tropical rural village for example, and one person is going to make a lot of money selling these plastic pails in this tropical environment where other materials quickly deteriorate. That one person does very well. The twenty people who had been making and selling woven straw or wooden containers or pottery or earthenware all go out of business.

There are examples of assistance that has had this kind of effect. Now plastic pails are on such a micro scale that certainly the World Bank would have never come in to help a person sell them, but what I am talking about is the broader procedure of modernization and what it is doing to social and livelihood structures. But I'm not about to say we should never introduce plastic containers and we shouldn't have any change because these people are fine as they are. They aren't just fine as they are.

One of the things that is particularly illustrative of conditions in LDCs is to look at the situation of women. So often in less developed circumstances women are brutalized. I remember reading interviews with women about the distribution of food within their families, and the comment being made over and over again: "when my husband is hungry, he beats me, so I make sure he gets as much as he needs, even if the children and I are hungry." That is a pretty common experience, so I'm not anti-development at all and I'm not "anti" the agencies that try to bring it about. But — there are big projects, like big hydro-electric dams for which the World Bank has gotten so much criticism, which have certainly done more harm than good.

However, one of the most promising current trends among development agencies, like the World Bank and USAID, is the effort to take big pots of money and set it moving in a way that will allow it to be broken into smaller and smaller bits, so that when it hits the ground, it is in quite small amounts. I'm thinking of the micro-lending and micro-enterprise development projects. That is one of the great advances of recent decades. It is terrific that the big development organizations have recognized it. Their own structure makes it very hard for them to operate this way. You have a huge amount of money at one end and very small needs at the other end, and we've got to find ways to put that money through a series of processes where it is broken down into the small amounts that are needed at the individual level. It is a hard thing for these



agencies to do, and I respect the fact that they are trying. If they were to take a different approach and say "we won't talk to government officials, we'll talk to big businesses," that would not necessarily be better. It is reaching "the people" that is what is really needed and what is really difficult.

**Given the difficulty of reaching "the people", what do you see as the role of NGOs?**

A very big role. They are the intermediaries which can go from the big pot of money to the small receivers. You can have a series of NGOs of different sizes so that the World Bank can give money to a series of NGOs and each one of those can give it to another series of NGOs and on and on so you get this branching tree effect.

**Hemispheric free trade expansion is likely to be a high profile US policy issue in the near future, with important environmental and other social implications for both the US and LDCs in Latin America. In light of the Americas' Miami Summit agreement for Hemispheric free trade by the year 2005, how do you think the goal of increased economic integration with the Americas can best be realized? Congressman Gephardt, among others, has, according to the Washington Post, "promised to resist Administration efforts to extend the free trade pact (NAFTA) to other Latin American countries unless it includes additional protection for workers and the environment." Do you think this is a constructive approach? Finally, is it possible to address environmental and labor issues effectively within a context of expanding free trade?**

This is such a big issue. Let's start with an economic term that has been unpopular and unfashionable for several decades, but that I think is really the issue again today. That is the concept of *factor price equalization*. The factors that are relevant here are the prices of labor and of capital. We have seen how the price of capital, which is of course, the interest rate, has been equalizing the world around — not perfectly by any means, but moving broadly towards equalization. The other factor is labor. The issue that people in high wage areas are most concerned with is precisely the idea that with perfectly free trade you do get equalization of factor prices, particularly wages. Now, that is the theory. It hasn't worked yet. It's interesting to see how much it hasn't. In fact, wages in Mexico and the US have stayed far more different than was predicted. It is possible that free trade and some of the things that go with it could keep working in the direction of wage equalization. Indeed, wage equalization is looked at as a good thing by some economists who see the price of consumption goods as the most important issue.

If, to come back to your first question, the goal of economic development is to maximize consumption, lowering the price of consumption goods is benefi-

cial. In the North, if you are also lowering wages, then you lower the ability to consume, so you have trends working in opposite directions. Meanwhile, in the South, you have the hope that gradually southern wages are going to start rising towards northern wages. If this is going to happen it is a pretty compelling argument that, in the long run, free trade is a good thing. We have seen a number of countries, in Asia for example, where the wages have begun to rise. But in the meantime, in both North and South, the adjustment process is often very painful, tragically so.

It would be great if we could look into the future — preferably the not too far distant future — and see that the last low wage country will be found and will start on the development path. I would like to be able to predict that when its wages start to rise the process of reducing wages to the lowest level will begin to reverse; the low end wages will start to move upwards, and the global pressure, overall, will be for an upwards, instead of a downward trend. Incidentally, within nations that is exactly what happened for much of the time since the beginning of the Industrial Revolution. The positive view of trade is that it will repeat the same thing on a global scale.

Unfortunately, we can't be sure it will — and one of the reasons is that the physical conditions of continued development are dramatically different from the conditions of 200, or even 100 years ago. Then rising wages were eased by falling prices for the major complimentary inputs, of materials and, most of all, of energy. Those falling prices reflected apparently unlimited supplies and ever more efficient means of extraction. If that trend reverses, so that we begin to face supply constraints that raise the prices of important materials or energy sources, this whole picture will be dramatically affected.

**G-DAE is a relatively new institute. As co-director of the institute, what direction would you like to see it take in the near future? What niche do you hope to fill with G-DAE?**

The projects I oversee are especially focussed on the development of some pieces of what are needed to create different ways of understanding — conceptualizing — economic processes. You mentioned our textbook, *Microeconomics in Context*. I'm working on that at G-DAE with Frank Ackerman; other major contributors have been Kelvin Lancaster — a solid, very thoughtful member of the mainstream — and Tom Weisskopf, known as a more left-leaning economist. We plan that after we have completed the edition designed for use in Russia, we will do other editions for the U.S. and Western Europe, as well as for other parts of the world where interest in the project has been expressed — for example, other parts of the former Soviet Union, and Vietnam. Writing a textbook is the best discipline I can think of for asking: "What are the most useful elements in the existing paradigm? What elements most need revision? What thinking is available on how to do that revision?"

Another textbook, *The Economic System and the Environment*, is being written by another G-DAE researcher, Jonathan Harris. It focuses on the areas



where economic behavior has to be reconceptualized in light of its effects upon the natural world, and the environmental limitations and constraints that will affect economic activity.

When that book is finished (this summer, we hope), we will use it as a basis for developing curriculum modules that can be used in standard economics courses of all kinds — whether they are on trade or international economics or labor economics or introductory micro and macro classes. These modules would assist faculty whose students are saying to them “we’d like to understand the environmental issues relevant to this course.” In most cases, faculty have probably not treated these issues in their own training, so they might find it very helpful to be able to incorporate modules that would provide one or two weeks worth of lecture notes, slides, exam questions, and readings.

A lot of our projects are aimed at making available for teachers of economics some of the latest and best thinking on issues that have been left on the margins of the mainstream, in part because they are very hard to fit in with the type of modeling and methodologies that are most popular right now. The final project I’ll mention is a major research activity, directed by Frank Ackerman, which is publishing summaries of the frontiers-pushing work in a series of six areas: ecological economics; the consumer society; the way that conceptions of human well-being are translated into economic goals; the changing nature of work; power and inequality; and development that is sustainable in its social, cultural and political impacts as well as in its interactions with the physical environment. Island Press is publishing these, under the series title, *Frontier Thinking in Economic Thought*.

**What advice would you give to students interested in studying development and pursuing a career aimed at promoting global development?**

I think my advice would be study economics and study something else as well. In general, people looking to a career in development today find less and less that there is a single defined track that they can follow. Everybody is inventing a career track for themselves. Having two strings to your bow is a great help. If you study economics but also know something about industrial psychology, or anthropology, or sociology, or geology, or something else, you are going to have a broader outlook, a slightly more skeptical outlook, and I think you’ll be able to find an interesting niche for yourself.

# An Interview with Tan Sri Razali Ismail

*conducted by Ringae Nuek and Jeff Reine*

Tan Sri Razali Ismail is the Permanent Representative of Malaysia to the United Nations, a post he held since June 1988. Concurrently he holds the rank of Ambassador to Cuba and of High Commissioner to Barbados, Jamaica, Saint Lucia and Trinidad and Tobago. Tan Sri Razali is a career diplomat who joined his country's Ministry of Foreign Affairs in 1962, and has held posts in India (1963-1966), France (1966-1968), the United Kingdom (1970-1972), and Laos (1974-1976).

In 1978 he was appointed Ambassador to Poland and concurrently accredited to Hungary and to the then German Democratic Republic and Czechoslovakia. From 1982 to 1985 he was High Commissioner to India. In 1985, he was appointed Deputy Secretary-General in charge of political affairs in the Ministry of Foreign Affairs.

As Permanent Representative of Malaysia to the United Nations, Tan Sri Razali has served in a number of capacities. From 1989-1990 he headed the Malaysian delegation to the UN Security Council, during which time he served twice as the President of the Council. In 1990 he was also Chairman of the Security Council Committee established by Resolution 421 (1977) concerning the question of South Africa (on the arms embargo). In 1991, he served as Vice-President of the Economic and Social Council.

Tan Sri Razali headed the Malaysian delegation, at the level of officials, to the United Nations Conference on Environment and Development (UNCED)



in Rio de Janeiro in 1992. In 1993, he was elected Chairman of the Commission on Sustainable Development. He was elected Vice-Chairman, representing Asia, on the Preparatory Committee on the Fiftieth Anniversary of the United Nations. Tan Sri Razali has also been active in other bodies both within and outside the UN system. These have primarily dealt with development, the environment, human rights, reform in the UN and political issues.

From 1993 to 1995, Tan Sri Razali was Adjunct Professor of International Studies at Michigan State University.

**It has been argued that the ability of select countries to veto legislation has hampered the effectiveness of the UN. In your opinion, how should veto power be changed, if at all?**

The veto as a decision-making weapon in the Security Council, due to misuse and abuse in the past evokes strong reactions from many countries. It is anachronistic and undemocratic - the power apparatus of an elite group. If it served the purpose of preventing conflicts amongst the Permanent Five (P5) in the past, it is clear now with changed conditions, that the veto does not serve to advance the authority or legitimacy of the Security Council. But Charter changes to remove the veto will not be accepted by any of the P5, who cling tenaciously to their so-called rights as permanent members. The veto has to be curtailed by all means possible in the short term, and eliminated in the long term. International opinion should be mobilized to prevail on the P5 to no longer use the veto as a unilateral tool, thwarting actions in the Security Council that clearly have general support. The veto should be restricted only to Chapter Seven of the Charter, which deals with enforcement measures. If there are new permanent members they should not be given the veto.

**The UN has been criticized as being an inefficient and overly bureaucratic organization. Should the administration of the UN be trimmed? What would be the implications of this?**

Like other global institutions, the UN must constantly be made to do stock-taking and refocussing towards its core functions. The UN carries baggage of over fifty years and is urgently in need of reform in terms of the organization's capacity to deliver, making a difference through its programs on the ground and standing up in defense of universal values. A flabby administration and a bloated bureaucracy influenced or buffeted by major power politics weakens the UN. The new Secretary-General, Mr. Kofi Annan, has a huge task on his hands: to take managerial and organizational initiatives that will result in more efficiency and performance. If the UN can deliver, the UN remains relevant. If not, it will become unimportant and sidelined. Both the Secretary-General and the Member States must jointly address this issue.

**Given the fact that the balance of power has changed significantly since the years shortly following the Second World War, do you believe that the number of permanent members of the Security Council should be increased? If so, who should be included and why?**

The present Security Council, even after expansion of membership from eleven to fifteen in 1963, remains unrepresentative and lacking in legitimacy. Previous changes have only increased non-permanent members. Now, there is a strong prospect for adding five more permanent members, two from the industrialized countries and three from the developing regions. There should also be at least four more non-permanent members. This proposal is before Member States at the moment. If there can be a general agreement, an expanded Security Council would have more legitimacy and authority. For the first time the three regions of the developing world would have permanent members. It will be up to the three developing regions to identify who among them should be permanent members. Major countries of Asia, Africa, Latin America and the Caribbean should come out to be identified, taking into account their role in the region, support for the UN in various aspects and commitment to international norms.

**Given the structure of the UN, do you believe that the smaller and less powerful countries are effectively heard?**

In the Security Council, clearly the permanent members and countries that are more regularly elected reflect their ability to be more influential than others. In the General Assembly, where national sovereignty is given equal status despite size and other attributes, there is more democracy and the smaller countries have a much better chance to be heard. This is not always the case though. Smaller countries are better off if they can have their case supported by political groupings such as the Non-Aligned Movement or the Group of 77. In any instance, asymmetry continues to have a strong bearing in the politics of the UN. Regrettably while the UN was established as a "workshop for peace," it is still very much a house of politics, shaping issues and positions of countries accordingly. Perhaps if the UN opens its doors more to people and interest groups dealing with global issues rather than national imperatives of governments, the smaller countries and the marginalised groups will make a greater impact on the functions and programs of the UN.

**There tends to be a North-South divide on most issues. How could this divide be narrowed?**

The North-South divide reflects the continued situation of an unjust world. Those that are developed and powerful are reluctant to share the leverages accruing to them. Despite many important global conferences dealing with global issues the North-South divide continues, underlining the fact that there



are those that have and those that are marginalized. Globalisation and the free market further sharpen these disparities. Efforts to narrow the divide cannot just be made at the UN because the UN itself has a limited role in relation to powerful bodies like the World Bank, International Monetary Fund (IMF) and World Trade Organization (WTO) where major donors hold sway. There is a need for all these bodies including the UN to coordinate decision-making and programs at the macro level in dealing with global issues such as poverty, environmental degradation, sustainable development, resources and technology, etc. Only if this is effectively done can the divide be narrowed.

**The Pakistani Ambassador, Ahmad Kamal, has said that the UN needs to pay more attention to development issues. How could this be done.**

It is necessary to understand clearly that as the UN has limited ability to mobilize financial resources, and its commitment to development issues is accordingly restrained. Major governments as a matter of policy do not wish to have the UN deal with hard issues of trade and markets, resource flows and monetary policies, essential factors that directly affect development. The UN is 'allowed' to deal with 'soft' issues of development such as the environment, human rights, humanitarian problems and refugees. The UN deals with the normative aspects of development, defining issues of development, but is not able to be the major player in determining critical development programs. This situation has been a bone of contention amongst developing countries, as they have little leverage in other bodies. I am not hopeful that this situation will improve.

**Should the UN channel more of its resources towards global development? Do you see the US footing the bill?**

I do not see more resources being channeled through the UN even as efforts are being made to enhance the role of the UN on issues of development. Funds coming to the UN are dwindling. ODA is contracting and the UN is not able to influence policy reconsideration of major countries to reverse the trend. In the present domestic climate of the US it is not realistic to expect generosity or a sense of enhanced commitment from the US. The US has not yet paid even the huge arrears that it legally owes the UN. There has been much made about private sector funding but this huge source goes selectively to areas of quick profit, not to needs of marginalised sectors.

**What do you consider to be your main achievement as President of the General Assembly?**

I have about half a year still to go and am quite reluctant to talk about achievements in relation to my performance as President. I would rather say that there is a new sense of purpose in the General Assembly. Member States are sick and tired of being bashed as "business as usual" diplomats not wedded

to the criticality of time and using the General Assembly as a talk shop. The fifty-first General Assembly has so far acquitted itself well, more than met targets, saved on meetings and qualitatively value-added to discussions of issues. We have related better to peoples and groups and are committed to make a real difference in the real world. These peoples and groups have in turn responded well to efforts from the General Assembly. We must build on these accomplishments.

**What will the priority issues of the UN be in the coming years?**

The UN of the future must make a difference beyond its normative role. It is not enough to define and prescribe. It must influence for the better, working with other bodies and with support of people and interest groups to impact effectively on issues such as refugees, the plight of people in troubled lands, threats of genocide, poverty issues, environmental degradation and welfare of the planet. Every important body of the UN must fulfill its core function particularly the Security Council, which so far has failed to make a difference in Zaire, Rwanda, Bosnia and the occupied Palestinian lands.

**How has the UN made progress since its foundation? Is there a specific goal the UN should be focusing on?**

The UN has made a huge difference in the past year on issues such as decolonisation and apartheid. The UN has also over the years provided for codification of laws and practices through covenants, conventions, etc. It is unimaginable to conceptualize the world that we live in had these developments not taken place. However, there has been a sea of change in the world since. The Cold War is not with us, numerous new states have emerged, and new problems such as ethnic conflicts and the break-up of states through internal strife challenge the role and purpose of the UN. The issue of nuclear weapons in the hands of the Permanent members of the Security Council, who themselves are the major manufacturers of arms, has also not been adequately addressed. These and other issues must be addressed. The UN cannot apply selectivity. A future UN in a transforming world scene must establish enduring foundations for multilateralism, globalisation and the increased applicability of international law.





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WEB: [WWW.TUFTS.EDU/AS/IR/IR.HTM](http://WWW.TUFTS.EDU/AS/IR/IR.HTM)  
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