HEMISPHERES

THE TUFTS UNIVERSITY JOURNAL OF INTERNATIONAL AFFAIRS

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EDITORIALS

INTERNATIONAL DEVELOPMENT AND INEQUALITY

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Hemispheres, the Tufts University Undergraduate Journal of International Affairs, is one of the oldest academic publications of its kind in the United States. In 1975, under the direction of an energetic group including Sashi Tharoor, the future undersecretary-general of the United Nations, the Fletcher School of Law & Diplomacy at Tufts established the *Fletcher Forum of World Affairs*. Motivated by the *Fletcher Forum's* success, in 1977 students in the fledgling Tufts undergraduate program in international relations established their own academic journal of international affairs. In 2007, *Hemispheres* celebrated its 30th anniversary as the premier publication of one of the most prestigious international affairs programs in the country.

Throughout its history, *Hemispheres* has remained committed to publishing research-length articles, photo-essays, and editorials of the highest academic caliber. The Journal has become a reflection of our changing world. In the 1970s, *Hemispheres* principally focused on Cold War issues, discussing the validity of neo-realist, bi-polar relations and Realpolitik. In the spring 1978 issue, renowned international affairs theorist Stanley Hoffman (Harvard) argued about the merits and failures of 'Eurocommunism.' In the fall 1982 edition, Kosta Tsipis (MIT) and Robert Pfaltzgraff (Tufts) debated options of "how to enhance American security and prevent a nuclear holocaust." The 1990s witnessed a redirection in *Hemispheres'* aims, shifting away from a technical focus in favor of raising awareness within the Tufts community of contemporary international issues. Now at the beginning of the second decade of the twenty-first century, *Hemispheres* has shifted its role once again, this time as a premier voice in undergraduate international affairs education, research, and debate, and is proud to be distributed to major research libraries and such independent booksellers as Labyrinth. It is an extraordinary time to become part of this outstanding publication.

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Editors' Note

In the thirty-fourth edition of *Hemispheres*, topics range from bureaucratic corruption in Egypt to female inequality in India, but all articles share the common theme of international development and inequality. In the 21st century, states and international institutions have called into question the universal applicability of the free trade model in developing states. Some scholars and policymakers have now refocused on more inward-looking domestic models of development, while still valuing certain free trade principles. This has opened up new avenues of development policy research and has reinvigorated the debate of how best to develop states' economies. The new debate includes models that address social inequality issues as a factor in development theory, models that balance states' pursuit of macroeconomic growth with a more equal distribution of wealth. The purpose of this issue of *Hemispheres* is to capture the full scope of this current debate.

In this year's journal, content includes rising economic powers in the developing world, as well as economic and political factors preventing other states from reaching their full potential. Moreover, inequality is highlighted in a discussion on the traditional role of women in India and changes in US refugee policy after 9/11. Furthermore, two interviews reveal different approaches that the international community is pursuing to assist in the development process. One discusses the top-down approach of international institutions, while the other discusses the bottom-up approach of microfinance programs.

We would like to thank our staff, which has been the most dedicated and motivated staff imaginable. Finally, we extend our congratulations to the published authors who have provided distinguished and thought-provoking work that will hopefully enliven the debate on development and promote further dialogue on the subject in the future.

Scott Newton & Steven Weiss

Articles

BRICs: Cooperation and Competition in International Relations

Rahul Garg, *Swarthmore College*

The BRIC acronym (Brazil, Russia, India, and China) was coined in 2001 by Jim O'Neill, the head of research at the investment bank Goldman Sachs, to describe a set of countries whose economic size was going to surpass many current leaders of the world economy in the next few decades. The term has gained significant popularity in world media, business houses, political circles, and common parlance. Several investment funds have been set up to focus exclusively on BRICs, media websites host dedicated BRIC discussion pages, and most notably, the acronym was made "official" by the first BRICs Summit in Yekaterinburg, Russia, in June 2009.

This paper critically examines the idea of BRICs becoming the global economy's next great powers. From the rise of BRICs, dynamic forces of cooperation and conflict will originate that will have important implications for the future path of BRIC growth, political fallout of BRIC growth, and the global economic architecture. International economic relations among advanced nations (U.S., Europe, and Japan), BRIC nations, and smaller developing countries will be radically transformed by this phenomenon. While much work has been done to project BRIC economic growth trajectories, less effort has been made to analyze issues in international relations that may arise from this growth. This paper aims to provide answers to questions surrounding those issues.

The first section of the paper, "The BRICs Idea," will describe and critically examine the BRICs concept and its predictions. The second section, "BRICs and Advanced Nations," will study how the rise of BRICs may be complimentary or confrontational to the existing great economic powers. In light of the analysis in the second section, the impact of BRICs on the global financial architecture will be briefly discussed in "International Financial Architecture." The next section, "Within the BRICs," will examine cooperation and competition among BRIC nations and will be followed by a short examination of the impact that the rise of BRICs will have on smaller developing countries in "BRICs and Developing Countries."

The BRICs Idea

The first Goldman Sachs paper that comprehensively advocated BRIC competence was titled "Dreaming with BRICs: The Path to 2050" and published in 2003. The most audacious claim put forth was the projection of BRIC economies overtaking the G6 countries (U.S., Japan, UK, Germany, France, and Italy) by 2040 in terms of combined nominal gross domestic product (GDP) in U.S. dollars. This would make them a hitherto unexpected mammoth economic force in the world. By 2050, China was predicted to be the largest economy in the world, followed by U.S.A, India, Japan, Russia, and Brazil. At time of publication, none of the BRIC economies were among the top four economies of the world.

Even the most optimistic predictions of their original report were surpassed by 2007.[1] From 1999 to 2000, China has grown from being the seventh largest economy to the world's second, Brazil from tenth to eighth, Russia from twenty-third to ninth, and India has entered the top eleven.[2] This has forced Goldman Sachs to revise their predictions; China will now surpass the U.S. by 2027 not 2032, India will reach the U.S. by 2050, and BRICs will outstrip the G7 in 2032 not 2040.[3] It is important to note that these figures are in nominal dollar terms, not in purchasing power parity (PPP) terms, thereby further underestimating the actual increase in standard of living and spending power of citizens in these nations.

The BRIC countries will be responsible for a significant portion of future absolute global growth. BRIC economies' projected incremental demand spending will be more than that of G6 by 2009, double in 2025, and four times greater in 2050.[4] One major phenomenon driving the BRIC growth rate is the burgeoning middle class. Homi Kharas (2010) points out that while Asia has only a fourth of the world middle class, within ten years, that fraction could double and account for 40% of total middle class consumption by value.[5] The large number of people in Asian countries just below the lower threshold for the middle class, who will move into a higher bracket with rising growth, suggest this rapid demographic change. With increasing per capita incomes and spending power in BRICs over the next few decades, BRIC populations are set to become drivers of global consumption demand.[6]

The above points support the idea that BRIC economies' growth will be decoupled from that of Western nations, keeping the world growing at a reasonable pace as advanced nation populations get older and deal with problems of higher structural unemployment, healthcare costs, and debt. However, these new economic powerhouses will continue to be considered developing nations as they will still have lower incomes per capita in the future (except for Russia) than the Western nations due to increasing populations.

Without bad policy or bad luck, these countries will follow the described upward growth trajectory. The optimistic forecast is only the potential of BRIC countries. Some of the conditions necessary for fulfillment of the "dream" are: i) Macroeconomic stability (controlling inflation and fiscal discipline);

ii) Properly functioning institutions including the legal system, functioning markets, health and education systems, financial institutions, and the government bureaucracy; iii) Openness to trade and foreign direct investment (FDI); and iv) Education and training to create a large force of skilled workers.[7] Note that even in the presence of these obstacles, the growth of BRIC countries might still be greater than previously expected (as it was in the early 2000s).

The BRIC economies are no longer discussed as minor emerging economies but instead referred to as real economic heavyweights in the international system.[8] Even the *Financial Times* acknowledges them as "rising powers" rather than emerging economies. Keeping this in mind, the G7 has been replaced by the G20 as the primary forum for intergovernmental coordination on global economic governance.[9] Other multilateral issues on which BRICs have emerged as critical players are global warming, energy demand, global inequality, current account balances, and commercial expansion in Africa.

Martin Wolf correctly identifies the primary analytic advantage of the BRICs acronym as serving as a "sexy term that helps to focus attention."[10] It provides a focal point for the transformative shift taking place in the world economy, with the emergence of a new alternative power grouping in the form of these rising large economies. Just under ten years ago, these countries were considered decades behind advanced nations. However, the BRICs concept should be accepted with much caution. Brazil, Russia, India, and China are by no means a homogenous group. They have succeeded to become part of BRICs for varying reasons, and their interests in the international economic and political system are distinct. The growth rates for the four countries highlight different paths. For China there is large infrastructure investment and high manufacturing exports. India's growth comes from a large domestic market and low cost high-skilled labor in fields such as IT and telecom. Russia's state-owned energy companies have returned windfall oil and natural gas profits. Brazil's competitiveness in agricultural exports and successful public and private firms, in sectors ranging from oil to aircrafts, are distinctive of its growth. These have been the conspicuous features of the respective BRIC growth stories.

One relevant criticism of the BRIC term suggests that it erroneously includes Brazil and Russia to represent the economic power shift that is taking place from West to East. In other words, the term "Chindia" has been suggested to better represent the fundamental forces motivating the BRIC concept. The much larger population sizes, higher growth rates, larger middle class, and energy consumption forecasts in India and China all serve to justify this criticism. Moreover, since BRIC is sometimes perceived as a symbol of the growing clout of the erstwhile poor, developing countries in the 21st century, Russia and Brazil seem unsuited to this grouping because of their higher per capita incomes, lower poverty levels, and better social welfare. In further support of the BRIC concept, India and China managed to maintain reasonably high rates of growth during the recent financial crisis while the Russian economy declined and the Brazilian economy remained stagnant.

It has also been suggested that "Chimerica," China and the U.S., is a better term to describe changed global economic relations as China is far ahead of the rest of BRICs in terms of GDP size and international financial clout. China's share within BRIC has increased from 21.5% in 1990 to 55% in 2009.[11] For those used to the Cold War international system, the bipolar conceptualization of international relations provided by "Chimerica" might make it more appealing than BRIC.

While the above criticisms hold merit, they do not necessarily erode the legitimacy of the BRIC acronym. First, BRIC goes beyond the simple West-to-East great power movement. It is based on the economic size rankings for countries, and in order to truly understand the shift from the G6/7 to a new order, Brazil and Russia cannot be ignored. Second, besides representing the economic power shift, the concept encapsulates certain political undertones. Each of these nations has a sphere of geopolitical influence extending beyond their borders that lends them greater economic muscle on the international stage than their respective GDPs can show. Third, "Chimerica" is a concept that is more narrowly used to describe the surplus-deficit relationship between China and U.S.A and is ill-advised to be employed for understanding the transforming global economic order.

Much of the research done on BRICs up to now has focused on GDP calculations and economic reasons behind that growth. Financial market investors and research units investigating this change are limited by a narrow textbook-based view of economic growth trajectories. They are reluctant to discuss the interaction of these projections with political factors and dynamic international economic relationships. Of course, the trajectories and predictions may need to be estimated based on standard economic calculations, holding those political factors aside. However, studying the unfolding of the economic projections in light of international economic relations yields a more accurate picture of future events—one that cannot be described by figures and GDP ranking lists. International economic relations, especially as they are shaped by various political factors and mechanisms, deserve more attention in order to understand the rise and impact of BRICs.

BRICs and Advanced Nations

The emergence of the BRICs is going to significantly alter world power balances, particularly in international economic relations and global economic governance. There are two ways in which the BRICs will affect the current dominant economic powers, namely the U.S., Europe, and Japan. For want of a better label, this group of current dominant politico-economic nations will be referred to as advanced nations. Since the growth of the BRICs may be complementary to the interests of advanced countries, there is room for cooperation between them. At the same time, the BRICs have the potential to pose significant challenges and come into conflict with the prevailing economic heavyweights.

As the main source of global growth for the next few decades, BRICs provide a great opportunity for advanced countries to gain economically. The concept of BRICs was not created to inflate egos of the leadership and public opinions in these countries (which it did achieve) but instead to increase awareness about returns to be made from expanding commercially to these nations. BRICs provide a very profitable investment destination for rich world savings and wealth, given that growth rates in advanced economies are projected to remain low. Stock market returns between November 2001 and September 2008 were at a staggering 345%, 390%, 639%, and 500% for Brazil, India, Russia, and China (Hong Kong Exchange) respectively.[12] Countries such as China, India, and Brazil are a cheap source of manufactured goods and backend services. The enormous increase in consumption demand from their burgeoning middle classes will provide large markets for advanced nations to tap into. Aging populations in the advanced nations make the increase in BRIC output all the more valuable for the former.

BRIC economic progress reflects a certain grounding and espousal of Western capitalist principles. All four countries have grown rapidly through greater openness, foreign investment, trade liberalization, and privatization. Whether it is China's mammoth merchandise exports, India's IT sector, Russia's oil supplies, or Brazil's agricultural commodity trading, BRIC integration into the globalized economy has reaped windfall profits. Domestic companies are becoming global leaders in their fields, expanding far outside their national boundaries. The swelling domestic demand for goods and services is an important part of the capitalist growth narrative. Entrepreneurial optimism is quite high in these countries and the *Economist* has described BRIC growth as "capitalism at its best."[13]

Rapid globalization means that advanced nations' interests are complemented by the BRIC rise, but the support and cooperation of the advanced nations is crucial for the BRICs to maintain high growth. Consequently, there are promising opportunities for cooperation between the two groups (BRICs and advanced nations) in creating a stable financial architecture and reaching sustainable agreements on trade, climate, and security. BRICs and advanced nations are intertwined in a complex network of mutual gains across a range of economic interest areas. The best example of this is the symbiotic relationship American consumers and government borrowing have with Chinese exporters and high savings. China is the world's largest holder of U.S. treasury bonds, thereby subsidizing American consumers' appetite for Chinese exports. This in turn provides employment and export-oriented growth for China's economy. A destabilization in ties could simultaneously increase the cost of borrowing for the U.S. government, reduce availability of low-cost merchandise for low and middle-income American consumers, erode value of Chinese savings invested in the U.S., and result in widespread job losses and lower growth in China. Therefore, the 21st century's shift toward multi-polarity is less dangerous than realist international relations theorists would claim because shared economic interests increase the costs imposed by confrontation.[14]

In standard hegemon-rising challenger theory, there is an assumption that the upcoming challenger will make efforts to destabilize the existing governing system and replace it with, or bring into competition, new institutions that have norms and rules in its favor. However, governments of BRIC nations have attempted to work through existing multilateral institutions of global governance to protect their interests.[15] Trade is one area where this is most apparent. U.S. President Barak Obama has noted that China, India, and Brazil are enjoying a "new level of influence" due to their leadership of developing country voices at the World Trade Organization (WTO).[16] These countries are also at the forefront of calls for the IMF to increase their representation and employ special drawing rights based on a basket of international currency as an international reserve instrument.[17] Yet, advanced nations can take comfort that while the institutions might be modified to reflect the new global power structure, the fundamental values and guiding principles of these institutions continue to remain intact. Since the issues and conflicts emerging from the economic rise of BRICs are being addressed in multilateral forums through a democratic and systematic process, the dangers of misperceptions and latent tensions erupting into unmanageable disputes are alleviated.

Additionally, as BRICs become larger powers on the world stage, they will have to bear more responsibility in resolving international issues such as climate change, international financial stability, domestic repercussions of trade, energy, terrorism, and even underdevelopment in Africa. Once their representation and influence increases, they will be pressured to invest resources and time in resolution of global concerns. Soon, in certain situations, they will also be faced with similar constraints as those faced by advanced nations, leading to an aligning of interests with the West. For example, these nations currently denounce IMF and World Bank policies of attaching conditions to loans. However, as more of their own funds are lent to other members, it is possible that their risk-aversion to condition-free assistance will increase as well. Similarly, the BRIC nations currently ignore corruption when commercially expanding in Africa. However, with time they might learn that greater transparency, less corruption, and better governance will only serve to make their projects more sustainable, as Western nations have learned to some extent. Therefore, it is reasonable to envision a greater willingness on their part to cooperate with the West on future global governance issues.

The above reasons for cooperation are quite compelling. However, opposing forces of conflict and competition will also play a critical role in determining the impact of BRIC growth in the international politico-economic arena. The previous section, "The BRICs Idea," discussed the several measures by which BRIC countries are set to replace current advanced nation economic dominance. Accordingly, the economic challenges to the latter are manifold. Advanced nations are already facing a declining workforce as a share of total population, high debt, and prospects of low growth rates given a high GDP base. This may cause the shift in economic activity from North to South to have deleterious effects for advanced nations. Along with capital flows to the

East, there are concerns of higher unemployment due to movement of jobs through increased imports and outsourcing. Protectionism arising from liberalized trade, cross-country capital holdings, and direct investments will feed into fears of the BRIC rise being revisionist in nature.[18] In order to manage the effects of this economic shift, advanced nations will need to bolster their social safety nets and aggressively invest in education and technology to maintain their comparative advantage in high-skilled industries. Doing so will require prudent and visionary government policy, which may not always hold enough short-term incentives for politicians to implement these policies. Therefore, the domestic repercussions in developed nations of the BRIC rise have the potential to lead to serious disputes that may alter the latter's growth path.

As domestic firms belonging to both BRIC countries and advanced nations seek to expand beyond their borders, commercial ambitions might generate rivalry between the two groups. This competition assumes political overtones to the extent that many firms have become closely associated with the government (much more for BRICs than for advanced nations). Competition over resources and influence in Africa has already resulted in controversy, especially with China's serious challenge to U.S. and European dominance in the continent. Brazil and India are also actively seeking to enter the African market.[19] Similar situations may result in a BRIC desire to establish a presence in many smaller countries across the globe.

A previous point on the complementary force of BRIC growth highlighted the capitalist approach taken by these nations. However, a careful observation of the countries' growth paths presents a more complex picture. As mentioned in "The BRICs Idea," each BRIC nation has achieved that status for different reasons. However, there is one thread linking them: while each country has moved toward a more open economy, the role played by government policy is paramount in economic development. The state has played an important role in opening up different sectors in different manners, as well as guiding development planning.

Unlike in Western capitalism, these governments are known to have pursued conscious policies of protecting and aggressively promoting certain core and infant industries. BRIC governments have played an instrumental role in planning measures to take care of development and welfare concerns, especially in population, health, education, research, and infrastructure. While these economies have all moved towards a capitalist structure, this shift has been closely guided by the government. In a sense, they have utilized liberalization as a tool for development, with the state playing an important role in the unfolding of capitalism. This approach is very different from the Washington Consensus model advocated by neoclassical economists, which emphasizes rapid liberalization and privatization as the path to economic prosperity. As Dani Rodrik argues in his book *One Economics, Many Recipes* (2008), emerging economies have achieved higher-order capitalist principles such as free trade and privatization, but the exact manner in which they have done so has been unique to each. Consequently, the nature of capitalism in the context of development models is not the same as Western capitalism. Their "managed capitalism"—be that China's infrastructure and export-oriented high growth, India's process of incremental reforms, Russia's oil and natural gas public enterprises, or Brazil's promotion of agricultural trading—differs from the goals and methods advocated by Western capitalist models.

Another important source of conflict is divergence in political values both among the BRICs and between BRICs and the developed world. While Brazil and India are reasonably well-functioning democracies, Russia has a dubious democratic government, and China is run by a single autocratic communist party. This is important because the growth stories of each country emphasize its political setup. India prides itself in its democratic deliberation of economic policy, and China has the ability to effectively implement vast economic programs while ignoring bottlenecks caused by immediate domestic opposition.

Advanced nations, especially the U.S. and Europe, come into conflict with China and Russia repeatedly on issues related to political freedoms, property rights, and human rights. Strong governmental protests made on issues where politics and economics intersect directly affect economic relations. For example, Putin's crackdown on business tycoons in Russia and China's behavior toward Google, Inc. both adversely affected their respective ties with the U.S. In a subtle but surely more significant manner, values held by advanced country governments and investors about democracy and property rights influence their economic engagement and investment decisions. For instance, Western investors can be drawn more closely to India due to a faith in the sustainable returns from its democratic approach while they are pulled away from China out of fear of the government's heavy-handedness.

Finally, on global issues such as climate change and energy security, there is a worry that divergent interests coupled with the growing power of BRICs will prevent multilateral solutions to global problems. Even as the BRICs rise to become powerful international actors, coming closer to the advanced nations along GDP measures, BRIC stances on such issues will differ from the West because of larger populations and lower income per capita levels. However, one must view this in a positive light. With greater representation of BRICs at international forums, they will be better equipped to take BRIC interests into account. Therefore, agreements reached at such forums are more likely to be followed and to be sustainable.

Several of the reasons for cooperation and conflict are corollaries to each other. For example, investment flows and greater trade will lead to shared economic interests but also conflicting domestic pressures for protectionism. Similarly, while BRIC use of existing multilateral institutions to pursue their own goals is a sign of cooperation, former powerhouses may nonetheless feel threatened by their reduced influence. Ultimately, these two forces will be in constant play against each other, and a manageable equilibrium will be reached in the system to absorb this economic power shift. This paper focuses on the cooperation side even though popular media gives more attention to the conflict side. Misperceptions and insecurities, on both sides, are very important to breaking down channels of cooperation and encouraging conflict. State-managed capitalism, divergence in political values, and inability to handle domestic political pressure will contribute to this conflict. However, the fact that BRICs are rising under a general conviction in the higher-order principles of capitalism and are doing so while actively participating in existing multilateral institutions inspires optimism that their rise will not be impeded.

One important caveat is that the distinction between cooperation and competition need not always be associated with a definitive normative judgment, though in most cases it is. For example, increased cooperation between advanced nations and BRICs in multilateral institutions may be extremely detrimental to the interests of dozens of other smaller developing nations. However, this cooperation is "good" at least to the extent that it brings BRIC interests to the table and provides for a more sustainable solution between the new large actors, instead of spiraling into a process with no end result.

The BRIC countries' relationship with the advanced world will influence their ability to remain on the high growth path. Cooperation can accelerate and conflict can hinder the growth of these economies. Although standard economic projections do not take them into account, issues of competition and cooperation emanating from BRIC growth should also be included in the conditions for these countries to fulfill their potential. For this reason, a more complex political economy approach is desirable when predicting future international economic power orders.

International Financial Architecture

Global economic governance is an area where the BRIC rise will have an important impact on transforming existing international economic relations, structures, and policies. This section will examine these transformations in the context of financial networks such as the G7 and G20 and the reform of international financial institutions such as the IMF. Woods and Martinez-Diaz (2009) define a network such as the G7 or G20 as an intergovernmental forum where participants are involved in building relations.[20] The network does not have any enforcement authority or administrative institution. Its purpose is to develop rapport, set agendas, build consensus, coordinate policy, and allow for the exchange, diffusion, and agreement of norms.[21] These networks arise because existing formal organizations are not serving the interests of members well enough and the formal mechanisms created are not sufficient to deal with current issues. The original G20 Finance Ministers group that is the basis for the current G20 was formed after the IMF's poor response to the Asian Financial Crisis. The major drawback of reliance on such forums is that without a formal institutional setup, they are toothless and may only further delay necessary hard reforms.

The 2008 financial crisis triggered a shift from the G7 to the G20 as the primary network for global coordination on financial regulation and the international monetary system. The principal reason behind this shift was the need to acknowledge and include the growing weight of BRICs. The expansion demonstrates a desire on the part of advanced countries to cooperate with BRICs, even though this expansion was delayed and faced resistance from certain members.

Increased BRIC involvement in financial regulatory institutions shows that BRICs have learned how to use and modify existing networks to their advantage. Emerging powers, especially China and India, have become more assertive in agenda-setting, employing specialized experts in their ministries, and sending well-prepared delegations to the forums.[22] Consequently, they rest assured that multilateral institutions can serve their interests. This increases the chances for cooperation with members of the previously powerful G7. As discussed before, while G7 countries may have their interests served to a lesser degree in the new network, they are generally willing to cooperate because the new forum has espoused norms and rules along the lines of the earlier one.

Still, it must be noted that diverse interests in the new forum will bring up several points of potential conflict regarding the international monetary system. These varied interests are best reflected in the calls for reform by the G20. Given that the G20 has now become the IMF's de- facto "steering committee," the G20's capacity to carry out hard change in the international financial architecture can be judged from the types of reforms adopted by the IMF.[23]

Dominique Strauss-Kahn, the IMF's managing director, lays out three main roles for the IMF: surveillance for crisis prevention, maintaining a lending facility with adequate speed, coverage, and size, and bolstering the stability of domestic reserves.[24] Careful inspection shows that the BRIC nations' support and participation is necessary for the IMF to carry out any of these three functions. With regard to systemic risks, global imbalances in international capital flows, and the interconnectedness of financial firms, BRIC economies cannot be omitted from the surveillance and regulatory framework. Reserves of BRIC countries may be needed to fulfill fund requirements. To achieve this, emerging countries will surely demand greater representation at the IMF at the expense of prevailing dominant members such as the US and the EU countries. Strauss-Kahn also points to the need for more intellectual work on Special Drawing Rights, a synthetically constructed international reserve currency, which bases its value on a basket of currencies, a policy in line with desires of BRIC countries and quite to the chagrin of the United States.[25]

Within the BRICs

This section will look more carefully at how, in the presence of differences among the BRIC countries, the rise of BRIC nations will lead to forces of cooperation and competition developing among them.

Given that the BRICs acronym has gained considerable traction in world business and media, there will logically be cooperation among them in the future on economic and other issues. These countries attempted to achieve this type of cooperation in 2009 during the first BRICs summit in Yekaterinburg, Russia. By acting as a unified bloc, BRICs would be able to form a powerful counterweight to the G7 in global economic governance. They can harness leverage to increase representation and accountability, or even coordinate to form alternatives to existing institutions. BRICs can become an influential network where they synchronize goals and strategy to prepare for broader multilateral negotiations. Moreover, they can use this network as a vehicle to independently address shared interests, working outside the existing set of international institutions. One such body is the Shanghai Cooperation Organization (SCO), in which Russia and China work together to promote security and development in the Central Asian states of Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. The BRICs concept has facilitated this type of cooperation, and it is not a coincidence that a meeting of the SCO was held along the sidelines of the BRICs Summit.

However, such cooperation between the BRICs is encumbered for several reasons. Brazil, Russia, India, and China are large countries with varying political and economic interests. Even the BRICs Summit became less inspiring as each country revealed their disparate priorities.[26] While Russia was vociferous in its appeal to replace the U.S. dollar as the world reserve currency, India was not interested in challenging U.S. hegemony on this matter. For this reason, even with the strong calls for currency transformation made at the Summit, the dollar's drop in value that day was more due to the customary volatility of U.S. home equity markets than out of any fear of BRIC countries jointly shifting away from the currency. Their economic relationships with Western countries vary considerably across each issue area. As a result, forming a united economic front against the West would entail restructuring each country's economic foreign policy.

Simultaneous BRIC competition for economic gains from the West, in terms of trade and investment, will impede BRIC cooperation. For example, India and China view each other as rivals in acquiring foreign investment for business and infrastructure projects.

BRICs are already very important political actors in the international arena, irrespective of their economic projections. Russia is the successor country to the Soviet Union, a former superpower. China is a rising contender for superpower status, and India is the world's largest democracy with the potential to rival China in the distant future. Brazil is the leader of a bloc of Latin American countries who have historically been underrepresented in world forums in relation to their aggregate GDP and population size. These countries have their own political foreign policy objectives that often conflict as each one attempts to pursue its own global political ambitions. The close linkage of each BRIC government's political foreign policy interests with its economic policy causes difficulties in cooperation. For example, trade deals are often accompanied with political agreements. Further, as rising powers, these countries will compete with each other to gain political influence abroad. For instance, the Shanghai Cooperation Organization is marked by a rivalry between China and Russia to develop a hold over the Central Asian states. The close geographic proximity of China to both India and Russia coupled with the many small, vulnerable developing nations in their neighborhoods amplifies the potential for struggle over political influence.

The complex relationships and long histories among BRIC countries have been marked by both hostility and friendship on different issues. The India-China relationship is interesting to observe in this regard. India and China have a well-established trade relationship, with China becoming India's largest trading partner in 2008.[27] They partner with each other in multilateral negotiations on trade and climate change, given similar agendas. However, they have considerable friction on a number of issues. These include border disputes, Indian support of Tibetan refugees, Chinese involvement in Pakistan (military and commercial), and river water sharing.[28] Now, as the size and muscle of their respective economies continue to grow in the next few decades, the forces of cooperation and competition are both set to intensify. Thus, partnering in multilateral institutions will increase as the BRIC countries' international involvement in global issues increases, and the urgency to settle disputes will intensify as each country's self-image of becoming an "emerging great power" solidifies.

Divergent political values are another aspect of intra-BRIC differences that will cause tensions to crop up as their international power increases. Differing attitudes toward democracy, human rights, and political freedoms can create obstacles to cooperation. Currently, BRIC states are able to set these ideological differences aside in favor of shared alliances against advanced nations on certain issues such as climate change. However, as they grow and the relevance of Western power diminishes, varying political values among BRICs will be brought more prominently into the spotlight, possibly leading to conflict. Frictions, similar to the Indo-China rivalry, due to political ideologies will be exacerbated by growth that reinforces their respective self-images as the new great power and encourages each country to impose its own values on the rest of the world.

As alluded to in the second section of this paper, "BRICs and Advanced Nations," BRIC countries have achieved their economic success on the back of a distinct form of state-managed capitalism. Not only is this form of capitalism distinct from the advanced world, but it also varies among BRICs. The previous point about conflicting ideologies, therefore, becomes significant in light of their differing development models and economic policies.

The considerable role played by state government in BRIC countries' rapid growth will further add to the forces of cooperation and competition. BRIC governments are seen as guiding economic policy, industrial development, trade agreements, and external business expansion. This perception will intensify intra-BRIC economic rivalry to the point that it may become negative because commercial success or failure will be attributed to the government's performance rather than that of domestic private enterprise. For instance, the Indian government, facing pressure from domestic producers, has recently imposed a record number of anti-dumping duties against China, accusing the latter of artificially subsidizing its goods.[29] In another example of such rivalry, when state run energy companies of BRIC countries vie for African energy contracts, successful or unsuccessful bids are perceived as reflections of government capability.

Nevertheless, this type of state-led capitalism may produce some opportunities for cooperation that also do not exist in free market capitalism. Since this type of growth is much more structured and planned, it avoids the misperceptions and harms that may arise from excessive business rivalry and cartelization. Governments already have established diplomatic relations with each other and can serve as legal mediators for cross-country business disputes. Consequently, BRIC governments guiding economic policy are in a better position to iron out differences and identify areas for promotion of economic engagement.

Finally, an extremely relevant source of conflict is competition among BRIC countries for commercial gains in other developing countries. The growing rivalry between BRIC nations in their African expansion plans best symbolizes this conflict. Not only are BRICs vying for commercial benefits, but they are also using trade, aid, and development assistance to gather allies in multilateral institutions such as the UN and the WTO.[30] Conflicting commercial interests are exacerbated when smaller emerging markets are geographically located in overlapping spheres of BRIC commercial interest.

BRICs and Developing Countries

The effect that the BRICs may have on smaller developing countries deserves a brief examination. First, increased competition for developing country resources will have a positive or negative effect on the host country, depending on its ability to effectively manage the attention it receives and extract maximum returns from the highest bidder. Second, in multilateral institutions and networks like the G20, small developing country interests will be adversely affected by concentration of power in the hands of the expanded group of "big" countries, that now include both advanced and BRIC economies.

Third, each of the BRIC countries are regional hegemons: India in the South Asian sub-continent, Brazil in Latin America, China in East Asia and South East Asia (excluding Japan), and Russia in the ex-Soviet bloc of Eastern Europe and Central Asia. As BRICs grow to become large economic powerhouses, they will likely further cement their authority in their respective regions. The "sphere of influence" feature is an important distinguishing characteristic of BRIC nations. In order for BRICs to increase their bargaining power vis-à-vis each other, as well as on the world stage, there may be a move to greater regionalism to combine the collective economic and political weight of the region. This trend toward regionalism is already evident in South America, where Brazil has assumed the mantle of leader on world issues for its neighbors.[31] Such regionalism may have dire implications for smaller developing countries as their dependence on the regional hegemon will increase. In multilateral negotiations, they will only be represented by the dominant neighboring power, which will prioritize its own interest ahead of others in setting agenda. As the regional hegemon's economic size expands, its increased capacity to wield muscle in regional trade agreements will undermine smaller countries' interests.

Of course, there is a flip side to this pessimistic view. The regional hegemon may make genuine efforts to take care of its neighbors' interests in multilateral negotiations. It might do so in its own interest to increase its bargaining power on the world stage (by having amassed the strong support of its neighboring allies, thereby bolstering its weight) and because as regional hegemon, it does not feel threatened by its neighbors. As BRICs grow larger, the threat from smaller neighbors will diminish, and the desire to outweigh global great powers will increase, thereby enhancing the incentive to create blocs with willing neighbors. Further, in spite of the dependency concern, it may be in the smaller countries' interest to bandwagon with the regional hegemon in any case because in multilateral systems, they will have little voice individually.

Conclusion

Brazil, Russia, India, and China are set to become major global power fixtures over the coming decades. The BRIC construct, therefore, is a useful tool that goes beyond the investment world and extends into international relations and economics. This paper studies the forces of cooperation and competition that will evolve from the rise of BRICs and the impact these forces will have on their politico-economic relationships with the rest of the world, the growth trajectories of BRIC nations themselves, and global economic governance.

Competition and cooperation will emerge at three levels: between BRICs and advanced nations, among BRICs themselves, and between BRICs and smaller developing nations. At the first level, sources of conflict that might arise between BRICs and advanced nations include state-managed capitalism, divergent political values, protectionism, and insecurity over great power status. However, significant opportunities for cooperation and mutual gain will also emerge and might even help in establishing an equilibrium that absorbs this power shift. Commercial investment and trade will expand between the two groups, globalization will generate symbiotic economic relationships, and the long-term trend toward higher order principles of capitalism will encourage cooperation. Furthermore, BRICs are actively participating in multilateral institutions, and as these institutions reform their representational structure, there will be more burden sharing and sustainable agreements on global issues. The section "International Financial Architecture" described how these forces can already be seen in action in the area of global economic governance.

"Within the BRICs" showed that while there are nascent initiatives for cooperation among BRIC nations on issues such as climate change and regional security, several impediments exist to prevent them from acting as a unified bloc. These include their varying economic relationships with advanced nations, simultaneous rivalry for commercial gains from the West and smaller developing economies, differing political ideologies, differing foreign policy interests, and most importantly, historically troublesome bilateral relationships. The state's involvement in economic policy can further erode cooperative efforts, but can also help iron out cross-border business disputes.

Finally, smaller developing countries around the globe are likely to be significantly impacted by the rise of BRICs. As BRICs (and advanced nations) compete for resources, markets, and support on international issues, developing countries will need to exploit this competition to maximize their own gains. Moreover, as regionalism proceeds, each BRIC will likely cement its sphere of influence. This in turn will influence the bargaining power of smaller neighbors on international issues while the regional hegemon prioritizes its own interests while simultaneously trying to form a strong united regional bloc.

In essence, this paper contributes to the prediction of the future international economic power order by taking into account the political aspects of growth trajectories. The emerging forces of competition and cooperation between BRICs and the rest of the world are critical to understanding their rise and the evolving nature of international politico-economic relationships.

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2. Using data from World Economic Outlook electronic database provided online by IMF. GDP is valued at current U.S. dollar and 2010 figures are IMF estimates.
3. Goldman Sachs.
4. Ibid.
5. Kharas uses USD at PPP between 10 and 100 per day, or 3,650 and 36,500 USD at PPP per capita income as the definition for worldwide Middle Classes.
6. Ahmed, Kelston, and Yamakawa.
7. Purushothaman and Wilson, "Dreaming with BRICs: The Path to 2050," 13.
8. O'Niell, "Introduction," 5–6.
9. Ibid.
10. Wolf, "Sexy term that helps to focus attention."
11. At current U.S. dollars, data compiled from World Bank Development Indicators database.
12. "The new champions," *The Economist*.
13. Ibid.
14. The Economist puts this best: "Some see confrontation as inevitable when a rising power elbows its way to the top table. But America and China are not just rivals for global influence, they are also mutually dependent economies with everything to gain from co-operation." *The Economist* (4 February 2010).
15. At most, they have stopped relying on external support and tried to strengthen their own domestic position to manage external shocks.
16. Press Trust of India (3 March 2010).
17. Beattie, "Brics: the global faces of changing power."
18. "Revisionist" refers to the impression that BRICs aim to revise the existing international order, or challenge the hegemon.
19. Lapper, "Brazil enters fray for African resources."

20. Martinez-Diaz and Woods, "The G20—the perils and opportunities of network governance for developing countries."
21. Ibid.
22. Ibid.
23. Lombardi, "The G20 and IMF: Their Future Roles in the International Monetary System."
24. Strauss-Kahn, "An IMF for the 21st Century."
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The Shortsightedness of Egypt's Vision 2022

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I. Introduction

At first glance, Egypt appears to be the prototypical Arab economy because of the way in which oil has authored its narrative and because of the frequent intervention of the government in the market economy. A look at Egypt's economy today sees less of this portrait than a look at Egypt's economic past, but these characteristics are certainly still evident. Since the fall of prices after Egypt's 1970s oil boom, significant reforms have caused less reliance on oil and increasing privatization.

Egypt, now a lower-middle income country, has experienced positive growth rates in recent years. The average GDP per capita growth rate was 2.4% between 1980 and 2000, 1.7% during 2001–2005, and increased to 5.2% in 2008.[1] Moving into the next stage of its development, however, will involve a critical examination of what still constrains the Egyptian economy. Using a growth diagnostic approach and building on existing studies, I argue that the most important constraints on Egyptian growth are access to finance, the cost of bureaucracy, and its inability to move into sophisticated exports. I assess the Egyptian government's current Vision 2022 plan in light of these constraints and conclude that, although Vision 2022 seeks to address access to finance and sophistication of exports, it ignores the cost of bureaucracy and corruption in Egypt. In my view, this omission will have to be addressed if Vision 2022 is to be realized.

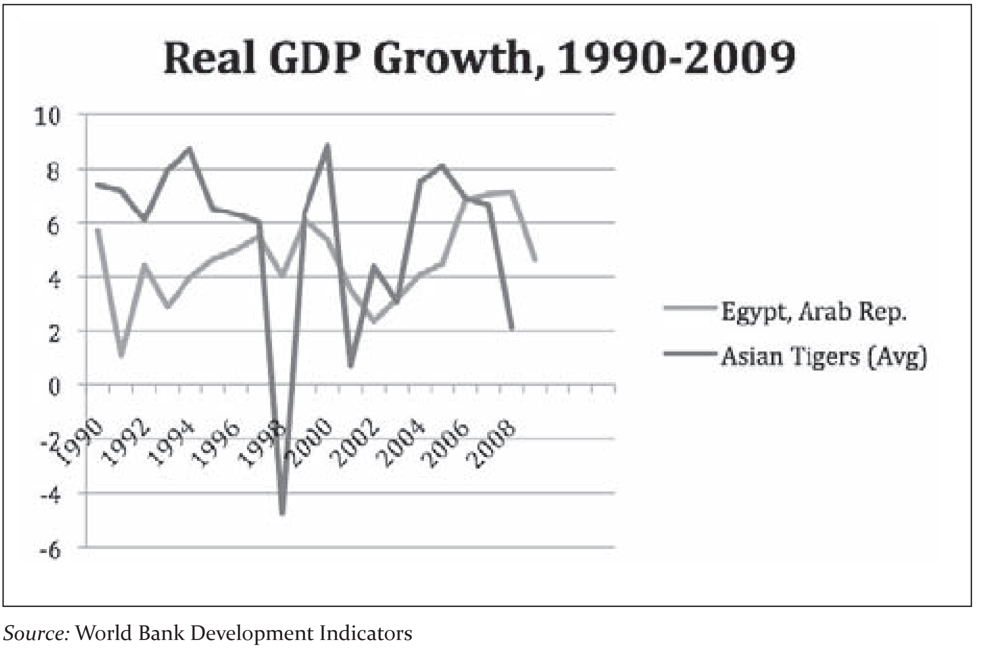
To develop these points, I begin with a brief overview of the Egyptian economy in Section 2 and the methodology of the binding constraints framework in Section 3. Section 4 evaluates each branch of the growth diagnostic tree and assesses its importance for Egypt. Section 5 analyzes current reform efforts under the government's Vision 2022 plan. Section 6 concludes with a discussion of possibilities for Egypt's future.

II. Background on the Egyptian Economy

The state has played a large role in economic activity since President Nasser's regime (1956–1970). During this period, the state took on the task of transforming business from a colonial model based on primary commodity (mainly cotton) exports to an industrialized model. The public sector served as the nexus for this transformation as large-scale nationalization, such as the nationalization of the Suez Canal, narrowed the scope for private enterprise. Especially in the banking sector, state-owned enterprises (SOEs) dominated.[2] In 1973, Sadat began the new Open Door Policy, which opened the economy to foreign investment and promoted a greater role for private firms.[3] The 1970s also brought oil windfall revenue to Egypt, which nonetheless accumulated a huge foreign debt by grossly expanding its imports and consumption of luxury goods with an overvalued exchange rate. Once oil prices declined, Egypt used expansionary monetary policy to fix the fiscal deficit. However, it also resulted in inflation, which prompted a series of stabilization and structural adjustment reforms from the IMF and World Bank.[4]

Carnegie Endowment economist Sufyan Alissa points to three generations of reform after 1991 that have tackled the issue of Egypt's economic integration with world markets. The success or failure of each of these periods of reform corresponds with the growth rates evident in Figure 1. The first, 1991–1998, aimed to stabilize the economy. The government liberalized interest rates and the foreign exchange markets and privatized a third of the SOE sector as measured by the value of assets transferred.[5] The economy responded to these reforms and witnessed higher growth rates, a falling fiscal deficit, and accumulation of foreign exchange reserves.[6] These improvements earned Egypt the nickname of "the tiger on the Nile" from the *Financial Times*. The second

Figure 1: Real GDP Growth, 1990–2009



Source: World Bank Development Indicators period, 1998–2004, adopted more export-promoting strategies, including the establishment of Special Economic Zones and the adoption of several free trade agreements with various countries. Egypt also reformed its own standards to meet international standards in agricultural and industrial sectors, enabling it to participate in world markets. To complement these policies, in 2003, the government liberalized the exchange rate by floating it.[7] Liberalization, while good for long-term growth, temporarily made the Egyptian economy more vulnerable to external changes. This period saw decelerating growth, an effect of several external shocks, including the Luxor terrorist attack in 1997, the global financial crisis of 1997–1999, a domestic financial scandal in 1998–1999, and business uncertainties surrounding the 9/11 attacks on the U.S. and the 2003 Iraqi invasion.[8] These 2004 reforms are consistent with the growth in foreign direct investment from 0% of GDP in 2003 to 9% in 2007.

The third period, beginning in 2004, is one of more aggressive reform under Prime Minister Ahmed Nazif. Protectionism has decreased (the tariff was lowered and export-import regulations reformed) and privatization has increased. By 2006, over half the banking sector was privately owned and half of nonperforming loans (NPLs) were restructured.[9] Finally, the government established an interbank market where banks could freely trade foreign exchange. This has corresponded with a huge influx of foreign direct investment in recent years. Opening markets to outside investors has profoundly affected Egypt's current account and yielded stronger growth and growing exports overall from 2004–2006.[10]

Recently, the 2008 global financial crisis did not leave Egypt unscathed, but it likely did not have lasting consequences. Expected growth for FY 2010/11 remains at 5.5%, approximately the same growth rate it has experienced since 2004.[11] Swift fiscal and monetary responses limited the impact of the crisis on the Egyptian economy, and the IMF recommends that Egypt return to pre-crisis goals of fiscal consolidation and long-term growth rather than continuing to stimulate the Egyptian economy in the short-run.[12] Although the 2008 financial crisis has not significantly changed the path of the Egyptian economy, recent years have seen a rise in inflation from 6% in 2005 to 11% in 2009 (Table 2). The rise in inflation is most directly attributable to the global food crisis and should not be interpreted as symptomatic of poor Egyptian macroeconomic policy or a lasting effect of the financial crisis. The most recent IMF Article IV Consultation suggests that this rate of inflation is not yet out of control, but that the Central Bank should be prepared to respond to it if it does not abate soon.[13]

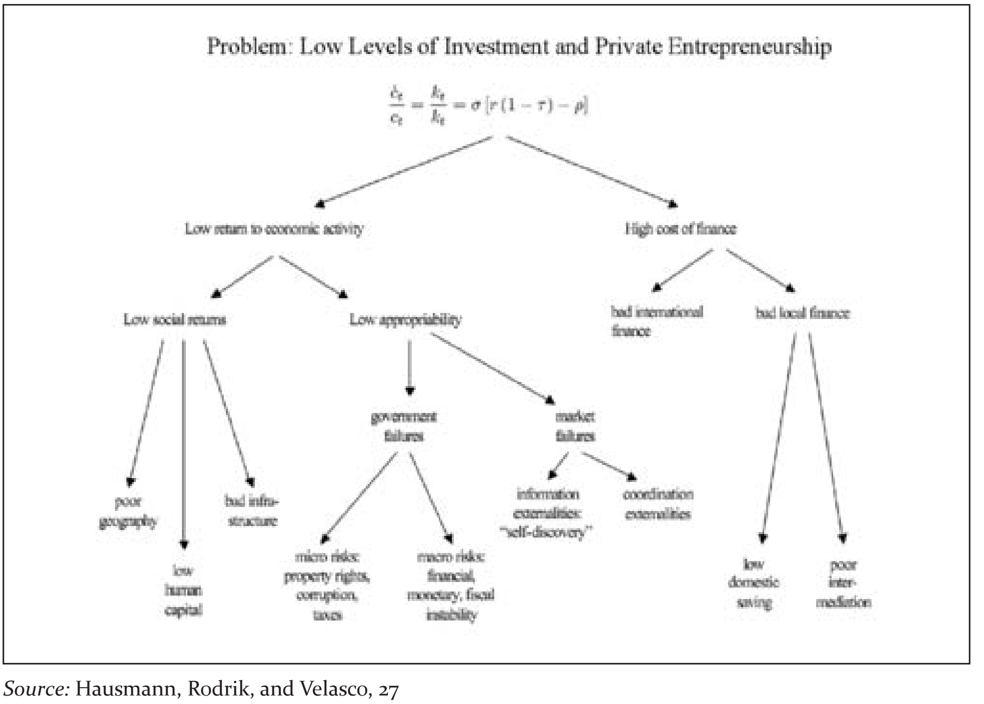
Without the 2008 financial crisis, it would seem that Egypt was on track to reach its target of a real GDP growth rate of 8%, according to its most recent strategy paper under Vision 2022. Assuming that Egypt returns to its original path as the financial crisis's effects in Egypt subside, more measures are needed to guarantee that Egypt can maintain such an impressive growth rate. This paper will explore the reforms required for a new "vision" of Egypt's future.

III. Framework

In this paper, I will be employing the celebrated growth diagnostic approach of Hausmann, Rodrik, and Velasco. Instead of searching for broad correlation between growth and certain variables, this framework looks for "binding constraints"—the conditions that constitute critically important limitations, the removal of which open the most doors to future growth. These constraints are presented in the growth diagnostic "tree" depicted in Figure 2. The theory holds that the key to growth is private investment and entrepreneurship and that the investment climate may be constrained by low social returns to economic activity, low appropriability of returns, or simply the high cost of accessing finance. The goal of analyzing an economy through this lens is not necessarily to identify the constraint that exhibits the highest distortion, but the one that bars most private investment.[14] Hausmann, Klinger, and Wagner, therefore, give us four clues for identifying whether something is a binding constraint:

1. The shadow price of the constraint is high.
2. Movements in the constraint produce significant movements in the objective function.
3. Agents in the economy should be attempting to overcome or bypass the constraint.
4. Agents less intensive in that constraint should be more likely to survive and thrive, and vice versa.[15]

Figure 2: Binding Constraints



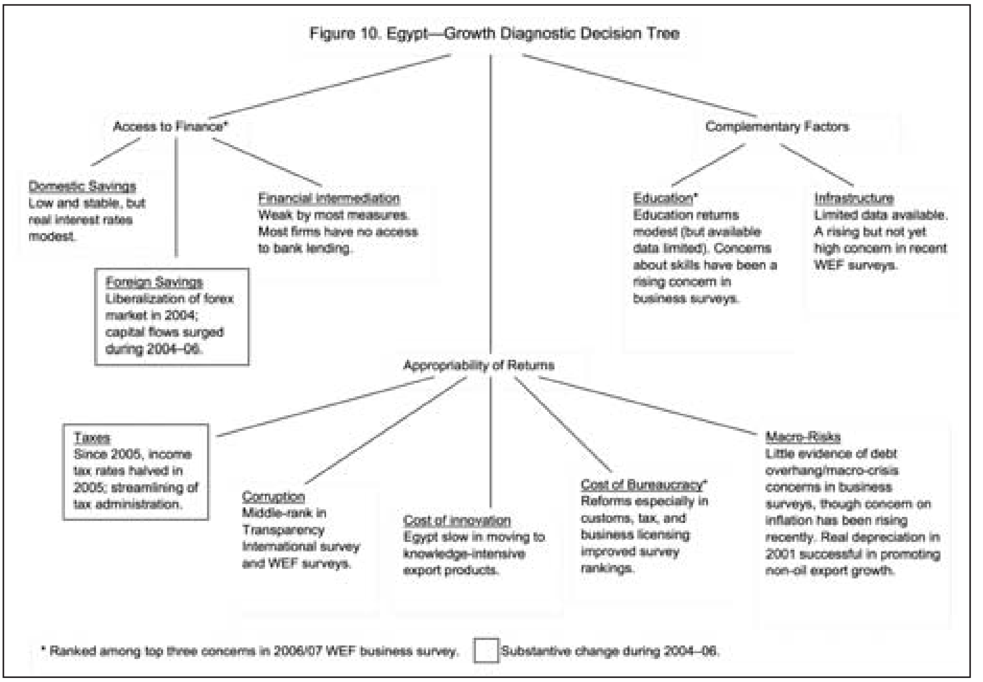
Source: Hausmann, Rodrik, and Velasco, 27

Conveniently, the history of Egypt supplies us with much evidence of how the economy has responded to different reforms. Most significantly, the period of decline before 2004 reforms and the beginning of growth after 2004 will signal which reforms may have tapped into what had previously constrained the Egyptian economy, highlighting the second clue. Using this approach, I will survey existing literature analyzing the binding constraints of the Egyptian economy. Where these studies disagree, I will examine to what extent their disagreement might be explained by their different times of authorship and what reforms they had yet witnessed the success or failure of. I will also update their existing work by pointing to recent data and determining whether this affects their conclusions.

IV. Binding Constraints of Egypt

Enders, Dobronogov, and Iqbal use a binding constraints diagnostic framework to analyze the Egyptian economy. They analyze components of the potential problems of complementary factors, access to finance, and appropriability of returns. Figure 3 depicts the tree diagram of Enders' conclusions.[16] While they agree in many respects, they disagree over whether financial intermediation, cost of bureaucracy, and export development are binding constraints for Egypt.

Figure 3: Enders' Growth Diagnostic Tree

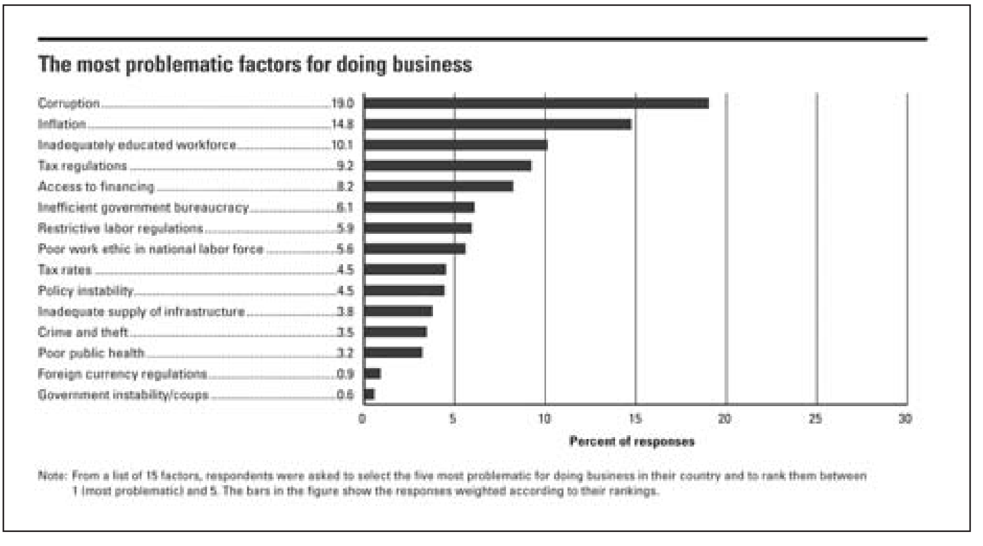


Source: Enders, "Searching for Binding Constraints," 25

Complementary Factors

Both studies agree that complementary factors like infrastructure and education are not binding constraints for the Egyptian economy. World Economic Forum (WEF) surveys, used extensively by Enders to identify binding constraints, provide us with data on the experience of businesses and entrepreneurs and how that affects their investments.[17] Enders points out that lack of infrastructure does not rank highly over time.[18] As seen in Figure 4, in 2010, it ranked near the bottom of businessmen's concerns. Egypt has a dense road network, major ports, a new airport, and cheap electricity.[19] Egypt's transport systems rank 56th overall on the Global Competitiveness Index, in which Egypt ranks 81st broadly.[20] During the years 1980–2000, enrollment rates at all levels of education rose dramatically, as did life expectancy, indicating that although there may be low private returns to education, a shortage of human capital does not appear to be a binding constraint.[21] Enders complicates this assertion by pointing to the increasing difficulty of separating domestic demand from foreign demand for educated Egyptian workers. Education may not have rated highly in the past as a binding constraint, but in 2010, an inadequately educated workforce was ranked third on the list of concerns in the WEF survey. This lends some support to Enders' 2007 projection that education may become a binding constraint in the future.[22] However, Egypt was ranked among the lowest countries in terms of its efficiency in using educated labor (133rd), implying that the problem is external to the availability of human capital.[23] Moreover, as we will see in our discussion of Egypt's exports, lack of educated labor is likely to be a binding constraint only when Egypt begins engaging in much more sophisticated manufacturing than it currently

Figure 4: 2010 WEF Survey



Source: WEF

does. For the time being, it may be an annoyance to employers, but it is not what constrains the Egyptian economy.

Access to Finance

Access to finance makes a compelling candidate for and has received much popularity as a binding constraint. In 2007, it ranked as the top concern of the business community; it has since declined to being ranked fifth.[24] There are several reasons that might explain this public perception that finance was difficult to get. Until 2004, access to finance may have been burdened by foreign exchange controls. Businessmen used to rank currency regulations as a great obstacle to doing business, but their concerns went away after 2004 reforms allowed banks to freely trade foreign exchange.[25] Another prudent 2004 reform, however, replaced foreign exchange controls with a different burden for businessmen. Whereas banks lent credit unscrupulously in the 1990s, reforms enacted from 2001 to 2004 added tighter and much needed regulations, making access to finance appear more difficult to businesses.[26]

Dobronogov and Iqbal maintain that inefficiency in lending practices have caused a high shadow price of finance, and this would support the idea that access to finance constrains investment.[27] The relatively new banking system in Egypt is dominated by the public sector so much that, in 2004, 65% of it was owned by the government. This implies that gaining financing required not just creditworthiness but also connections to public officials. Indeed, empirics suggest that gaining loans is difficult. In 2004, 40% of firms that did not have an outstanding loan claimed they had been rejected for a loan they applied for in the last two years. Of the 82.6% of firms nationwide lacking loans from banks, 97% of their working capital was financed through their own funds. These data point to the inefficiency of the financial system to channel savings to put in the pockets of entrepreneurs because of its structural connection to the government.

Inefficiency of the financial system is evident in several ways. Table 1 illustrates indicators relevant for access to finance. Many of the loans taken out by the government became NPLs, resulting in inefficient distribution of resources.[28] In 2004, the percentage of NPLs to total gross loans peaked at 24%; since then, it has declined and was at 15% in 2008. A distortion of this nature in financial markets also weakens state monetary policy because an expansion in the money supply results only in excess liquidity, not higher private investment. By issuing short-term loans to the government, state-owned banks have no incentive to develop techniques for analyzing the riskiness of ventures by small- and medium-size private firms. Without a developed credit registry, banks rely on collateral to back loans, also an inefficient use of resources. Furthermore, Dobronogov and Iqbal argue that temporary shocks have a larger effect on economies at this intermediate level of financial intermediation, implying that this inefficiency is a binding constraint for Egypt.

Enders objects to this diagnosis. He points to real interest rates as the ultimate judge on whether access to finance constitutes a binding constraint. He

Table 1: Indicators for Access to Finance

Indicator Name	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Domestic credit provided by banking sector (% of GDP)	96.40	102.43	109.56	112.42	111.62	104.65	99.26	89.51	77.70	
Domestic credit to private sector (% of GDP)	58.68	62.10	61.94	61.15	60.40	57.37	55.28	50.64	42.80	
Bank nonperfoming loans to total gross loans (%)	13.60	16.90	20.20	24.20	23.60	26.50	18.20	19.30	14.80	
Real interest rate (%)	7.89	11.21	10.28	6.34	1.51	6.53	4.89	-0.09	0.11	1.03

Source: World Bank Development Indicators

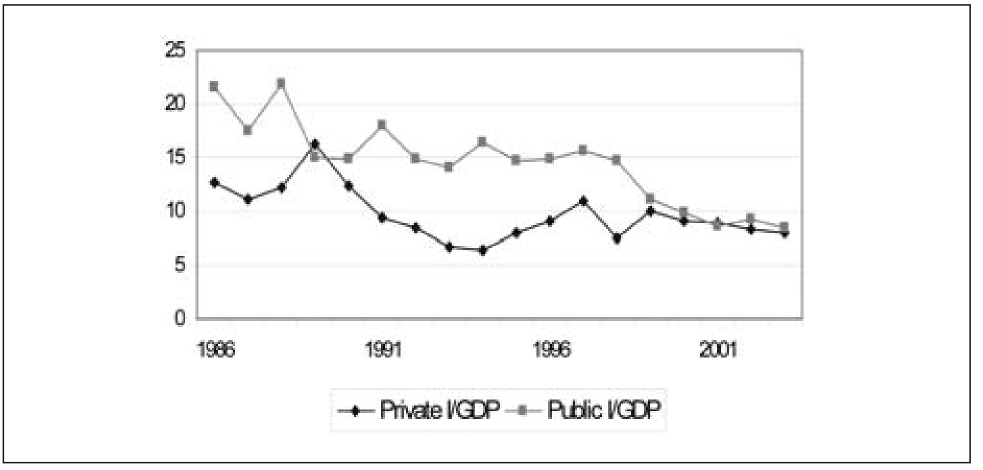
points out that we would see much higher real interest rates and more pressure on the external current account if businesses were genuinely competing for funding.[29] Real interest rates since 2003 have indeed been low, hovering at 0–1% in 2007–2009, supporting Enders' arguments (Table 1). However, Enders ignores the consequences of highly active Egyptian monetary policy, which controls prices through frequent manipulation of an interest rate "corridor," involving both a ceiling and a floor. This calls into question whether the interest rates we see are a genuine assessment of the competition for finance. Even without the interest rate corridor, merely looking at interest rates as a measure of access to finance is inadequate because it does not take into consideration personal connections a firm might require to gain access to funds.[30]

A 2008 study led by World Bank Financial Analyst Sahar Nasr and commissioned by the Central Bank of Egypt illuminates the limitations of the banking sector. Only 7% of new investments and working capital are financed through the banking sector, compared with 13% regionally.[31] The loan-to-deposits ratio has dipped as low as 58% recently, compared with 86% for the world average.[32] These difficulties have resulted in historically low and declining interest rates (Figure 5). Private investment rates have only reached 11.6% of GDP in 2009–10.[33] Although FDI is now abundantly available, the domestic financial system has much untapped potential. Mobilizing the assets of the financial system will enable more private investment in Egypt.

Appropriability of Returns

Another binding constraint for Egypt is inadequate appropriability of returns. There are several ways in which entrepreneurs may not be able to tap into the rewards of their investment. An obvious contributor to this may be the existence of high tax rates. Private and corporate tax rates were especially high through 2004, but a 2005 reform halved these taxes and began to replace a sales tax with a value added tax.[34] Even if this reform had not occurred, however, Dobronogov and Iqbal point out that although businessmen felt tax rates were high, they were close to average when compared with Egypt's peers.[35] Today's numbers show that Egypt is consistent with the rest of the world: 46%

Figure 5: Investment Rates in Egypt



Source: Dobronogov and Iqbal, 21

of firms identify tax rates as a major constraint compared with 45% among peer countries.[36]

Plausibly, fear of future high taxation can be just as powerful as current high taxation. Macroeconomic instability, such as impending inflation or debt servicing, the results of high debt levels, might deter investors from financing projects. Egyptian businessmen, however, did not seem to be concerned with future taxes in 2007.[37] Table 2 shows that Egypt has experienced a skyrocketing rate of inflation, which might logically be thought to deteriorate the investment climate. Indeed, inflation has jumped to the second-ranked concern of businessmen in 2010 WEF surveys. Historically, though, the Egyptian economy has never seen a correlation between macroeconomic instability and investment rates. Reforms taken in the 1990s to fix a similar inflationary situation reduced the risk of expropriation but did not have an impact on private investment rates, indicating that they, too, do not constitute a binding constraint for the Egyptian economy.[38] Taxation or fear of taxation, then, are not the reasons for problems with appropriating returns.

What does interfere with the appropriability of returns is the cost of bureaucracy and corruption. In 2007, WEF surveys ranked "inefficient bureaucracy" highly as a barrier to doing business in Egypt, and the World Bank's Doing Business Report ranked Egypt low because of its high costs of licensing, enforcing contracts, and getting credit.[39] Alissa argues that although reforms since 1991 have stabilized the economy in many ways, "little if any progress has been made in the fight against corruption and in creating an enabling and competitive business environment."[40] Some may argue that the situation has improved marginally in recent years. The cost of business start-up procedures fell from 69% of GNI per capita in 2006 to 16% in 2009 (Table 2), and in recent WEF surveys, inefficient government bureaucracy has dropped to the sixth concern. But this improvement is overwhelmed by the fact that in

Table 2: Indicators for Appropriability of Returns

Indicator Name	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Inflation, consumer prices (annual %)	2.68	2.27	2.74	4.51	11.27	4.87	7.64	9.32	18.32	11.76
Inflation, GDP deflator (annual %)	4.93	1.87	3.19	6.76	11.68	6.21	7.36	12.61	12.21	10.83
Current account balance (% of GDP)	-0.97	-0.40	0.71	4.51	4.97	2.34	2.45	0.32	-0.87	-1.78
Ease of doing business index (1=most business-friendly regulations)									116	106
Cost of business start-up procedures (% of GNI per capita)				65.60	63.00	104.90	68.80	28.60	18.30	16.10
Exports of goods and services (annual % growth)	3.80	3.29	5.66	13.83	25.32	20.20	21.26	23.28	28.76	-12.76
Exports of goods and services (current US$ in billions)	16.17	17.06	16.09	18.07	22.25	27.21	32.19	39.46	53.80	47.33
Agricultural raw materials exports (% of merchandise exports)	5.01	5.28	8.13	6.96	7.02	2.33	1.53	1.62	1.66	
Computer, communications and other services (% of commercial service exports)	26.99	24.93	26.95	26.19	27.01	18.39	16.22	16.48	20.42	16.79
Food exports (% of merchandise exports)	7.91	9.84	8.86	8.58	9.77	8.72	6.63	7.90	10.70	
Fuel exports (% of merchandise exports)	41.91	40.48	33.64	43.80	43.15	51.28	56.39	52.48	43.98	
Insurance and financial services (% of commercial service exports)	0.85	0.90	1.17	1.07	0.80	1.35	1.17	0.85	1.97	1.27
Manufactures exports (% of merchandise exports)	38.43	32.61	35.38	31.04	30.61	23.65	21.23	18.75	36.65	
Ores and metals exports (% of merchandise exports)	3.87	4.56	4.60	3.18	3.65	2.81	2.30	2.79	6.49	

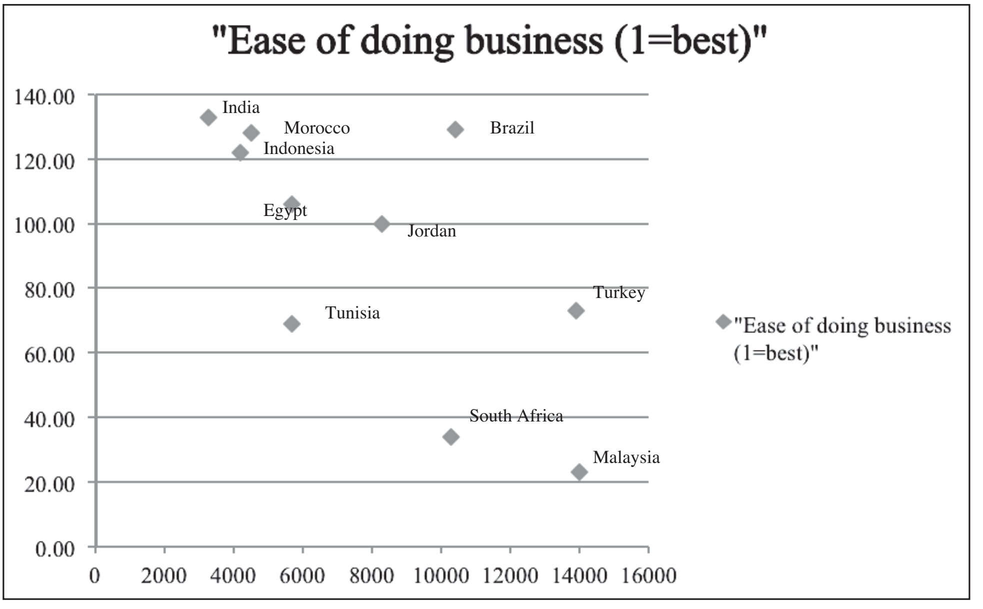
Source: World Bank Development Indicators

2010, corruption dominated as the number one concern. Kaufmann, Kraay, and Mastruzzi's Worldwide Governance Indicators show that Egypt's control of corruption ranking has actually gotten worse between 1998 and 2009, and that its government effectiveness rank has improved only slightly (Figure 7). On all governance indicators, Egypt fares poorly, particularly in voice and accountability.

Granted, these data do not, in fact, prove that governance constitutes a binding constraint. One method of providing evidence for this is to compare the ease of doing business index and opinions about corruption across peer countries.[41] We see a large range of country performance in Figure 6 in the ease of doing business index, with Egypt ranking below average. Peer and regional economies of Turkey and Tunisia fared much better than Egypt on this index, arguing that Egypt might strive to imitate those peers.

Turning to the Worldwide Governance Indicators in Figure 7, Egypt fares worse than all peers in its government effectiveness rank and fares better only with respect to Indonesia in its corruption index. In 2008, 45% of firms

Figure 6: Ease of Doing Business

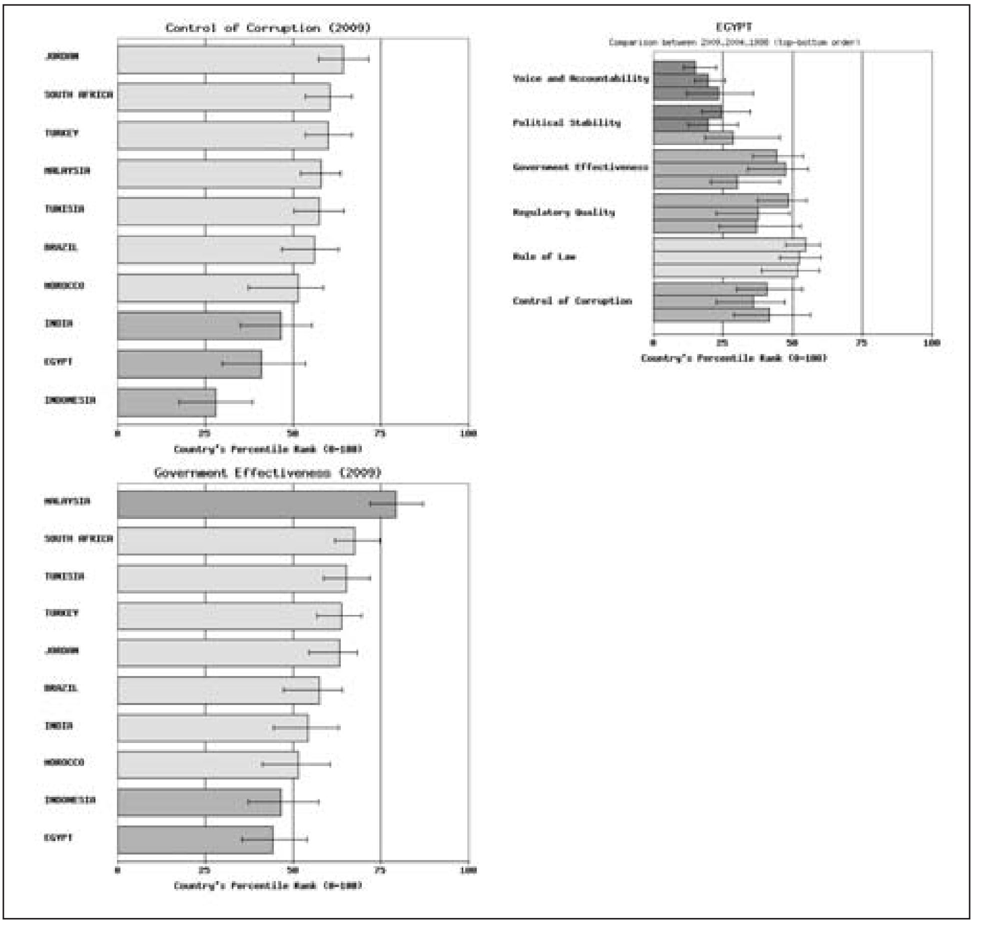


Source: World Bank Development Indicators

identified corruption as a major constraint, compared with 50% regionally and 36% globally.[42] Clearly, some differences in the data are due to the difference between how Kaufmann, Kraay, and Mastruzzi assess governance and how Egyptian business owners respond to public opinion surveys, but it is clear that there are concerns with governance in Egypt. This has profound impacts on economic growth. Kaufmann, Kraay, and Zoido-Lobaton find a strong correlation between governance and improved development.[43] This is because presence of corruption raises transaction costs, increases uncertainty, causes inefficiency, undermines state legitimacy, and is a form of regressive taxation when significant bribery occurs.[44] Consequently, poor governance and widespread corruption are binding constraints for Egypt.

Low appropriability of returns is also a result of hindrances to innovation and exploration of exportable goods and services. Looking at the narrative of Egypt's exports clarifies this. In the past, Egypt's comparative advantage was clearly located in primary commodity exports and later in oil. As we saw in our exploration of the complementary factors in Egypt, educated labor now exists. Problems related to skilled labor have to do with accessing this labor efficiently or with the flight of human capital as educated workers move abroad to work. Clearly, the Egyptian economy can make better use of its skilled workers, but Enders points out that Egypt has had a hard time moving into more sophisticated export production.[45] Egypt's main four exports in 2008 were petroleum-related or commodities, with mineral fuels accounting for 44% of Egypt's exports.[46] Since the 1990s, the share of manufactured exports relative to GDP has lagged.[47]

Figure 7: Governance Indicators



Source: Kaufmann, Kraay, and Mastruzzi

Galal and Fawzy explain this by pointing to costs associated with exporting. In the 1990s, exporters had to cover the cost of a letter of guarantee on their imports while domestic market producers could charge the price of their imports to consumers.[48] Moreover, tariffs on intermediate inputs in Egypt were, on average, higher compared to other developing countries, further disincentivizing firms from exporting their products (44). However, exports of goods and services as a percentage of GDP has remained constant and encouraging since 2004 (Table 2). Prior to 2004, this statistic was much lower. This tells us that 2004 reforms that decreased protectionist policies and removed some barriers to exporting made a difference.[49]

We are left with the original problem that Egypt does not export sophisticated goods. The share of manufacturing has dipped quite low recently, hitting 19% during 2005–2007 but rebounding to 37% again in 2008 (Table 2). Although it is tempting to tie this fluctuation to the exchange rate, as we see in Table 3, the real exchange rate has remained relatively stable, appreciating and

Table 3: Exchange Rate

Descriptor	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*
Egypt CPI	73.73	76.00	78.04	79.81	82.00	85.69	95.35	100.00	107.64	117.67
Nominal exchange rate in Egyptian pounds per USD	3.38	3.40	3.69	4.49	4.50	6.15	6.13	5.73	5.70	5.50
USA CPI	83.46	85.29	88.17	90.66	92.10	94.19	96.71	100.00	103.22	106.17
Real exchange rate	3.83	3.82	4.16	5.10	5.05	6.76	6.21	5.73	5.46	4.96

Source: IMF International Financial Statistics

depreciating only mildly, between 2004–2007. Since then, both the 2007 and the 2010 IMF Article IV Consultations have mentioned the pegged exchange rate as something to monitor, but nothing that had yet hindered the economy.[50] Macroeconomic policy is not the concern.

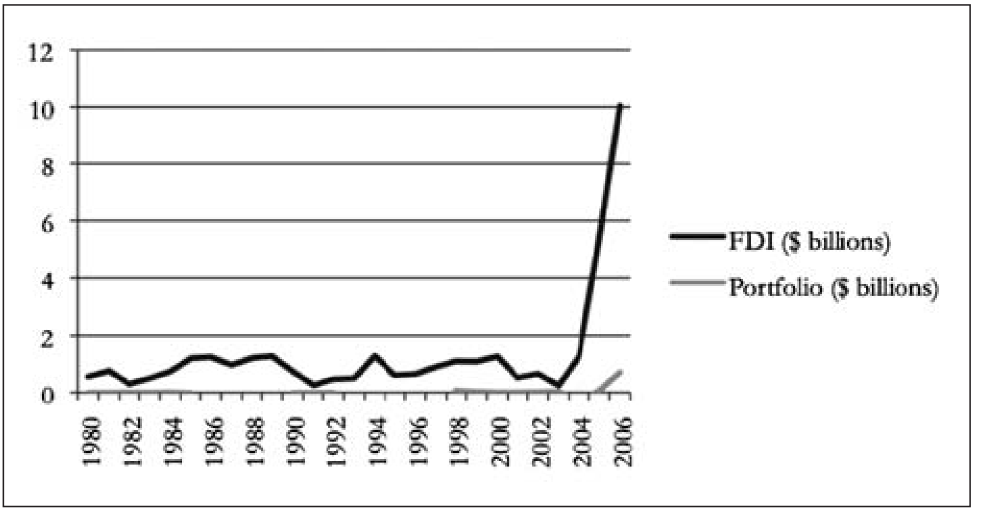
The rise in manufactured exports between 2007 and 2008 must correspond, instead, with a different change. Table 4 shows disaggregated exports of fuels and manufactured goods. Despite the heavy reliance on petroleum-related goods, the change between 2007 and 2008 cannot be explained by a noticeable decline in fuels as exports of fuels actually increased. Disaggregating manufactured goods, it is clear that exports of machinery and transport equipment increased by 2000%. As seen in Figure 8, this could be explained by more foreign direct investment during 2007–2008, nearly half of which went to new establishments and expansions of frequently industrial firms.[51]

With newly available capital, the government encouraged the opening of nearly a hundred factories in 2010. Moreover, increased capital flow could have prompted firms to embark on higher-technology goods like automobiles and synthetics. At the same time, this increase in the share of machinery and transport equipment explains only 17% of the total change in manufacturing during this time period. More significant was the increase in chemical

Table 4: Change in Manufactured Goods (Disaggregated)

YEAR	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*Change between 2007 and 2008*	*Change of goods between 2007 and 2008 as a percentage of change of total manufactured goods (%)*	*Percent change of goods from 2007 to 2008 (%)*	*Percent composition of total manufactured goods in 2009 (%)*
PRODUCT										
Total all products	7.91	10.64	13.75	16.10	26.22	23.04	10.12			
Fuels	3.41	5.45	7.62	8.40	11.53	8.05	3.13		37	
Total Manufactured Goods	2.41	2.50	2.84	2.99	9.60	9.15	6.61		221	
Chemical Products	0.44	0.54	0.72	0.74	3.02	2.33	2.28	35	309	25
Machinery and Transport Equipment	0.11	0.12	0.09	0.06	1.21	1.10	1.15	17	2024	12
Iron and Steel	0.52	0.55	0.82	0.74	1.24	1.78	0.50	8	68	19
Textiles	1.01	0.65	0.55	0.65	1.86	1.49	1.21	18	187	16

Figure 8: Foreign Direct Investment in Egypt



Source: Smith and Kulkarni, 33

products, which increased by a less-impressive 300% but had more impact on total manufactured exports because it began as a larger share of total manufacturing. Finally, exports of textiles nearly doubled between 2007 and 2008. Between 2008 and 2009, all this growth had slowed to negative numbers, likely because of the financial crisis and because a growth spurt can only last so long.

These data imply that investment in 2007 made a positive difference in exports of manufactured goods. Even though growth rates tapered off in 2008, they did not decline as much as they could have given the impacts of the financial crisis. Improving manufactured exports accounts for 65% of the total change in exports between 2007 and 2008, so improving the share of manufacturing will have a large payoff. Targeting the machinery, transportation, and chemical industries will increase the share of manufacturing significantly. Additionally, although investing in textiles encourages production of a lower-technology good, it is beneficial for a different reason: textiles are one of the few industries in Egypt that are produced entirely within the country, giving them a large value added domestically.[52] However, in the first half of 2008–2009, only 22% of FDI went toward establishment or expansion of industrial firms; nearly 70% was absorbed by the petroleum sector.[53] The recent re-investment in the petroleum sector is worrying and indicates that this binding constraint on Egypt has not yet been eliminated. Also, because Egyptian industry is still mostly publicly-owned, future privatization will have enormous benefits that may not yet appear in the data. We can conclude that the share of manufactured exports has been a binding constraint for Egypt that has, at times recently, been mildly alleviated but has great room for improvement.

V. Responsiveness of Current Reforms

Egypt has responded to development concerns with an overarching Vision 2022 and a series of five-year development plans. Today, Egypt is in the sixth five-year development plan, spanning from 2007–2012. This plan, the recent studies conducted, and current reforms respond only partially to the binding constraints brought up in this paper.

Current government reforms and inquiries tend to concentrate on reforming financial intermediation. Although many NPLs have already been restructured, the government has significant work to do as 14% of all loans are still non-performing. The Financial Sector Reform Program (FSRP), one of the central components of the current five-year plan, was approved in 2006 for a U.S. $500 million loan from the African Development Bank.[54] Its mission is to privatize one of the four public sector commercial banks in Egypt, establish a mechanism at the Central Bank to deal with NPLs, develop non-bank financial institutions like insurance and mortgage markets, and strengthen regulatory bodies. These are certainly the correct steps to take, but even if the FSRP is successfully implemented, 48% of the banking sector will still be publicly owned.[55] More privatization than is currently planned is necessary for efficiency in the domestic financial market. As private banks become more prevalent, more small firms will be able to access more competitive lending terms and interest rates. To this end, monetary policy and price stability must become stable enough that interest rates are competitively determined. The present corridor on the interest rate is unsustainable if the Egyptian government wants domestic financial intermediation to become more active.

Egypt's export prospects have improved and will continue to improve because of the goals of Vision 2022, but the government's plan again does not go far enough. The Industrial Modernization Program allows eligible small manufacturers to receive aid to update the technology of their businesses.[56] More importantly, the government recognizes that better technology is needed to compete with low-cost Asian producers in textiles and to compete with imported American and European goods. Consequently, under the Program of One Thousand Factories, it opened over a hundred new factories in 2006, which likely accounts for the growth in the textile industry discussed above.[57] Its goal of opening a thousand factories by 2011 seems unrealistic now, but revisions could be made to adjust the same intention (more factories) to the current economic situation. Vision 2022 certainly recognizes the binding constraint of Egypt's exports and begins taking steps toward solving these problems. Its actions have already caused significant growth in machinery and textile industries, but more can be done. For example, a significant part of industry remains under public control and should be privatized to increase competition in Egyptian markets. Furthermore, more progress can be made to link Egypt's human capital to private enterprise as available skilled labor goes unused.

Costs of bureaucracy and corruption have been most ignored by current reform efforts. Egypt advertises its status as a "Top Reformer" according to the World Bank "Doing Business" report for the last three years. The indicators that it has improved most on, however, are indicators that measure red tape interfering with trading across borders, not indicators that measure bureaucracy in domestic investment and business. Although these reforms needed to be made, they do not address the corruption and bureaucracy that prevents investment from being channeled to talented entrepreneurs in Egypt. More broadly, Egypt's institutions are poorly designed to shape a cohesive development program. Alissa introduces an analysis of the political economy of institutions in Egypt and finds that Egypt suffers from an "institutional deficit" in designing and implementing reforms.[58] Support for economic reforms has always come from the elite business class and consequently frequently represents their interests.[59] Over time, the political power of these elites has increased, a fact made clear by recent key appointments in Egyptian ministries.[60] Alissa contends that many recent reforms have not yielded expected successful results precisely because of the remaining red tape.[61] This implies that governance issues may hamper a government's ability to address its own binding constraints, making the streamlining and regulation of government an extremely high priority for moving forward.

In some ways, this is an overly harsh assessment of Egyptian reforms. In both access to finance and export sophistication, the Egyptian government seems to be aware of its shortcomings. In both of these areas, current and planned reforms will begin the process of alleviating these binding constraints. Vision 2022 can be augmented by looking toward continued privatization of state-owned banks, stable monetary policy, privatization of industry, and linkages between human and physical capital. Finally, concentrating on the institutional environment of the Egyptian government will be crucial to enacting any of these reforms effectively.

VI. Conclusion

Egypt's increasing growth rates indicate its promise. Significant reforms since 2004 have demonstrated prudent macroeconomic policy on the part of the Egyptian government and the Central Bank of Egypt. However, three significant binding constraints still inhibit Egypt's growth: access to finance, immature exports, and the high cost of bureaucracy and corruption. While current reforms address access to finance and exports have started becoming more sophisticated since 2007, no attention has been paid to bureaucracy. As Alissa recommends, the next set of reforms must include a more formal system of checks and balances to keep policymaking processes transparent.[62] This discussion of Egypt's binding constraints should be encouraging; it reveals that Egypt has made significant progress toward growth and has surmountable obstacles ahead of it. Overcoming these barriers will involve a critical reexamination of the institutions that comprise the workings of Egypt's economy.

Epilogue – March 1, 2011

A month after I completed this paper, Egyptians took to the streets and demanded the removal of President Hosni Mubarak, who finally stepped down on February 11. An interim government appointed by the military currently controls Egypt, and time will tell whether free elections, constitutional reform, and institutional restructuring will be realized.

The analysis presented in this paper mentions two trends that may be relevant for understanding revolution in Egypt. First, Egypt has suffered from severe corruption and excessive bureaucracy. What I have documented in this paper quantitatively captures the frustration Egyptians express in their protests. Second, Egypt's inability to move into more advanced exports has contributed to high unemployment numbers among educated, young Egyptians whose skills exceed available jobs. This is exactly the demographic that took to the streets. Although Egypt has improved its macroeconomic policies in recent years, lack of jobs in advanced sectors has contributed to economic hardship for Egyptians.

It is important to note, however, that the analysis in this paper does not explain the origins of the Egyptian revolution. A growth diagnostic approach, which identifies the factors constraining growth of the Egyptian economy as a whole, only coincidentally answers questions relevant to explaining the revolution while omitting obvious political realities. While Egyptian stagnation contributed to factors like high food prices and high unemployment that were important for revolution, Egyptians protested over more than GDP and interest rates.

Given simultaneous instability and even civil war in Libya, Bahrain, and Yemen, it is too soon to make many informed predictions about the future or insightful analyses of the causes of this historic episode. My economic analysis omits several variables that scholarship will likely find significant in causing the regime change in Egypt in 2011: Tunisian precedent, human rights abuses, social networking sites, military tensions, and many others. Nonetheless, understanding the economic principles and pitfalls that have plagued Egypt for the last decade will contribute to a more holistic interpretation of the socioeconomic forces that have been at work on the Nile.

Endnotes

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9. Ibid., 6.
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15. Ibid., 32.
16. Dobronogov and Iqbal refer to "access of finance" as the "high shadow price of finance," and "complementary factors" as "low rates of return," focusing on returns to physical and human capital.
17. These data should be used cautiously. On one hand, it provides us with insight about what investors intend and what difficulties they encounter. On the other hand, entrepreneurs' decision-making may be part of the problem constraining the economy.
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26. Ibid., 8.
27. Information in this paragraph taken from Dobronogov and Iqbal, 9.
28. Ibid., 10–12.
29. Enders, "Searching for Binding Constraints," 26.
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31. Sahar Nasr, "Access to Finance and Economic Growth in Egypt," World Bank Study (2008): xix.
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36. World Bank, *Enterprise Surveys*, 2008.
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40. Alissa, 11.
41. I borrow this group of peer countries from Enders, who selects "Morocco, Tunisia, Jordan, and Turkey as regional peers; India, South Africa, and Brazil as major emerging markets in other continents; and Malaysia and Indonesia as successful emerging markets that share many characteristics with Egypt, including Islamic traditions." Enders, "Searching for Binding Constraints," 6.

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De Jure vs. De Facto in Feminist Jurisprudence: A Case Study of the Protection of Women Against Domestic Violence Act of India, 2005

Rachel Tuchman, *Amherst College*

"Sex equality law exists nearly everywhere, and sex equality exists virtually nowhere."
—Catharine Mackinnon

Introduction

Violence against women is frequent in India and enforced by the country's patriarchal culture and institutions. According to a study done by the International Center for Research on Women, 85 percent of men in India admitted to engaging in some form of domestic violence in 2006.[1] The Indian National Crime Records Bureau registers a case of cruelty against women by husbands and relatives every nine minutes. These statistics, while also considering the enormous amount of under-reporting that takes place, demonstrates the gravity of the problem and the need for women to have legal redress. Prior to the passing of the Protection of Women Against Domestic Violence Act (PWADV) in September of 2005, India had insufficient laws for the protection of women. The previous legislation defined violence against women in extremely narrow terms. The passing of the Domestic Violence Act demonstrates India's legal commitment to substantive equality for women. This law contains a comprehensive understanding of violence, which includes physical, sexual, verbal, emotional, and economic abuse. Although the constitution assures substantive equalities to women, however, "such guarantees include not just the declaration of rights."[2] Government has the responsibility to provide the facilities needed to realize these laws, so they do not remain abstract ideals accumulating dust in a law book. This Act has enormous potential for women in India; however, its passing must be substantiated with the resources and training needed for its implementation. The dismantling of India's patriarchal social customs and institutions coupled with women's empowerment programs, will ensure the success of this legislation. The Act should be seen as part of a larger movement for violence against women, rather than its solution. Otherwise, the social inequalities in women's lives will undoubtedly prevail over the rights guaranteed to them by law.

I. Legal Background

Law is often seen as the emancipator for the marginalized in society by guaranteeing certain fundamental rights to individuals. However, far too often, law perpetuates inequalities by institutionalizing social norms that leave the most vulnerable void of legal support. This is the situation worldwide; however, India's problem is two fold. Not only does it share the issue of formal equalities unrealized, but its legal history is also circumscribed within the broader trajectory of British colonialism. Therefore, "where the law was a product of the exigencies of colonial administration, it cannot be granted the same emancipatory force it might have had in Europe during the transition from feudalism to capitalism."[3] Historically India's legal system has been enmeshed in the politics of power.

The Limits of Law's Geography

During the 19th century, the British codified the majority of public laws in India, but left the personal laws, identified by each religion in the country as the same. This distinction between public and personal laws left women in an extremely vulnerable position. What emerged from the system were, "laws that related to trade and commerce and governance fell within the public domain, and personal laws governing the family fell with the private domain. Since the participation of women in the public domain is relateively low in India, the consequences of this division between the two legal domains have been devastating for women's rights."[4] The institutionalization of women's spaces as judicially void legitimized the patriarchal mindset that permeates throughout India.

This public and private dichotomy finds its roots in the philosophy of liberalism. In this view, individuals are seen as rights-bearing subjects separate from their social contexts. Hobbes best describes this perspective when he writes, "let us consider men . . . as if but even now sprung out of the earth, and suddenly, like mushrooms, come to full maturity, without any kind of engagement to each other."[5] With this understanding, law is in place to protect individual rights apart from any social relations, resulting in the absence of law from supposed private domains. The mere idea of separate domains is not in and of itself problematic. However, "the historical evolution of the separate spheres shows that they are unequally weighted in values and expectations, as well as normatively gendered. Further, despite all the tortuous arguments for the compatibility of the two spheres, in reality the male governs in each."[6] This framework "reinforces the ideology of the family and personal life as private locations, thus naturalizing the family as a sphere of social life where power does not normally impinge."[7] This conception problematically relies on a false understanding of the private realm. In reality, power is pervasive in the sphere of domestic life. The feminist slogan "the personal is political" identifies how supposed private activities are highly political. Originally, the human rights discourse rooted in liberal philosophy "assumed that people were able to actualize their rights through rational choice."[8] The history of India's women's rights movement, however, shows how from the beginning Indian feminists were critical of this classical formulation of rights and found themselves immersed in issues of nationhood and sociopolitical rights.

The Movement for the Domestic Violence Act

Feminism has a long history and culture in India. The Bhakti tradition, lasting in India between the 13th and 17th centuries, deconstructed gender and caste hierarchies through inclusive writings and rituals. In modern times, the women's movement gained substantial momentum during India's independence from the British. Joining in the activities of other marginalized groups, such as the Dalit caste movement, the Indian women's movement became increasingly interested in the rights debate and equal protection under the law. As mentioned earlier, from the onset, the movement demanded not just formal rights but insisted on government support to ensure that material conditions allowed for women's equality. Indira Gandhi, the second Prime Minister of India and leader of the leftist Congress Party, focused on women's issues and institutionalized support by creating the Committee on the Status of Women.[9] However, the movement lost political support during the 1980s, as the more conservative Bharitya Janata Party (BJP) came into power.

During this time, however, international recognition of women's issues, spread by globalization and the human rights discourse, touched Indian soil through the signing of CEDAW (Convention on the Elimination of All Forms of Discrimination Against Women) and India's participation in the UN Platform for Action, emerging out of the Fourth World Conference of Women, Beijing, in 1995. India signed CEDAW in 1980 and ratified their signature in 1993. Both CEDAW and the UN Platform for Action placed affirmative duties on the state to prevent any discrimination against women, even if private actors do the action. Because these documents held the state responsible, "to the extent that it fails to provide or utilize the apparatus that prevent or redress the wrongs,"[10] it required India, as a signing member, to implement legislation *and* the infrastructure necessary to protect women against violence.

In 1992, the Lawyers Collective Women's Rights Initiative (LCWRI) began drafting model legislation for a new civil law on domestic violence. The women's movement saw a need for a new civil law for multiple reasons. Prior to this Act, Section 498A and Section 304B of the Indian Penal Code, also known as the anti-cruelty statute and anti-dowry statute respectively, made it extremely difficult for women to register cases unless a dowry demand was involved. Section 498A IPC criminalized a husband or relative of the husband for "any willful conduct . . . likely to drive the woman to commit suicide or . . . to cause grave injury . . . of the woman" or "harassment of the woman where such harassment" is due to a demand of dowry.[11] Section 304B IPC criminalizes the husband or relatives of the husband when his wife dies under abnormal circumstances within seven years of a marriage and it is shown that she was "subjected to cruelty or harassment by her husband" or his relatives in connection with a dowry demand shortly before her death."[12] According to a study done by the ILS Law College of Pune, it was found that, "society in general, including the legal machinery, especially the police force, believed that dowry is a necessary component for filing a case under Section 498A IPC."[13] Therefore it became clear that India needed a comprehensive law that provided legal redress for women facing economic, sexual, emotional, or physical forms of violence. The LCWRI consulted with women's groups all over the country and it was decided that the law should be civil instead of criminal. Whereas both Section 498A IPC and Section 304B IPC result in arrest, "a civil law [was] needed for a woman who may not want a divorce but freedom from violence."[14] During an interview with Sanyogita, director of Pune's Center for Advocacy and Research, it was said, "the breakdown of a marriage in our society means a virtual civil death for a woman. Once women are protected against domestic violence and their shelter is ensured, they are likely to be in a position to think of options to sort out or change the situation."[15]

In 1998, the Lawyers Collective "drafted the current version of the bill in consultation with other women's rights organizations and based it on the U.N. Framework for Model Legislation on Domestic Violence."[16] The bill faced resistance by many political figures particularly because, as discussed above, "the introduction of the question of gender violence breaches the conceptual public/private divide in the discourse. It generated a fear of the erosion of individual rights by concomitantly increasing punitive state powers."[17] After much discussion and changes in some of the amendments regarding the definition of domestic violence, the bill went through both the Lok Sabha and the Rajya Sabha, and the President passed it in September 2005.

II. Implementation

In the Act, domestic violence is defined as "any form of abuse causing harm or injury to the physical and/or mental health of the woman or compromising her life and safety, any harassment for dowry or to meet any other unlawful demand, or threats to cause injury or harm."[18] The act covers four forms of abuse: physical (any act that causes bodily injury or hurt), sexual (any humiliating or degrading sexual act), verbal and emotional (insults, ridicule, and threat causing harm or injury), and economic abuse (deprivation of the basic necessities of life and entitlements that cause injury or harm).[19] Under the Act, a woman can receive a protection order, a residence order, monetary relief, compensation order, custody order, and an interim/ex parte order. However, these legal promises remain unfulfilled in light of the poor implementation mechanisms. Further, many women are not aware of the Act nor do they have access or the resources to engage with the law.

Social Barriers to Implementation

> *"You can tell the condition of a nation by looking at the status of its women."*
>
> —Jawahralal Nehru

Violence against women is pervasive throughout India, reflecting the sub-status of women in the patriarchal society. Discrimination against women in India occurs even before birth. Sex selective abortion of female fetuses and female infanticide are practiced in both rural and urban areas to ensure the birth of a male child. According to India's 2001 Census, for every 1,000 males there are 927 females.[20] Further, women have "lower life expectancies, and lack of access to education, healthcare, and employment opportunities."[21] Women in India have a 47.8 percent literacy rate compared to 73.4 percent of males who are literate.[22] This gender discrimination begins from before birth and continues into their adult lives, such that women accept patriarchy as a way of life, and to not participate is to not be a "true Indian woman." For many women, the home is the most inequitable space.

In a traditional Indian family, once a woman is married she is expected to participate in dowry practices and further takes on the responsibilities of a joint family. It is assumed that the woman will leave her natal home and care for the home of her husband and in-laws. This expectation of caring for the home is where much of the violence against women escalates. During many interviews women reported that one of the main reasons for violence included not meeting the husband's expectations in managing the household. The violence is derived not only from the husband, but often times from the in-laws as well. As one woman said in an interview, "If I delay cooking or any other work, my mother-in-law becomes very angry and scolds me. After this, she also complains to her son. At this he becomes very angry, scolds me, and sometimes, beats me."[23] Often times, women do not recognize their situation as violent because it has been so normalized from the time they were born.

Family violence is not limited to any age, education level, socioeconomic class, or religion. Alarmingly, "70% of female domestic violence victims in India believe that "wife-beating" is justified by at least one reason."[24] During an interview with one upper-caste Marathi woman, she said, "for me occasional slapping by husband is normal, and he has right to do that. After all I live with him and he bears all my expenses."[25] In a different interview a similar sentiment was shared, "My survival depends on his earning. How could I retaliate to husband's scolding?"[26] In this interview the woman repeatedly mentioned the success of her daughter, and when asked if her daughter were being beaten and whether she would support her leaving, she answered, "No, I would not like that, who will care for her? Who will provide for her?"[27] From these interviews it can be understood that many women do not the have the economic resources or the education to pursue an alternate lifestyle. It is thus imperative that coupled with this Act comes the development of the social and especially economic status of Indian women. The statistics are very grim on the financial independence of women: "As of 2001, about 30% of women in rural areas and about 12% of women in urban areas were economically active as compared to about 52% of men in rural areas and about 50% of men in urban areas."[28] One scholar, Radhika Coomaraswamy, argues that "women will not continue being victims of domestic violence if they have their own plot of land and their own economic resources. Women's access to land will also give access to credit, information and technology to work the land and its security will increase dramatically if they are given access to land."[29] Even if women do perceive their situation as abnormal, often times they do not feel safe speaking out against it nor are they aware of the laws in place to protect them.

Patriarchy is enforced not just by men, but by women as well. Often times, the entire community ostracizes women who have come out against their husbands. Therefore, if a woman does want to voice her opinion, she has no community support network and in many cases, she is unaware that there are laws in her defense. A worker at the Department of Women and Child Development said, "Women generally have no information about law, or whom to approach when they face a problem. Even the women who are educated, who are working, are unaware of various legal provisions or their rights."[30] According to the National Family Health Survey in 2007, "only one in four women has ever sought help to try to end the violence she has experienced,"[31] and further, "two out of three abused women have not only never sought help but have also never told anyone about the violence."[32] One interview with a domestic helper who comes from a rural village one hour outside of Pune captures these multi-layered problems:

> *I was married at the age of 16 as an arrangement. I have been educated up to the fourth standard, and my husband has no education. I have been beaten all the time since I was 16. The first year was better, but after that [my husband] began drinking more and more and became very jealous. If I liked anyone or talked to anyone he would get very angry. I could not laugh, and I was told I should not speak to anyone. I never thought to go to an advocate. I knew nothing about the law. I wouldn't even be able to pursue my case, I work all day there is no time.*[33]

When asked what in this description was abusive, the woman only identified the physical beatings, but could not understand how emotional abuse was violence. Further, after showing her the copy of the Act and asking if she would engage with it, knowing that the law protected against physical and emotional abuse, she responded:

> *I have to be with my husband for my whole life and if I had known about the law I would not go to keep the prestige of my father and mother. I believe in the law, yes, but women should have someone there who should care. Support is very important, separated women will get justice from law but not justice from life.*[34]

This interview reveals the limits of the law's reach. It cannot be accessed if women themselves do not see their situation as violent. Further, even after that recognition, women fear the reactions taken by their families and communities if they do attempt to gain independence. This law must be coupled with community support and infrastructures that empower women locally. During another interview with a domestic helper from Khopali, similar sentiments were shared. However, this interview is unique in that she was one of the "two percent of abused women who ever sought help from the police."[35]

> *I was married at 18 years. My husband used to beat me a lot. He would steal my ornaments and then would yell and beat me if I protested. One night my husband drugged me, gave me a sleeping drug. He took my son who was one and a half years of age and left me. I have not seen my husband or son in eight years. I still wear a mongul sutra to protect me from harassment in public. I saved all my money working with a family to buy one. Once my child was taken, I went to a woman activist in my town. I was very confident this organization would help me. They told me to go to the courts. When I went to the police it was clear they had no intention of doing anything forceful for me to get my child back. At the courts they interrogated me and asked how I could have lost my child. They made me feel terrible, it was very traumatic. The case was also getting prolonged so I met a nice advocate, but he asked for 10,000 rps, which I did not have, so I closed the case. I had believed in the law. But now I do not believe. I lose faith that law will do something for me. People will help me. Not the law. No law will help me, so I had to find my own way.*[36]

This woman's insistence on wearing a mongul sutra reveals how widespread the importance of marriage is in Indian culture. A woman without a husband is treated as an absolute outcast within society. Further, she had the courage to try and find redress within multiple legal mechanisms: the courts, advocates, and the police. In each situation she faced a negative response. She had no financial resources to hire an advocate, nor did the advocate inform her of her right to legal aid under the Legal Services Act of 1987. The police and the courts did not assist her, and she was met with male bias and patriarchal assumptions. Therefore, as this interview exemplifies, law's power to grant equality is stifled by the social realities of women. Furthermore, the law itself is influenced by its context, reflecting the patriarchy it is supposedly trying to treat.

Legal Barriers to Implementation

"The responsibility for making this law work has been put on a non-existent machinery"
—Madhu Kishwar[37]

The implementation of this Act is wrought with problems. Some of these problems are related to the fact that it is a relatively new piece of legislation. However, problems that seem more permanent, such as lack of funding, procedural delays in the court, the absence of a gender-sensitive judiciary, lack of training for police and protection officers, "leave litigants vulnerable to cultural and social biases and obstruct [women's] access to justice."[38] The law provides many avenues for women to file a claim, but each of these separate entities lacks coordination with each other.

Issues Pertaining to Protection Officers

A protection officer "is an outreach officer of the court who can help a woman in making complaints, filing an application before the magistrate for orders, helping her in getting support like medical aid, counseling, and making sure that the orders passed by the court are enforced."[39] However, the role of the protection officer has been extremely problematic. Firstly, not all states in India have even designated protection officers. In Maharashtra, where they have been designated, all 3,900 officers have been taken from the Women and Child Development Department, Revenue and Forest Department, and Rural Development Department.[40] Aside from the Women and Child Development Department, these protection officers have no previous background working with women's issues. Of the 37 districts in Maharashtra only 12 districts have received training for these protection officers.[41] During interviews with protection officers many expressed a "need for proper training, orientation, and resource material."[42] Under Section 5 of the Act, it is the duty of the protection officer to inform the woman of her right to legal assistance (Legal Services Act of 1987), however, that is rarely done.[43] Further, in a study done in 2009 it was found that, "eighty percent of protection officers in Delhi and ninety eight percent in Rajasthan responded incorrectly, that the role of the domestic incident report (DIR) is to initiate legal proceedings."[44] These errors influence how the cases proceed for women, and demonstrate the grave need for protection officer's training on these matters.

Often times, the protection officers will try to handle the matter outside of the court by counseling the women and advising them to stay in their situation. This is extremely problematic, since "the understanding of many of the Protection Officers on gender equality, domestic violence, and the situation of women living with domestic violence is a cause of concern."[45] From a study done in 2009 by the Lawyers Collective Women's Rights Initiative, over "ninety percent [of protection officers in Rajasthan] agreed to the statement *before filing a complaint of domestic violence, a woman should consider how it would affect her* *children*."[46] More so, in Rajasthan, "more than ninety percent is a family affair that can best be resolved by counseling women. In Delhi, nearly seventy five percent expressed a similar opinion."[47] These findings indicate that the majority of protection officers, who are meant to be the liaison for women and the law, believe that a woman should put her family's interests before her own safety. During an interview with an advocate and director of a women's NGO in Pune, she described, "There is no privacy in their offices where they can talk to the distressed woman to understand all required details."[48] Aside from the lack of training and gender sensitivity, many of the protection officers simply do not have the time or resources to deal with the claims.

Protection officers in most states are already working as government officials in other departments. Currently, only Delhi and Andra Pradesh have full time protection officers. Therefore, the majority of those appointed already have a substantial workload. More so, they do not have the resources needed to deal with the claims. During one interview, a woman recalled, "I went several times to the Protection Officer's office but he did not find me, as he was overworked. He could not even speak to me. In this way a lot of time was wasted and I had to make many trips to the office without any development."[49] Another woman describer her situation, "One and a half years ago I filed a case under domestic violence but have received no support from the Protection Officer. After that my husband has many times threatened me on phone and through messages. So I changed my phone number. Why not the laws do not support us when we badly need them?"[50] Not only are the protection officers already overworked, but they also are not given any special budget to file these claims. There is no extra compensation for this added work, thus often times, the protection officers treat this responsibility lightly. Further, many protection officers complain that they do not even have enough funding to make copies of the forms necessary. Often times protection officers direct the women to service providers who are authorized by law to help the women file their claims.

Issues Pertaining to Service Providers

A service provider "is a nongovernmental organization (NGO) or other voluntary association registered with state governments. They provide assistance and support to the woman facing domestic violence."[51] Service providers are legally allowed to file a Domestic Incident Report (DIR) with the service provider, as well as the protection officer. Only 18 states in India have so far begun the registration process for service providers. This is problematic because although the unregistered NGO can support the woman, "complaints can be lodged only with the registered special providers."[52] NGOs in India play a crucial role in women's awareness of domestic violence. Often times, women feel uncomfortable approaching police or protection officers directly, since the majority of them are male. Thus, the resource of women's NGOs is vital to women's access to the law. Service providers have also not been allocated a special budget to assist women in the filing of complaints. According to an advocate and a women's NGO director, "Most of the time, the responsibility lies with the NGO, but very few agencies have the resources to take the issue to court."[53] Both service providers and protection officers complain about the lack of coordination with the police in the efforts to assist women. According to the director of another women's NGO, "protection officers and service providers need the support of the police to implement the law, but police do not interfere."[54]

Issues Pertaining to the Police

Police are often the first point of contact for women in cases of domestic violence, "hence they have a tremendous potential to play a critical role in informing women of their rights and protecting them from further violence."[55] However, the majority of police officers are male and are operating under patriarchal norms. This male-centered ethos finds its roots in the history of the Indian police force; "modern police force in this county was introduced during the British period as an instrument of repression."[56]

Because the Act is civil and not criminal law, many police do not feel it is their duty to get involved. During an interview with the assistant director of the Police Academy in Nasik, it was said that police should only get involved in extremely violent situations. When he was asked to clarify what constituted extreme violence, he responded, "very serious injuries, not a slap."[57] This idea of domestic violence harks back to the issues found in the stringent law of Section 498A IPC. In a study done in 2009 it was found that, "close to half of all the police in Delhi and Rajasthan agreed or partially agreed with the statement *women deserve to be beaten in certain situations* and over eighty percent in both states considered domestic violence as a family affair, that can best be resolved by counseling women."[58] Regarding the police's views toward the Act itself it was found that, "sixty six percent of police in Rajasthan agree or somewhat agree to the statement *The PWDVA 2005 is a tool designed to harass men and his relatives.*"[59] Such findings unveil the male bias central to the legal mechanisms meant to protect women. Without the police's cooperation, the court's orders have no effective implementation. As one woman describes, "I was given a residence order but the family members have locked the home and left. I have a residence order with me, but I have been staying on the road for almost a month outside the locked door of our home."[60] Without the force of the police, the residence order has no actual bearing on the woman's life. Furthermore, another woman describes:

> *I was married at the age of 18. Immediately next year I gave birth to a daughter. In my subsequent pregnancies my husband and in-laws forced me to undergo sex selection test. Whenever it was a female fetus they forced me for abortions. I had six abortions. If I protested by husband threatened to give me talaq, which I feared the most. Where would I go with my two children, I am not educated. I lived under pressure and torture for 16 years. I was unaware of the law until I came in contact*

> *with a woman's NGO. They told me the law, and it gave me strength and hope that I will get my rights After all being a woman is not a crime. Women need security. But when I filed my case, my husband and in-laws disowned me. I have no money from my family. I have survived physical, mental, and economic torture for 16 years. Now I want a place to stay, a share in the household.*[61]

This woman's desperate plea shows that the courts, the protection officers, and the NGO's work are rendered meaningless without the support of the police to stand behind such claims. The police should not consider family matters an extra burden to a busy schedule, but rather, the role of the police is vital for a woman before and after the claim has been filed. They must take their role seriously in the beginning to direct women to their proper resources, and they must follow up with the cases, guaranteeing each court order is implemented successfully. Prior to this though, there are many complications that are found once the claims make it to the courts.

Issues Pertaining to the Courts

Similar to the issues found with protection officers and police, the courts also face the problem of hearing cases through a male bias. One advocate described an experience in court where the judge exclaimed in open court, "This law is not a good law and should not be there."[62] From one study in Andra Pradesh it is noted that, "in case after case, what was strikingly evident is a construction of womanhood by the judiciary that reflects stereotypical assumptions about women's rights in the family . . . violence was considered 'an integral aspect of our traditional culture' and thereby to be condoned. If the woman could not endure the abuse and committed suicide, then it was because the woman herself was emotionally over reactive and prone to suicide at the slightest provocation."[63] These essential views of women are not only reflected by the courts, but also by the "law [that] operates to further reinforce this familial ideology."[64] Furthermore, many advocates interviewed complained of the lack of information the judges had regarding the Act. In the courtroom, the judges ask very basic questions and are untrained on the legislation, which takes up time that neither the courts nor the woman have.[65] According to the Act, the entire court proceedings should be completed within sixty days of filing the application. However, cases are now pending for two to three years. This is not just a mere frustration for women; this is a concern for their personal safety. However, within the past couple years, a few monumental cases have been decided that reveal an increasingly gender-sensitive attitude from the judiciary. Perhaps this can be attributed to the trainings being done by NGO's throughout the country to inform judges on the law and its intentions, and the increase of women in the profession of law. In *Dennison Paulraj and Ors. v. Union of India,* the Judge wrote in his decision:

> *There is a perception, not unfounded and unjustified that the lot and fate of women in India is an objectively dismal one, which requires bringing*

> *into place, on an urgent basis, protective and ameliorative measures against the exploitation of women. The argument that the act is ultra vires the Constitution of India because it accords protection only to women and not to men, is therefore, wholly devoid of any merit.*[66]

This opinion reflects a substantive view of equality for women. The judge understands the intentions behind the law and takes into account women's social position in India in his legal decision.

III. Conclusion

> *"The law was made as a result of the women's movement, but the movement need not stop since the law is force. It is the right of every citizen to get protection from every state and non-state actors."*
>
> —Speak Out, in Pune

There are numerous social and legal barriers that are inhibiting the effectiveness of the Domestic Violence Act of 2005. Although the passing of this legislation was a significant step forward for women in India, its successful implementation is crucial so that law on the books becomes law in action. The constitutional guarantees remain unfulfilled if funding, training, and more resources are not provided to protection officers, service providers, the courts, and the police. Further, this law should never be seen as separate from its context. Unless other social barriers, such as economic deprivation and lack of awareness for women are addressed, the law will remain an ideal never realized. Additionally, the belief that the home and family is a space void of judicial power must be demystified in order for jurisprudence to move forward. "Feminist engagement with the law should be seen as an all or nothing proposition. Law is a site of complexity and contradiction. Recognizing this complexity and contradiction simply makes the task of developing feminist legal strategies more complicated."[67]

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The Outsourcing of Pakistan's Mineral Wealth: Raising the Curtain on the Reko Diq Deal

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Introduction: Pakistan's Vast Mineral Wealth

An abundance of natural resources lays a strong foundation for future prosperity and economic development for any nation. Although the progress of some nations may be driven by the advancement of their technical knowledge and the superiority of their human resources, for most developing, third world countries, this is not a viable option. These shortcomings may however be compensated by their plentiful natural reserves. Yet economists debate as to whether resource wealth is a curse or blessing.[1] Pakistan serves as one example of this debate.

Pakistan is a country brimming with natural treasures and is fast emerging as a very promising area for exploration. Its diverse geology and geography is comprised of plentiful reserves of metallic and industrial minerals, valuable gemstones, and substantial reserves of fossil fuels. In addition it has a huge population, large amounts of arable land, and proximity to some of the most dynamic markets in the world.[2] Metallic reserves include the Duddar zinc-lead deposit, the Saindak copper-gold deposit, Punfmin iron ore deposit, and the private sector porphyry copper and gold prospects at Tethan Copper and Reko. In terms of industrial minerals, there is a vast potential of multicolored granite, marble, and other high quality dimensional stones. Additionally, Pakistani coal reserves are estimated to be at 185 billion tones, which would be the sixth largest in the world. Likewise according to the Oil and Gas Journal (OGJ), as of January 2006, Pakistan had oil reserves of 300 million barrels and natural gas reserves of 28 trillion cubic feet.[3] Finally, in Pakistan, there are many sunny days per year providing great opportunities for the development of solar power. One of the largest wind farms has already begun producing wind energy in the country and work on six new dams is underway with Bhasha coming up first.[4]

Importance of these Reserves to Pakistan's Economy

The term mineral is used to refer to all underground natural resources, although in geological terms petroleum may not qualify as a mineral. The mineral deposits of Pakistan can serve as the much-needed source of respite for the economy. A substantial income flow may be generated through the sustainable management and efficient extraction and marketing of mineral products at home and abroad. In addition, mining operations can raise government revenue as they are usually subjected to a wide range of taxes including corporate income tax, mineral royalty, and customs duty. Pakistan's escalating population level (doubling of the population every 15–20 years) and its strive for economic growth has and will continue to put an ever-increasing strain on its natural resources.[5] The revenues from the mineral sector can be used to improve infrastructure, health, education, and agriculture, while creating jobs and, most importantly strengthening the political and economic independence of Pakistan.[6]

Pakistan's fossil fuels are its major energy source. According to forecasts of the Pakistan and Regional Energy Forum (2009), Pakistan's energy demand over the next fifteen years is expected to grow at a rate of between 4.4 percent and 6.1percent per annum. Although hydropower can meet nearly half of its energy needs, its present contribution is only around 32 percent.[7] Instead, the conventional thermal plants using oil, natural gas, and coal account for almost 66 percent of Pakistan's capacity.[8]

In many countries, coal has been converted into oil and other byproducts. This could be a goal for Pakistan considering its abundant coal reserves and also that Pakistan imports most of its oil at a very high price. According to the HSBC's standard rate of conversion, Pakistan has coal reserves equaling 618 billion barrels of oil, which is twice the oil reserves of Saudi Arabia.[9] Thus with suitable *CTL (coal-to-liquids) technology, Pakistan may be able to significantly reduce oil imports and stimulate exports.*

The export contribution of gemstones can also be significantly increased. Pakistan ranks among the leading gem-hosting countries. *Its gemstone export revenue in 2001 ranged from an official* US $2.2 million (GSP statistics for 2001) to an unofficial US $200 million. *With the present system, however,* mineral exploitation contributes only 0.4 percent of GDP, and *the share of exports related to natural resources has decreased over time* from over 12 percent in 1977 to fewer than 4 percent in 2005.[10] However with adequate capital and a complimentary investment climate, the mineral sector has the capacity to reshape the economy. It can contribute annual revenues and foreign exchange in the range of $1.5 to 2 billion or 2–3 percentof GDP, encourage secondary and tertiary economic activity, and provide employment and community development in remote parts of the country.[11]

Ownership and Government Handling of these Resources

Abundance of natural capital alone, however, is not sufficient for prosperity and economic development. Despite its extensive geological potential, there is little mineral production in Pakistan, although exploration activities have increased after introducing the National Mineral Policy in 1995. The Mineral Policy made minerals (other than oil, gas, nuclear minerals, and those in areas under the control of the national/federal government) governed by the regulations of the respective provinces in which they are located.

The management of mining resources is generally considered the exclusive domain of the public sector: Ministry of Petroleum and Natural Resources through the Federal General Direction of Mines. Each province has a separate Department of Mines and Minerals with the mandate to grant mining licenses and leases, collect fees and royalties, and monitor activities in the mineral sector.[12]

Pakistan's domestic mining industry is basically monopolized by thousands of inefficient, traditional, small-scaled mines.[13] While only five different minerals were being extracted at the time of Independence, the number is now nearly fifty. Pakistan's mineral development occurs at numerous quarries producing industrial minerals of limestone, rock salt, marble, gypsum, and coal. Pellegrini and Kruseman (2008) wrote with reference to Pakistan's forest industry that "the current situation is . . . an incoherent set of external interventions and strategic reactions by different agents in the local communities."[14] It would not be incorrect to say the same for its mining industry. The backwardness and low productivity of this industry stems from a combination of legal, political, technical, managerial, and financial issues vis-à-vis the Pakistani government. Additionally, with the prevailing corruption and vested interests, Pellegrini and Kruseman (2008) remark that "the illicit use of natural resources . . . has become so widespread that it is now the norm."[15]

Sale or Outsourcing of Resources to Foreign Companies

While resources may be safeguarded against the Pakistani people, they cannot be protected from influential outsiders that are cooperating with government agencies.[16] For decades, due to the depletion or inaccessibility of mineral reserves in their home countries, multinational corporations have turned their eyes to the riches of the developing world.[17] Realizing the vast potential of major reserves, there is great opportunity for the multinational companies to invest in Pakistan. In the case of mining, neither the NMP nor the provincial mining laws impose excessive restrictions on areas available for exploration and mining. Many of Pakistan's more lucrative mineral reserve stocks have been outsourced or are being explored under joint ventures and partnerships with various international companies.

Foreign investors are mainly from China due to their historic political ties with Pakistan.[18] However, in the case of oil, the major IOC's operating in the country include BP (UK), Eni (Italy), BHP Billiton (Australia), Orient Petroleum Inc. (Canada), Petronas (Malaysia), and Tullow (Ireland). BP is the largest oil producer in the country operating 43 fields.[19] According to the Pakistan and Regional Energy Forum (2009), the latest foreign firm to show interest in developing Pakistan's offshore oil industry is the Brazilian oil giant Petrobras, which would jointly explore the coast with PPL.[20]

Large reserves of low-ash and low-sulfur lignite coal were recently discovered in the Tharparkar Desert. This has attracted both local and foreign development interests particularly in China, which began developing various electric power plants in tandem with the coal mines in 1994 in Pakistan.[21] A feasibility study contract has also been signed with Rheinbraun Engineering from Germany.

In the natural gas sector, the state-owned company Pakistan Petroleum Ltd produces one-third of the country's total gas output. Other players include the Oil and Gas Development Corporation (OGDCL), as well as foreign firms like BP, Eni, OMV, and BHP. In addition, future gas production is expected to increase following a memorandum agreement with Gazprom, a Russian state-owned oil and gas giant.

Assessing Whether the Foreign Ownership of Pakistani Reserves Is Providential or Tragic

In an ideal world, foreign companies would be respectful of the host country's environment, labor, and cultural heritage and would be willing to sacrifice excess profits for the betterment of the local population. However reality and idealism seldom match.[22] The Public Mining Institutions in Pakistan lack the technical capacity, the managerial skills, and the necessary financial muscle to successfully explore and extract its mineral wealth. As a result, the mining industry has always taken a backseat to the traditional agriculture and manufacturing industries. This coupled with the fiscal package of income tax, royalty, and customs duty rates and the reality of Pakistan's competitive investment climate in the current global market might lead some to believe that any foreign investment is favorable investment.[23]

This outsourcing can be validated on the ground that mining contracts are not made without following the Balochistan Regulations. Article 27-3 states, "An exploration license shall not be granted to an applicant . . . unless the licensing authority is satisfied on reasonable grounds" and then that it must be "in the best interest of the development of the mineral resources of [the province] to grant the lease."[24] By law the provinces also retain the right to cancel mineral titles in case any of their stated requirements are not adhered to.[25]

MNC's cannot be automatically considered bad just because they are rich or well-known. They may create jobs, stimulate the economy and even raise living standards in host countries.[26] The people of the host country may be sitting idle over reserves worth billions of dollars, not having the capacity to develop them. They require the foreign companies' knowledge, technology, and capital. In addition it will be the foreign company shareholders who will have to bear the risk of failure. Thus if foreign companies do not misuse their rights, a long-term mutual-beneficial relationship may develop between them and the local population.

However as Kruseman and Pellegrini (2008) highlight, the various stakeholders of any project will have different and at times conflicting aspirations from it. Duong (2004) has pointed out that "confidential negotiation between MNCs and governments of the developing economies has long shaped the pattern of third world economic development." Foreign firms come in search of wealth, which in turn symbolizes power and leverage. As a result, due to esoteric and technically complex international transactions, a host country's wealth may not at times lead to a better life for its citizens.

The provincial governments of Pakistan sign a mineral investment agreement with mining companies. However, mining companies generally have the stronger position and can secure more favorable terms. Also as long as the foreign company does not violate any of the provisions of the agreement, the local government cannot superimpose any other "exploration concession . . . on their license areas, regardless of the character of the minerals involved."[27] Such outsourcing may further curtail the development of a local entrepreneurial class capable of developing their own country's resources.[28]

Case Study: The Reko Diq Deal

Reko Diq is one of the world's largest copper and gold reserves, located on the Tethyan belt in the Chagai District of Balochistan, with potential for a place among the largest undeveloped gold and copper resources on the globe. According to credible local and international estimates, the area contains over 11 billion tones of copper and nine million ounces of gold.[29] The copper and gold deposits at Reko Diq are thought to be even larger than Sarcheshmeh in Iran and Escondida in Chile.[30]

With rapidly rising international gold and copper prices, Reko Diq undoubtedly possesses immense potential of becoming a major exporter. The project's feasibility study began in December 2007 and is expected to be completed in the second half of 2009.[31] Reko Diq is to enter production in 2012. Production of some 150,000 tones of copper per year is targeted but capacity may eventually be raised up to 220,000 tones per day, which would not only bring Pakistan on the world copper map but also strengthen its economy.[32] In addition the project would earn Balochistan billions of dollars in profits and royalty over the life of the mine.

Ownership of the Reko Diq Reserves and Project Management

However there are many reservations about the smooth running of this multi-million-dollar project. Since the year 2000, there have been numerous changes in the foreign sponsorship of the project.[33] According to reports, the natural deposits at Reko, worth an estimated US $65 billion, might have been sold for exploration, for a mere US $21 billion to Tethyan Copper Company Ltd.[34]

Tethyan is a subsidiary of the Australian mining company Mincor Resources NL created in 2000 and as of 2006, its interests are jointly held (50:50) by the Canadian Barrick Gold Corporation and Chile's Antofagasta Minerals. Tethyan was listed on the Sydney Stock Exchange to raise capital for the feasibility study in the largest exploration fundraising in Australia for several years. It thus became "the first Pakistan focused project that is listed on an international stock exchange whose shares trade daily and tells the emerging Pakistan story."[35]

The mines are developed in cooperation with the (BDA) Balochistan Development Authority with a 25–75 percent stake. The provincial government is not helping to fund the project and will get two percent of the royalty. The federal government would get 1.25 percent of presumptive (export) tax and 0.5 percent EPZ surcharge.

The Anglo-Australian; BHP Minerals International Exploration Inc. in July 1993 signed its first contract with the Pakistan government, with the company's stake at 75 percent. BHP Billiton invested over US $7 million in the project and discovered major copper and gold reserves in Reko Diq.[36] But BHP failed to make any significant progress in exploring the reserves, and thus in 2000, under a "deed of waiver and consent," Tethyan Copper Co Ltd secured the right to all BHP interests, with BHP reserving a claw back right (the right to return to the project after it has withdrawn) in case of a major find. In such a situation, BHP Billiton can elect to take a 70 percent stake in that project and then will have to pay Tethyan 310 percent of the latter's previous expenditure on the project.[37]

The NMP does allow the transfer of exploration licenses, providing the transferee possesses the stipulated qualifications.[38] Also it must be mentioned that in accordance to their joint venture agreement, BHP had first offered their 75 percent share to the Balochistan provincial government.[39] But since it did not have enough resources, it agreed to put aside their right of first refusal and allowed BHP to look for outside, interested companies. Thus Tethyan entered the picture, and it is expected to start Reko Diq in 2003.

With the current security threat in the country, Tethyan has sought sovereign guarantees from Pakistan for protection investment. If an agreement is reached, Tethyan is committed for the next 13 years, and is expected to invest around $1 billion per annum, taking total investment to $13 billion.[40]

There are mixed views regarding Tethyan's dealing with the local Balochis. The company has maintained that it must adhere to the concept of corporate social responsibility when it comes to training and employing Baloch youths.[41] The project is also expected to provide employment to about 1200 Balochis.[42] Ansari (2009) reports that the state's petroleum advisor has confirmed 292 employees currently working at Reko Diq, 247 of whom are locals.

Tethyan's managing director David Moore claimed, "We have a rigorous policy of employing local people from the Reko Diq area and training them. If we can't find the skills there, then we look elsewhere in Balochistan, and if we can't find the skills anywhere in Balochistan, then we finally go looking outside."[43] The company has sent several Balochi geologists for training in Australia, and its officers frequently update the tribal chiefs about the proceedings at Reko Diq.[44] However critics paint a very different picture. They believe that corporations are in search of profits and this leads to disregard for the society, the locals, and the environment.

Analyzing the Reko Diq deal

Analysts are divided over the benefits of the Reko Diq deal for Pakistan. If successful, as Moore stated, it could create a whole mining industry in Pakistan. Gauhar supports the view that the Balochistan government has secured itself a very lucrative deal here. Tethyan will be entirely responsible for all the early expenditure, which may take up to ten years or longer. The Baluchistan government will only have to contribute funding in the last phase of the project (mine construction and getting into production). This is expensive, but carries a fraction of the risk since the success of the mine has already been confirmed.

Also, at present, Pakistan lacks the technological sophistication and the environmental stability to conduct these operations on its own. Pakistanis generally think short term, and they are not prepared to invest over long periods without seeing immediate results. If we consider the indirect instead of the direct profit of the Reko Diq project we will see Balochis benefiting from a trickledown effect.

Others are not quite satisfied with how the politicians and foreign companies have managed Reko Diq. They are not content with the price at which it has been handed over to Tethyan and also with Pakistan's limited stake (25 percent) in the project. They believe if managed correctly, the Reko Diq reserves could serve the Pakistan state much better. After all, the total debt on Pakistan is US $45 billion.

Many argue that since they are Pakistan's resources, Pakistan should get a more favorable deal. For example, some argue that with the claw back right over the resources resting with Billiton and the compensation worth $50 million, Tethyan will pay to cease this right in some areas of Reko Diq and the money will go into foreign pockets rather than to the Pakistan treasury.

According to the NMP, non-residential companies are liable to pay a 35 percent income tax, 5 percent import duty, and royalty rates of 3 percent of gross value for precious metals.[45] However, Barrick and Antofagasta were handed a very lucrative deal; as royalties were reduced from four to only two percent, they were granted land for an airport and a road from Reko to Gwadar. The Balochistan government was only to get its 25 percent after it had invested 25 percent. Critics claim that a better solution would be to publish a tender for any interested companies to say at what cost they are willing to conduct an exploration without first getting any share in the project.

The Importance of Learning and Understanding What Is Happening in Pakistan

The complex interaction between geopolitics, regional stability, and the possibility of great, undiscovered wealth makes Pakistan a "focus of political ambition, concern, and fear, all at the same time."[46] Questions can be raised therefore as to whether foreign powers are truly interested in developing Pakistan's resources solely for economic reasons.

One would have thought as Garcelon and Walker put it that the "The United States is too distant to be geopolitically dominant in this part of the world, but is too powerful not to be actively engaged."[47] The United States may be trying to expand the base of fuel reserves to which it and other western powers have access.[48] But more importantly, its interests in the region may be seen to arise from its attempts to prevent China, Iran, and Russia from extending their sphere of influence. The U.S. wants to undermine the proposal of an Iran-Pakistan-India gas pipeline and also to contain Chinese influence in the Gwadar port. The United States and the European Union are also highly concerned about a nuclear Iran. There are reports that U.S. Special Forces in Afghanistan are training the Baloch insurgents to destabilize Iran. These miscreants may also help to neutralize Pakistan with the effect of containing terrorist activities of Al-Qaeda and other similar organizations, thus promoting regional and also worldwide stability and prosperity.

Russia is another country that has a vested interest in Pakistan. It covets access to the warm waters of Gwadar where there is development of a major deep seaport that is projected to be the hub of an energy and trade corridor to and from China and the Central Asian republics. The major blame however is put on India, which is said to be working in compliance with Kabul in response to Pakistan's interests in Kashmir and Afghanistan.[49] A similar double game is occurring on Pakistan's eastern border. Behind the scenes, Pakistan's resources are being exploited: their significance and value hidden from public knowledge.

Solutions to these Problems in Pakistan

Despite the immeasurable riches of the land, Pakistan is still one of the poorest nations in the world. The management practices operating in the mining sector are going to be unsustainable in the long run. Outsourcing the exploitation and extraction of Pakistan's vast mineral wealth to foreign companies may seem the more prudent option compared to letting them remain underground, but this should only be a short-term strategy.

Pakistan needs to develop and modernize itself, so that it can take full advantage of its own resources without relying on others for help. The government must try to balance its needs and available opportunities as best it can until that stage is reached. It must try to keep the major resources intact, and where outsourcing is required, the government should try to honestly secure the most favorable conditions possible. It is true that beggars can't be choosers, but since they are Pakistan's resources, the politicians and the representative government agencies need to improve their diplomatic skills to secure the upper hand. They should carefully weigh all the options and then hand over the project to those that best serve the interests of the Pakistani people.

Mining is regarded a priority sector by the Federal Government of Pakistan, but despite the emphasis, nothing concrete has materialized. According to Oyefusi (2007), if a county developed the necessary institutional framework and adopted the correct policies at the time of resource discovery, it was likely to economically outperform other countries. Furthermore, as Shahnawaz and Nugent (2004) state, "Sound policy making, regulation and administration of the mining sector requires considerable coordination with other government departments, notably Finance, Justice, Transport, Power, Labor and Environment." This framework should be molded according to that of other successful mining countries. The jurisdiction of federal and provincial legislature should also be clarified. Though this has been achieved to some extent through the National Minerals Policy (NMP), there is still room for improvement.

The procedures for the grant of exploration licenses and the transfer of titles should be simplified and speeded up.[50] Longer terms and renewal periods for exploration licenses are necessary for international competitiveness. The voices of the public and other independent bodies should be heard in such negotiations.

Also, there should be well-defined, modern laws regarding the access and transferability of rights, the security of tenure, and operating rights. Furthermore, it is important to have means to enforce these regulations and to have an uncorrupted system for monitoring and control. Changes should also be made to modernize and strengthen the mining industry's existing fiscal structure by reducing its corporate income tax rate, customs duty, or royalty rate. Geological mapping should be extended to include the entire national territory as part of its economic infrastructure.

It is crucial that Pakistan develops its human capital to allow the country to build its mineral wealth and become more self-reliant. To do this, it is necessary to improve education and set up training centers to teach about mining, safety, and the environment according to the local conditions.[51] Improvements in productivity and technical knowledge will also increase revenues and this increased wealth will then, as Shahnawaz and Nugent (2004) concluded, reduce internal dissent and the chance of civil war. It is also vital for Pakistan to expand its infrastructure and capital assets. Electricity needs to be widely provided and new roads, railroads, ports, airports, telecommunications, etc. must be budgeted. Finally, there must be meaningful political change in the country as only a "responsible and competent government can truly bring about true economic prosperity for the third world."[52]

Undoubtedly, international investors currently have investment opportunities in many countries available to them. Pakistan therefore urgently needs to streamline and standardize its mineral policies and procedures and make them compatible with international practices if it wishes to compete in this lucrative industry in the future.

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Are Conditional Cash Transfers Best Suited for Middle-Income Country Success? An Analysis of Conditional Cash Transfer Programs in Mexico and the United States

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Since the United Nations Development Programme (UNDP) released the 1990 Human Development Report, development economists, non-governmental organizations (NGOs), and developing countries' governments have been challenged to think about economic development in terms of people. However, poor families have seen little benefit from traditional economic growth and increased services. The key problem, according to individuals evaluating the world's progress toward the eventual elimination of poverty, is a matter of access, which is generally limited by the constraints of structural poverty. Services may increase, due to economic growth and burgeoning markets, but the poorest individuals in these economies are still unable to use them. Therefore, some believe that the solution is found in Conditional Cash Transfer programs as these programs address issues related to access.[1]

Pioneered by the World Bank in the mid-1990s as a mechanism of poverty-reduction, Conditional Cash Transfers (CCTs) were designed as income supplements to enable poor families to develop human capital by bolstering social safety nets. As defined by this institution, a social safety net is a "noncontributory transfer program targeted to the poor or those vulnerable to poverty and [economic] shocks."[2] According to the World Bank, "the majority of countries in the world, irrespective of their level of development, implement social safety net programs."[3] Consequently, CCT programs are positioned to revolutionize the global use of social safety nets for the foreseeable future.

The concept of transferring money to individuals, contingent upon certain behaviors, is not as new as CCTs recent popularity may make them seem.[4] However, CCTs do encompass a unique behavioral adjustment component—the "condition" upon which the cash is transferred—which facilitates in the development of human capital. CCTs, therefore, aim to decrease immediate poverty for families in the short-term while developing the long-term behaviors that are paramount in decreasing intergenerational poverty. Although no program has been in existence long enough to adequately capture the relationship between CCTs and intergenerational poverty, the program does show promising results in some contexts in respect to its short-term goals.

CCTs differ in structural components as some programs are nationwide safety nets, others are regional projects, and others are pilot programs in a particular city or neighborhood. While this variety makes a generalization of a "typical" CCT program difficult, there are some components of CCT programs that are relatively standard. These components will be explained here.[5]

Health and Education Cornerstones of Conditional Cash Transfers

Payments conditioned on positive education and health behaviors are seen in nearly all CCT programs to date. For example, the Brazilian *Bolsa Família* program "requires 85 percent school attendance for school-aged children, updated immunization cards for children up to six years old, and regular visits to health centers for breast-feeding or pregnant women."[6] Other programs, such as the *Red de Protección Social* in Nicaragua, *Programa de Asignación Familiar* in Honduras, and *Familias en Acción* in Colombia, among many others, require similar basic investments in health and education for participating families.[7] In general, payments conditioned to education are higher for girls than boys, in an effort to account for the opportunity cost families face in sending their daughters to school.

Recently, these requirements embedded in the CCT program model have been heralded as key steps in achieving the Millennium Development Goals (MDGs) as established by the United Nations. In a recent report released by Gaspar Fajth and Claudia Vinay, participation in CCT programs was linked to "reductions in infant mortality (MDG4), better nutrition and improvement in anthropometry among young children (MDG1), better cognitive and language skills and fewer behavioral problems among children aged 8–10, and improved school enrollment and attendance, including among girls (MDG2 and 3)."[8] Specifically, in the Nicaraguan CCT program, participating families have an enrollment in primary education of 93 percent, compared to the control group's 75 percent, a decrease in dropout rates from 7 percent to 2 percent in the treatment and control groups, respectively, the percentage of children under age 5 that had low height for their ages decreased by 5.3, and a decrease of 4.9 percent of children aged 7–13 who were working.[9]

Various Components across Conditional Cash Transfer Programs

In addition to their education and health components, many programs incorporate other facets of human development as well. For example, in Tanzania, the target population of their CCT initiatives includes orphans, not just families. In Chile, the main goal of the CCT program is to increase the utilization of social workers; therefore, families develop their own conditional program with social workers after extensive education about the benefits of the conditions. Some CCT programs integrate the demand and supply components of social programs, including increased payment for teachers who have students enrolled in a CCT program (Nicaragua) and providing grants that go to schools and health care providers directly (Honduras).[10] The variety in program type, target, and even in how capacities are being built, is a potential advantage of CCT programs as it allows various organizations to adapt to their specific contexts.

Implications of CCTs

Beyond their immediate poverty reduction potential, CCTs provide important social benefits to participating families. For example, most CCT programs transfer cash to the female head of house, enabling women to assume a greater role in the decision making process regarding the use of household resources. The majority of CCT programs see this empowerment of women as a critical component in decreasing the education gap between boys and girls, specifically in primary school.[11] This is due to the increased likelihood of women investing more of their additional resources into their household and promoting education among all of their children.

CCT programs also have large implications for social protection programs in general. Their improved mechanisms for targeting the poorest of their respective countries' populations, as well as their integration within the larger social protection network, has allowed for more comprehensive registries of beneficiaries. This often takes the form of poverty maps, extensive data-driven evaluations of all social protection programs, more effective mechanisms for monitoring participant behaviors, or improved payment systems in the form of electronic transactions, which indirectly encourages participation in a country's banking system, as is the case in Argentina, Brazil, and Mexico.[12] Although not an inherent component of the CCT concept, successful CCT programs have changed the way in which social programs in various countries operate.

Table 1. World Bank CCT Programs, by Region and Economic Development Classification in 2008.

Region	**Country**	**Economic Development Classification**
Latin America and the Caribbean	Mexico	Upper-Middle Income
	Brazil	Upper-Middle Income
	Dominican Republic	Upper-Middle Income
	Jamaica	Upper-Middle Income
	Honduras	Lower-Middle Income
	Nicaragua	Lower-Middle Income
	Guatemala	Lower-Middle Income
	El Salvador	Lower-Middle Income
	Costa Rica	Upper-Middle Income
	Panama	Upper-Middle Income
	Ecuador	Lower-Middle Income
	Peru	Upper-Middle Income
	Chile	Upper-Middle Income
	Bolivia	Lower-Middle Income
	Paraguay	Lower-Middle Income
	Argentina	Upper-Middle Income
Sub-Saharan Africa	Burkina Faso	Low-Income
	Nigeria	Lower-Middle Income
	Kenya	Low-Income
Europe and Central Asia	Turkey	Upper-Middle Income
Middle East and North Africa	Yemen	Lower-Middle Income
South Asia	Pakistan	Lower-Middle Income
	India	Lower-Middle Income
	Bangladesh	Low-Income
East Asia and the Pacific	Cambodia	Low-Income
	Philippines	Lower-Middle Income
	Indonesia	Lower-Middle Income

Source: The World Bank. "Conditional Cash Transfers—Country Overviews & Project Info." Accessed on November 22, 2010. http://go.worldbank.org/SUHLHT69Co.

Creating Oportunidades for Mexico's Poor

Mexico, like many other Latin American countries, has a long history of inequality. This inequality has created a cycle in which the poorest—generally the indigenous population—remain destitute as they are often unable to develop their family's human capital. Oportunidades was founded on the belief that the poor, if given necessary assistance, would make investments for their families and their children's futures. Starting in 1997, the Mexican Oportunidades program is one of the most successfully implemented and evaluated CCT programs to date.

Program Description

Conceptualized by the Mexican government, Oportunidades is now the chief social protection program of in this country and it comprises 46.5 percent of Mexico's federal anti-poverty budget. [13] The Oportunidades program began with a "focus on rural municipalities with fewer than 2,500 inhabitants that had the necessary school and health facilities for conditionalities to be applied."[14] Since its initiation, Oportunidades has expanded to urban areas.[15] The Oportunidades program has also increased payments given to individual high school students.[16] Given these important expansions, the Oportunidades program has increased the number of beneficiaries from an initial 300,000 households to 5 million, which amounts to approximately a quarter of the population.[17]

Enrollment in the program is the result of a three-step process. First, program administrators must determine eligible municipalities; each municipality is given one of five ratings based on marginality (very high, high, medium, low, and very low marginality). Next, eligible households in these communities with high levels of marginality are chosen. Finally, program administrators request feedback from the community in order to confirm eligibility. This targeting mechanism is extremely effective with 80 percent of benefits reaching the poorest 40 percent of the population.[18]

Families receive benefits relative to their compliance with three conditions stipulated by the Oportunidades program: education, health, and nutrition. First, all households receive an unconditional cash transfer for every elderly adult living in that household. The two conditional components of the program include a food transfer contingent upon attending health and nutrition classes (which includes a fixed income supplement to assist in purchasing healthier foods, as well as nutritional supplements for young, malnourished, and pregnant and lactating women in the household), and an educational scholarship given to children in grades three through twelve, dependent upon attendance and health check-ups. All members of participating families are eligible for preventive health care.

Program Results

The Oportunidades program has yielded some of the most positive results from a CCT program thus far, encouraging program advocates to frequently cite it as a model of the potential in social protection. Although there was little effect on the percentage of children enrolled in primary school (Mexico already enrolled 94 percent of its students in primary school) as of 2005, there was an 8 percent increase in enrollment in secondary school when compared with the control group. After expanding the program benefits to high school students, enrollment increased significantly.[19] Further, there was a 4 percent decrease in both school dropout rates and grade repetition. Workforce participation rates for young boys decreased by as much as 25 percent, given the estimated probability of boys participating prior to the implementation of Oportunidades.[20] With respect to the nutritional components of Oportunidades, there was a 13 percent increase in consumption when compared to the treatment group. Preventive and curative health care visits increased by 35 percent and 26 percent for rural and urban areas, respectively. Nationwide, maternal mortality decreased by 11 percent, and infant mortality decreased by 2 percent.[21]

The Oportunidades program streamlined the processes in which participants are targeted, integrated into the program, and receive benefits. Going beyond improving the lives of its participants, the Oportunidades program has revolutionized Mexican social policy for the foreseeable future. For example, implementation of Oportunidades required increased collaboration between multiple sectors of the government; without such collaboration, both program implementation and monitoring would have been impossible. Additionally, the Oportunidades program stresses transparency and achieves it through an ongoing third-party evaluation, conducted by the International Food Policy Research Institute (IFPRI). Successful integration of the CCT program with other government social programs—as seen in the collaboration that was crucial to the implementation of Oportunidades—as well as the rigorous evaluation models have been essential to the successful expansion of the program in Mexico.[22]

Developing in a Developed World: The Short-Life of "Opportunity NYC"

Given the history of inequality in the United States, it might be reasonable to assume that the problem of poverty in the United States and within New York City specifically was also a problem of access. However, as the following analysis will demonstrate, structural poverty in most developed countries requires a different approach than those employed in middle-income or developing countries. As the Opportunity NYC program represents one of the most drastic examples of a CCT program implemented in a developed country, the outcomes of its program can tell us a great deal about the program model itself.

Although it was modeled after the Mexican *Oportunidades* program, there are several notable differences, both in program creation and implementation.

Program Description

The CCT program implemented in New York City—titled "Opportunity NYC"—was a three-year pilot program aimed at reducing poverty amongst New York City's poorest inhabitants. Again, as seen in the Oportunidades program, Opportunity NYC was created on the belief that families were not able to invest in the development of their own human capital, whether due to lack of knowledge or lack of resources. Theoretically, Opportunity NYC would provide the chance for families to receive additional household resources to reduce their current poverty, but attach those resources with conditions aimed at reducing the cycle of poverty found in most underprivileged neighborhoods.

There were three separate programs that made up Opportunity NYC: Opportunity NYC–Work Rewards, which focused strictly on improving employment opportunities for adults living in subsidized housing; Opportunity NYC–Spark, which gave monetary incentives directly to fourth and seventh grade students for adequate performance on assessment tests; and Opportunity NYC–Family Rewards, which closely resembled the Oportunidades program structure and will be examined here. Further, Opportunity NYC–Family Rewards expanded on the basic educational and health components of traditional CCT programs by integrating a cash transfer contingent upon employment.[23]

Funded by a plethora of non-governmental foundations including the Bloomberg Philanthropies, The Rockefeller Foundation, The Starr Foundation, the Open Society Institute, the Robin Hood Foundation, the Tiger Foundation, The Annie E. Casey Foundation, American International Group, the John D. and Catherine T. MacArthur Foundation, and New York Community Trust, Opportunity NYC–Family Rewards was advertised as a community-based anti-poverty initiative sponsored by the New York City's Center for Economic Opportunity office, which is controlled but not funded by Mayor Bloomberg's office. Starting in September 2007, the total program budget for Opportunity NYC–Family Rewards reached $34,950,000 at the program's close in August 2009.[24]

The NYC Opportunity–Family Rewards program targeted families by identifying the six poorest neighborhoods (defined as more than 40 percent of its residents living below the poverty line) in New York City, and then using different community based organizations (CBOs) in each neighborhood to help determine which families were eligible. These CBOs were also used to enroll and support families once they were in the program. Seedco, a national non-profit economic opportunity organization, implemented the program; MDRC, a social policy research organization, performed outside audits of the program.[25]

Potential participants in the Opportunity NYC–Family Rewards program were selected based on the following criteria:

- Families must be a resident of one of the six community districts with high levels of poverty
- Families must have at least one child attending a New York City Public School in the fourth, seventh, or ninth grades (these grades were assigned based on the education research identifying them as critical points in academic success; once enrolled in a program, however, all children were eligible for incentive payments once a family was enrolled)
- Families must have at least one parent who is a U.S. citizen or legal permanent resident
- Families must have a household income equal to or less than 130 percent of the federal poverty level

Due to limited program funding, not all eligible families could participate. Of the 5,100 families identified, 2,500 were enrolled in the program based on a lottery system. The remaining families were used as a control group.[26]

Program Results

Perhaps the most positive result from the Opportunity NYC–Family Rewards program was the level of participation from participating families. On average, families earned $6,000 over the two years of the program; as families enrolled in the program were more likely to maintain employment, this supplement increased overall household income and reduced current poverty levels for families.[27]

However, the educational, health and work impacts of the Opportunity NYC–Family Rewards program were modest. Family Rewards had no positive effect on elementary or middle school achievement outcomes, although it improved outcomes in high school for students who were better prepared for secondary education when registered for the program. Families enrolled in the program were only slightly less likely to use the emergency room for routine care; however, participating families dramatically increased their use of preventive dental care. Finally, Opportunity NYC–Family Rewards had various effects on work outcomes. As mentioned previously, enrolled families were more likely to maintain—or even gain—full-time employment; however, this was true only if these jobs were not covered by the unemployment insurance (UI) system. Participating families actually reduced their likelihood of employment in jobs covered by the UI system, when compared with the control group.[28]

Given the promise of CCTs and their acclaimed results in Mexico, one must wonder as to why two countries—both with adequate institutional capacities and historical structural poverty problems—had such varying success with the program. Discovering why may lead to better implementation in the future and the furthered success of CCT programs.

The Problems with a Predicted Panacea

Conditional cash transfers inherently enhance accessibility. In other words, conditional cash transfers combat poverty by enabling families to use previously inaccessible activities due to barriers stemming from the structural causes of poverty. As individuals enrolled in these programs require public services like education and health, CCTs must be integrated with government services in order to operate effectively. With this understanding of the nature of conditional cash transfers, the differences between *Opportunidades* and Opportunity NYC become apparent. Although both programs had similar goals in mind—the reduction of current and future poverty for poor residents—ttheir execution of this goal varied. Analyzing the variance can help to paint a clearer picture on where CCT programs can most effectively be used in the future.

Enabling vs. Incentivizing Behavior

One of the main differences in the Oportunidades and Opportunity NYC programs is the manner in which they funded certain behaviors. As a recent paper suggests, "The New York CCT program immediately diverged from Oportunidades by reinterpreting the conditions attached to transfers. Cash was used to incentivize achievement, not enable participation."[29] For Mexican families participating in Oportunidades, educational opportunities for their children were generally foregone for the reality of the potential additional household income. Access was limited because of income barriers; therefore, an income supplement encouraging families to access the service of education was immediately beneficial. In New York City, however, access was not necessarily the motivating factor of the cash transfer. Due to rigid child labor laws, most households do not consider whether they should send their child to school or supplement their income. In fact, most of the educational incentives, as spelled out by Opportunity NYC, were geared toward student achievement. Along with requiring a 95 percent attendance rate, students were encouraged to take enough credits to graduate on time, among other achievement measures. However, the difference in levels of achievement between the participating students and the control group were nonexistent, except for a subset of the population of high school students that entered high school more prepared than their cohort.[30]

Incentivizing achievement, rather than enabling participation, could explain some of the differences in the relatively unsuccessful Opportunity NYC program. As Opportunity NYC was the first large CCT program in a developed country, it is difficult to generalize in saying that all incentivized payments would not be effective. However, it is major difference that future programs should consider when implementing their programs.

Coordinating with Government Services

As mentioned previously, CCT programs require immense government participation in the provision of public services as well as the integrated coordination of CCTs with other social programs. In the Oportunidades program, this coordination was rather seamless as the program was administered and funded primarily by the government. Opportunity NYC, on the other hand, was a privately funded and independently operated social experiment. Perhaps due to the array of services offered by a more developed country such as the United States, participants in the Opportunity NYC–Family Rewards program were already utilizing a variety of public and private services and did not need the CCT program in order to access them.

From the start of the Opportunity NYC Family Rewards program, coordination with the other social programs running concurrently (Food Stamps, Medicaid, and Social Security Insurance, to name a few) was limited, if it existed at all. Yet, integration with other programs is critical for a CCT program to be successful, as it was with Oportunidades.

Intangible—or Difficult to Replicate—Factors of Success

There are other factors, perhaps less replicable as enabling behavior and integration with other social protection programs, that may have contributed to the success of the Oportunidades program. At the time the Oportunidades program was implemented, or shortly thereafter, several other Latin American countries began developing their programs, including Brazil, Honduras, and Nicaragua. This regional conglomeration of CCT programs may have had some effect on the eventual success of Oportunidades and other Latin American countries, producing a cohort of CCT programs found within the same region.

Other factors, including the fact that CCT programs in Mexico and other countries began as an integral part of a rural development program and then expanded to include urban centers, the cultural homogeneity of Mexico relative to the United States, and time given to each program to develop, should not be overlooked when examining the differences between these two programs. Additionally, cultural considerations should be at the forefront of program development, not merely an ex-post facto evaluation tool used to explain program outcomes.

As shown from the variation between a successful program and struggling one, CCT programs are more complicated than questions of access and institutional capacity. Careful analysis prior to implementation—including a differential diagnosis to assess the specific problems inhibiting those caught in structural poverty—make the idea of a program concentrated on developing human capacities an attractive model across various arenas of development. CCTs, however, are not the elixir for solving structural poverty, regardless of where the program is implemented. Yet, when used appropriately, CCTs can be a powerful tool in the alleviation of certain strains facing those trapped in structural poverty.

Limitations

There are, of course, limits to this analysis. Low-income countries (classified by the World Bank as economies where there is less than $995 per capita per annum) are not included in this comparison. This omission is due to their lack of institutional capacities, the comparatively small amount of research available on their program implementation, and because of the mixed results of the available research on the effectiveness of CCT programs in low-income countries. However, as this analysis has shown, CCTs are not simply a middle- and high-income country intervention; their attractive results are not guaranteed in any context.

Conclusion

Conditional cash transfer programs have effectively strengthened the social safety nets in various middle-income countries including Mexico. Countries seeking to implement a successful CCT program should follow the models that have already proven successful, while considering more localized contexts. Countries seeking to enable the poor to develop their human capital must perform a "differential diagnosis" to assess how to make the institutions the poor need for services work more efficiently.[31] In other words, human capacity development is not merely a demand-side intervention. The supply of services—the institutions themselves—must also adapt if true human capacity development is to be achieved. Furthermore, other CCT program implementations, such as enabling participation for enrolled families and integrating CCTs into the larger social program network, have contributed to the success of Oportunidades, as well as other programs. Finally, cultural differences should not be overlooked when implementing a successful program from one country to another. Cultural considerations are opportunities for changing a promising model; they should not be given as excuses for failed implementation or a failure to implement at all. The exciting potential of a CCT program is that its focus—human capacity development—is a universal concern, across all development contexts.

In summary, CCTs are a promising human capacity development tool that should be used to enable access where access has otherwise been denied. More research needs to be completed to ensure that when access itself does not combat intergenerational poverty—as seen in the United States—CCT programs are designed to adapt to the needs of the poor. Conditional cash transfers are not a panacea for development, and they should be implemented with care and consideration to each country's specific context; however, they are an exciting new tool to combat structural poverty and as such, they should be integrated into the social protection networks existing across development spectrums as a substantial move to end structural poverty.

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What Changed and Why: A Critical Discussion of Post 9-11 Shifts in Refugee Policy

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Introduction

The terrorist attacks committed against our nation on September 11, 2001 fundamentally shifted not only our nation's self-perception and worldview, but also the way in which we view outsiders. This essay will discuss what changes 9/11 brought about in our nation's refugee policy and their subsequent effects. In order to discuss such changes, it will be helpful to ascertain the legislative landscape. Therefore, the essay will begin with a brief summary of major legislative action as it relates to refugees beginning with the 1980 Refugee Act. Following this will be a discussion of the important changes implemented after 9/11 that departed from previous policy. Subsequently, the essay will link these post-9/11 reforms to the rise of neo-conservative rhetoric, touting national security (and consequently, stricter refugee policies) that flourished in the years immediately after September 11. These restrictionist policies (especially toward nations within the "Axis of Evil") will be highlighted, and a case study of Iraqi refugees in the post-9/11 era will be conducted to demonstrate this nation's further exclusion. In conclusion, some very brief policy recommendations will be put forth to correct some of the fundamental injustices committed by post-9/11 reforms.

Given that none of the 9/11 hijackers entered the United States as asylees or refugees, but rather on visas, we must remember that the processes of asylum and refugee granting do not exist in a vacuum. The process of granting someone refugee status falls under the umbrella of immigration (a primary concern in the wake of September 11) meaning that refugees were subject to a great deal of scrutiny and exclusion after the attacks. According to Regina Germain of the Georgetown Immigration Law Journal, "One group of immigrants likely to bear the brunt of the new law are asylum-seekers and refugees, some of whom may arrive on U.S. shores fleeing the aftermath of the U.S. response to the September 11 attacks."[1]

Pre-9/11 Policies

Congress passed the 1980 Refugee Act, the first major reform of refugee law in over 30 years, on March 4, 1980. This new act expanded the definition of refugees to include "all who meet the test of the United Nations Convention and Protocol on the Status of Refugees"—a marked departure from the old definition, rooted in Cold War ideology, as it generally gave preference to those from communist nations. It also expanded our nation's refugee quota nearly threefold, to 50,000 for each fiscal year.[2] The passage of this act clearly demonstrates the influence of humanitarianism and desires for human aid held by both the president and the voting public. Both the 1980 Refugee Act and the whole of the post-9/11 legislation were emblematic of public attitudes widely held by both politicians and laypeople alike.

The Reagan administration, despite an extremely high worldwide population of refugees, remained relatively uninvolved in refugee issues. The major legislative accomplishment of this time period, the 1986 Immigration Reform and Control Act, was primarily a product of Congress and more concerned with immigrants than refugees.[3] This act, referred to as a "three legged stool," had three main provisions. First, it delineated criminal penalties for those employers who knowingly hired illegal immigrant workers. Second, it increased border enforcement/patrol to counter illegal immigration. Third, and most importantly, it provided amnesty (legalization) to 2.7 million formerly illegal immigrants already in the U.S.

The 1990s saw an overall reduction in the global refugee population; however, U.S. refugee admissions peaked under the Clinton administration. Clinton regularly established quotas topping 120,000—a sizeable increase from those of the 1980 Act. However, these numbers shrank as public opinion once again began to protest against both immigrants and refugees as "65 percent of Americans believed that immigration to the US ought to be reduced."[3] Additionally, the Immigration Act of 1990 adjusted admissions categories in an attempt to bring in more highly skilled/educated immigrants. Similar intentions fueled the American Competitiveness in the 21st Century Act, passed in 2000, which similarly reflected the U.S.'s preference for skilled immigrants over conventional ones, as it increased the number if H-1B visas—those for "specialty occupations."[4]

Major legislative strides were also made in 1996 that reflected a growing restrictionist sentiment among the public. The Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) denied access to federal public benefits to many categories of immigrants. Also the Anti-Terrorism and Effective Death Penalty Act (AEDPA) facilitated the government's ability to arrest, detain, and deport non-citizens.[5] Additionally, it introduced the "material support provision," barring individuals from claiming asylum or refugee status who had provided "material support" to terrorists or terrorist organizations. This provision will resurface and be reinterpreted, in the USA-Patriot Act passed in the wake of 9/11, another era of significant restrictionism. Most significantly, the Illegal Immigrant Reform and Immigrant Responsibility Act

(IIRIRA) drastically altered the face of U.S. immigration law. It legally enabled the faster deportation (with a very limited appellate process) of unauthorized immigrants, especially those who had committed crimes. Further, it also required the government to track foreign visitors' entrances and departures to/from the United States.[5] IIRIRA had such an impact mainly due to its expedited removal provision. Expedited removal—known as a "fast track deportation process"—is the immediate denial of entry and physical removal of a non-U.S. citizen seeking entry at a border, should a border control officer deem them inadmissible. Categories for inadmissibility include misrepresenting one's identity, falsely claiming U.S. citizenship, or not possessing a valid and unexpired visa.[5]

The Politics of 9/11

The tragic events that unfolded on September 11, 2001 not only shocked the world and changed our nation's self-perceptions, but also precipitated the rise of neoconservative rhetoric touting national security as the primary policy goal. As will be demonstrated, such rhetoric strongly resonated with the scared and shaken American public and a number of restrictionist measures were passed. In the wake of September 11, Americans were extremely frightened and became hyper-suspicious, seeking to thwart any possible terrorist plots. Americans clearly prioritized national security as their primary public policy goal, and they willingly sacrificed portions of their individual rights and liberties in the process. These desires, mirrored in the policies implemented after 9/11, were hyper-restrictionist, biased against certain parts of the world, and contrary to many fundamental precepts of individual rights and justice. Post-9/11 policies represented the polar opposite of the liberalizing policies primarily concerned with human rights and aid under Carter. After September 11, Americans were perfectly comfortable with sacrificing a few basic rights in the interests of national security and were unequivocal about supporting politicians who shared similar values. After a very brief discussion of the baseline refugee/asylum statistics and numbers, three principal post-9/11 changes in refugee and immigration law will be outlined and their collective effects on the refugee population will be accounted for. This section will demonstrate how these prevalent attitudes manifested themselves into policies that were both discriminatory and highly antagonistic toward refugees.

Baseline Numbers

A set of baseline numbers will serve as a reference point from which to accurately gauge the effects of post-9/11 modifications and contextualize them. Since the end of the Cold War, refugee policies no longer represent a mechanism of Cold War geopolitics. Therefore, we are receiving refugees from a much wider array of countries with a slight downward trend throughout the past 15 years. During the 1970s, the "ceiling" (maximum desired amount of refugees) would occasionally break the 200,000 mark. These numbers decreased slightly during 1990 to 2000, peaking at 142,000 refugees in 1992, but averaging about 100,000.[6]

Now that we have laid out the basic landscape of refugee admission trends, we must look at the actual policy shifts themselves before analyzing their impact, not only on refugee/asylum admissions, but for Middle Eastern candidates in particular. Before remarking on the effects of the post-9/11 changes, the changes themselves must be discussed, focusing on the creation of the Department of Homeland Security, the USA-Patriot Act, and Operation Liberty Shield.

Provisions of Post-9/11 Policies

The rise of a restrictionist impulse immediately after September 11 served as the impetus behind the largest restructuring of the federal government since the creation of the Department of Defense after World War II. The product of this restructuring was a new creation—the Department of Homeland Security. The new DHS merged 22 federal agencies while simultaneously streamlining Immigration and Naturalization Services (INS). The functions of the old INS were divided between the sub-departments of Customs and Border Protection (CBP), Immigration Control and Enforcement (ICE), and U.S. Citizen and Immigration Services (USCIS). These and other changes had massive implications for all foreign-born individuals in the U.S. as well as all non-citizens seeking to enter the country.[5]

According to Section 101 of the Homeland Security Act, the mission of the Department of Homeland Security includes: preventing terrorist attacks from occurring in the U.S., reducing national vulnerability to terrorist threats, and minimizing the damage from terrorist attacks. A March 2003 publication by the Lawyers Committee For Human Rights notes a substantial omission from this mission statement, "There is no stated objective of ensuring that the U.S. lives up to its obligations to refugees and asylum seekers—obligations that stem from both U.S. law and international conventions—as well as its tradition of welcoming those fleeing persecution."[7] As evidenced by the stated purpose of the newly established DHS, humanitarian issues such as refugee policy are relegated to a backseat position relative to national security—the primary objective. The government was willing to make considerable sacrifices (in areas such as refugee policy) under the banner of national security. Therefore when examining the effects of this legislation, it is highly logical to assume that, in such a restrictionist and fearful political and legislative climate, that refugee admissions would drop in response to the initiation of this policy.

Furthermore, a reorganization of this caliber fundamentally changes not only the refugees' experiences in interacting with a massive monolith of an organization, but also how refugees are generally perceived from the government's perspective. In light of the attacks, government policy was not particularly concerned with caring for refugees and ensuring their human needs were met. Rather, refugee policy, as it represented a form of immigration, simply represented another avenue by which evildoers could gain entry into the U.S. Therefore, the detention and mistreatment of many innocent refugees was perceived by the government as collateral damage, a necessary evil in order to ensure the protection of our nation.

Additionally, the creation of the Department of Homeland Security was an extensive overhaul of pre-existing organizational structure. Grouping all of these formerly separate organizations together underneath one umbrella authority means that the person at the head of the DHS now wields a new and unusual amount of power. This streamlining removed many important legislative obstacles, making it far easier for policies to be put into place. Bush directly appointed Tom Ridge as head of the DHS. The President's ability to appoint someone who closely comported with his views to a newly established position with a new and unprecedented amount of power represents the degree of control he directly had over this policy area and his ability to take it in the direction which he saw fit. Troubling times called for strong leadership, and Bush was able to take advantage of this and not only implement the largest government restructuring since World War II, but also ensure compatibility with his own desired policies.

Quite possibly the most single significant piece of post-9/11 legislation, the USA Patriot Act had tremendous effects on both refugees and potential asylees. Signed into law in October 2001 by then-President George W. Bush, this act strengthened governmental powers to search, monitor, detain, and deport certain individuals who were suspected as terrorists. The Patriot Act was passed six days after the attacks, just when the nationalist and anti-outsider fervor was at its height. The act moved through Congress at a "blistering pace," clearly reflecting not only the heightened power of the executive branch, but also the degree to which the nation prioritized national security. Fear also played a large part in the passage of this act, as threats and rumors of subsequent terrorist activity ran rampant.[8]

The act provides for the widespread detention of foreign nationals for up to seven days while the government decides if it wants to file charges. Additionally, the government was granted unprecedented power to detain noncitizens who were designated as potential threats by the attorney general. The secretary of state could also designate "an organization as a terrorist organization if he found that the organization was (1) a foreign organization, (2) that engaged in terrorist activity, and (3) that the terrorist activity threatened the security of United States nationals or the national security of the United States." The secretary of state has the power to designate which organizations our nation officially labels as "terrorist." This means that the secretary of state can single-handedly decide which groups of people are excluded and accepted by our nation. This is an extremely large amount of power for one person to hold, as literally thousands of lives hang in the balance. Such a massive decision should not be entrusted to a singular arbitrary authority, capable of being swayed by biases and preferences, but should rather be given to a larger group of people/organization in order to increase objectivity and fairness.

Additionally, the Patriot Act also brought a new interpretation of an old concept. Recall the "material support" provision of the 1996 Anti-Terrorism and Effective Death Penalty Act which barred refugee/asylum admission from those who had aided terrorists and/or terrorist organizations. Although seemingly rational on its face, in the paranoia-induced legislative state after 9/11, courts have interpreted this clause far too broadly, using it as justification for barring applicants who provided either unknowing or coerced support to a terrorist organization.[9] For instance, if a person unwittingly donated money to a corrupt charitable organization or directly gave money to a terrorist group while under the threat of death, they could be (and often were) denied admission under the law.

Just as the Patriot Act broadly reinterpreted "material support" so it would comport with their hyper-secure and exclusionary rhetoric, so they implemented a widely expanded interpretation of "terrorist activities," which defined is "the use of any weapon or dangerous device" used with intent to "endanger, directly or indirectly" and whose use must not be for "mere personal monetary gain." Under this definition, an asylum candidate who threw a stone (read: "dangerous device") during a political demonstration would be positively found of engaging in "terrorist activities" and consequently barred from any asylum or refugee claim.[1] Overall, the Patriot Act greatly expanded the government's authority and detention abilities. Such changes clearly affected all of those seeking asylum or refugee status in the post-9/11 period and would obviously serve as a major contributing factor behind any decrease in the numbers of refugees or asylum claimants at this time, particularly those from the Middle or Near East. According to Germain, "The potential for harm to *bona fide* refugees is great. Overly cautious adjudicators may deny refugees' claims based on little if any evidence of wrong doing."[1]

Whereas the Patriot Act likely had a large effect on the reduction in the admission of refugees, "Operation Liberty Shield," due to its short period of implementation, did not have such wide-ranging effects. However, it is very useful because it affords us a unique view of the government's rhetoric in the post-9/11 era. Liberty Shield, announced on March 17, 2003 (the eve of the Iraq War), was a "specific set of measures designed to deter attacks and protect Americans during periods of heightened risk of terrorism."[10] One of its most important provisions required that those seeking asylum from a set list of 33 countries and two territories automatically be detained for the duration of the asylum proceedings.[9] This automatic detention prevents asylum seekers from these nations from having the necessity of their detentions assessed on an individualized basis—an affront to conventional domestic and international precepts of justice.[11] Although the list was not permitted to be disclosed, according to Human Rights First, the complete list includes "Afghanistan, Algeria, Bahrain, Bangladesh, Djibouti, Egypt, Eritrea, Indonesia, Iran, Iraq, Jordan, Kazakhstan, Kuwait, Lebanon, Libya, Malaysia, Morocco, Oman, Pakistan, Philippines, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Thailand, Tajikistan, Tunisia, Turkey, Turkmenistan, United Arab Emirates, Uzbekistan, and Yemen as well as Gaza and the West Bank."[12]

One should note these countries are predominantly Muslim nations in the Near East—nations conventionally labeled as "terrorist" nations. Detaining someone for this long is clearly ethically wrong. They don't have access to a lawyer and cannot confront their accuser. Furthermore, detaining someone without any cause is contrary to domestic and international precepts of justice.

It is inhumane to subject someone fleeing persecution to a very stressful and uncertain situation. J David Kinzie's article in the *Journal of Aggression, Maltreatment, and Trauma* details the ways in which prolonged detention can harm already traumatized people (read: refugees).[13] Extended detention can cause flashbacks of torture or interrogation at the hands of former regimes or induce post-traumatic stress disorder, factors that will only negatively influence these refugees' abilities to lead normal lives regardless of whether or not they are granted admission into the United States.

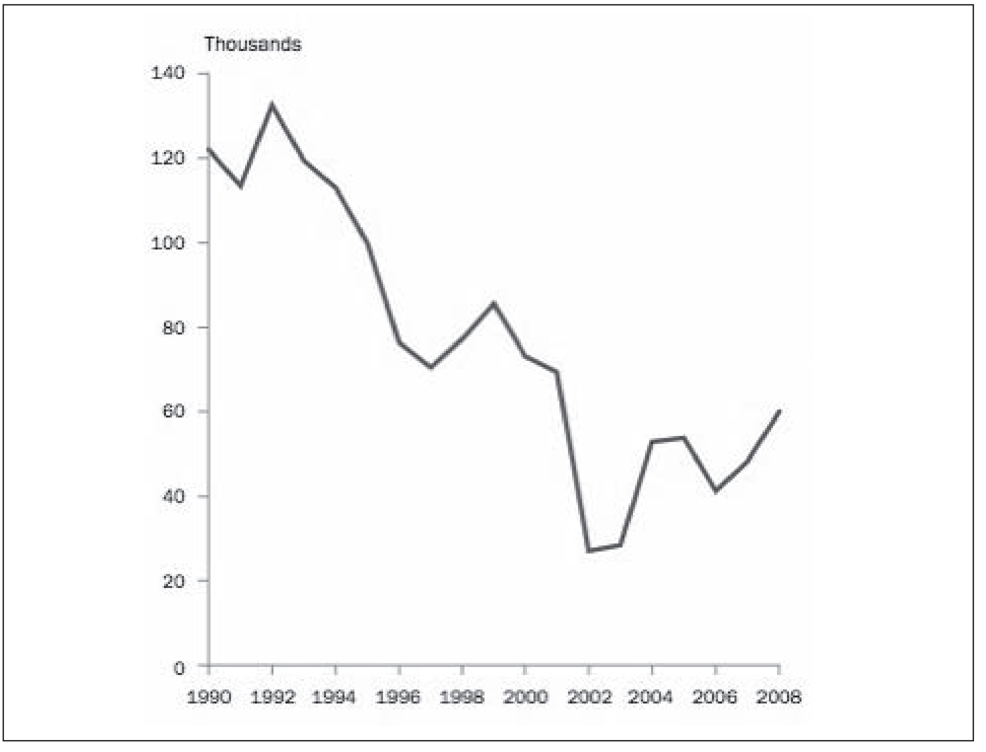
Operation Liberty Shield came under a great deal of fire from many human rights, advocacy, legal assistance, and faith-based organizations. Elenor Acer, the director of the Asylum Program at Human Rights First called Operation Liberty Shield "an affront to liberty." Even the United Nations High commissioner for refugees publicly criticized this policy by condemning the linking of asylum seekers and refugees as "dangerous and erroneous." Furthermore the commissioner stated that asylum seekers "have themselves escaped acts of persecution and violence, including terrorism, and have proven time and again that they are the victims and not the perpetrators of these attacks."11 Just a month after its implementation, in April 2003, Operation Liberty Shield was formally terminated.

Due to its extremely brief period of activity, Operation Liberty Shield is unlikely to have the extremely broad and wide-ranging effects of legislation such as the USA-Patriot Act or the creation of the Department of Homeland Security. Exemplifying this point is the fact that, according to DHS sources, only 46 people were detained under Operation Liberty Shield.[11] Although this source has the potential to be biased, I believe it is logical to assume that the effects of the legislation were not extremely wide-reaching. However, the important thing about Operation Liberty Shield is it serves as a window onto the rhetoric and justification for discriminatory detention utilized by our government in the post-9/11 era.

Effects of These Policies

What were the actual and concrete effects of these post-9/11 policies? U.S. refugee policy was overall very restrictive, with added restraints placed on those from Arab or Muslim nations. Therefore, I hypothesized that refugee/asylum admission statistics would mirror policies implemented by the government (such as the Patriot Act)—namely, an overall downward trend with added emphasis and exclusion on those from the Middle East. This section of my paper will confirm my prediction using detailed statistical evidence. Refugee and asylum admission levels will be examined, taking care to note the disproportionate discrimination faced by Middle Eastern nations. It will also focus on Iraq, a country whose refugees and asylees suffered additional exclusion due to our involvement in the war. However, there remains a glimmer of hope. Recent years have witnessed a (albeit slight) reversal of the effects of prior restrictionist policies. Although the causes of this shift are not overtly visible, it is likely that feelings of fear and hatred have subsided after nearly a decade without a terrorist attack demonstrated by the *Annual Flow Report*:

Figure 1. Refugee Admissions to the United States: 1990 to 2008



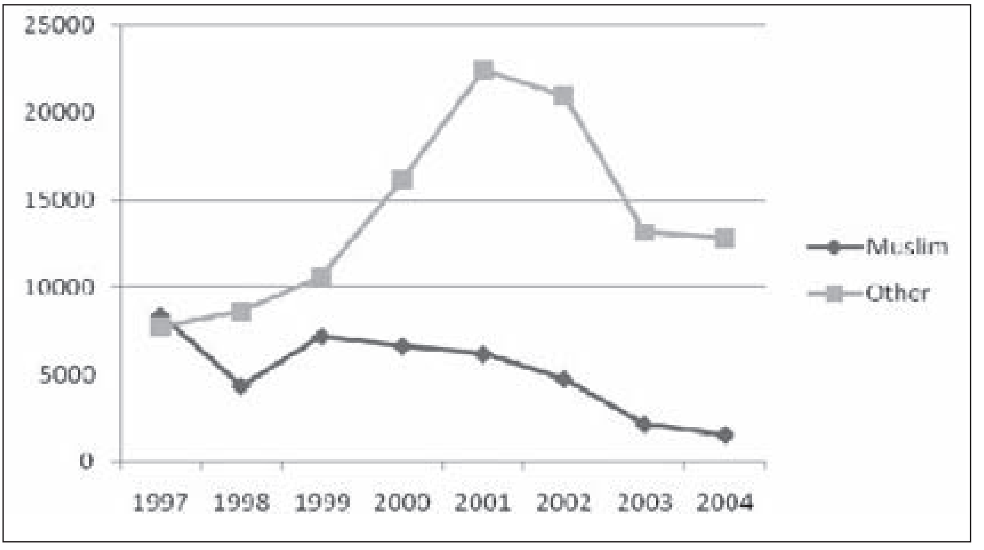
Source: U.S. Department of State, Bureau of Population, Refugees, and Migration (PRM). Worldwide Refugee Admissions Processing System (WRAPS).

There was an extremely sharp drop in refugee admissions after 9/11. Before the attacks, we as a nation were admitting over 60,000 refugees. After the attacks, we admitted less than 18,652. According to the 2002 Yearbook on Refugee Statistics, the attacks of September 11 reduced the number of refugee approvals by 72 percent and refugee admissions by 61 percent. Out of 1,583 asylum applications filed in 2002, only 592 were approved. According to the Department of Homeland Security statement regarding the drastic decline in both approvals and arrivals, "The large decline was due in part to the implementation of enhanced security measures in the U.S. Refugee Program following the terrorist attacks of September 11, 2001. Concerns about the safety of U.S. government officials also delayed the processing of refugees at overseas locations."

In the years immediately after September 11, the U.S. government implemented a series of policies that placed specific emphasis on those of Middle Eastern origin. In this section of my paper, the extent by which those from the Middle/Near East were systematically excluded will be demonstrated and the case of Iraqi refugees and the degree of their particular exclusion will be remarked upon.

Whereas most nations were slightly restricted after 9/11, persons from the Middle East were subject to further exclusion. Figure 2 demonstrates the

Figure 2. Asylum Admissions

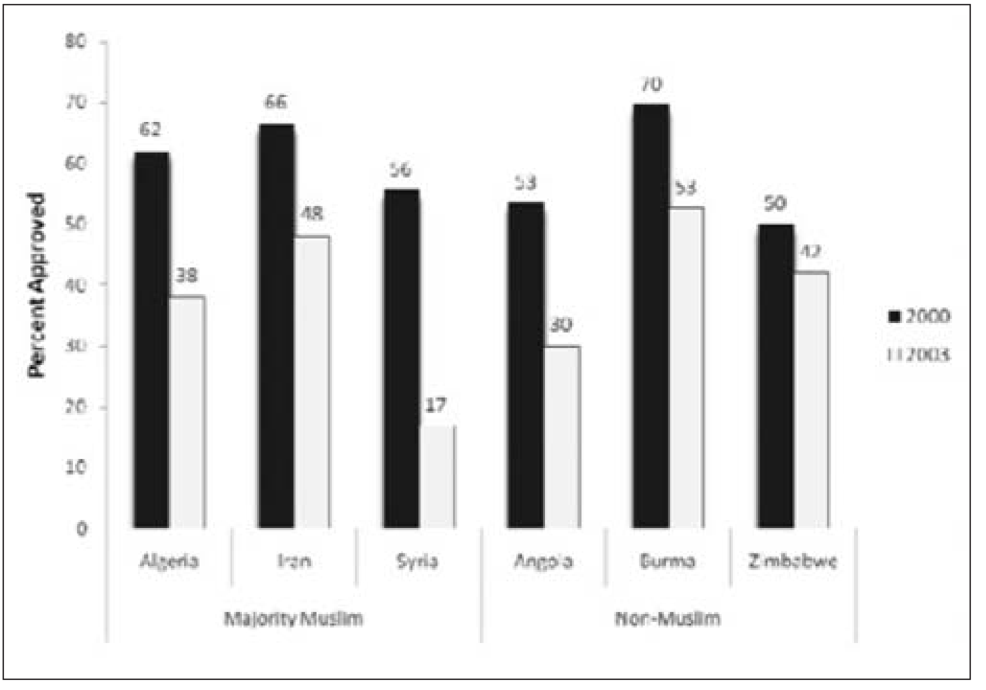


large degree of asylum admission disparity between Muslims and others. Note how there is a slight disjoint between the two groups around 2000, and how this disparity increases after 2001. Both groups decline, however, the Muslim group shrinks the fastest, dipping extremely close to zero around 2004 whilst the other group rests comfortably between 15,000 and 10,000.[9]

Further highlighting the degree of disparate treatment received by many Muslim nations, Salehyan groups together a select group of majority Muslim and majority non-Muslim countries and looks at their asylum approval rates. He chooses nations with similar human rights records (to eliminate it as a confounding factor affecting approval rates). By his data in Figure 3, one can see that between 2000 and 2003, the approval rate of Arab nations dropped 27 percent while non-Islamic nations dropped 16 percent. Clearly there is an overall restrictionist climate, with all potential admissions dropping, but those from Muslim nations are clearly bearing the brunt of the exclusionary policies.[9]

Just as there was an overall exclusionary trend post-9/11 and special exclusionary emphasis was placed on those from Muslim nations, the paper will specifically analyze how Iraq, as one of our major enemies in the War on Terror, had even further limitations placed upon its people. Iraqis were not only vehemently excluded immediately after the terrorist attacks of 9/11, but represent a unique case as they suffered extended exclusion as our nation became increasingly involved in the Iraq War. According to page 40 of the 2008 Yearbook on Immigration Statistics, immediately after the attacks the number of Iraqi refugees dropped from 2,473 in 2001 to 472 in 2002. This decline, although incredibly significant, remains consistent with the general trends of other Middle Eastern countries right after the attacks. However, one can clearly see the unique degree of Iraq's exclusion from the United States in the mid 2000s as our involvement in the Iraq War progressively increased. Our

Figure 3. Asylum Approval Rates, 2000 & 2003, by Selected Nationality



involvement in the Iraq War and the number of Iraqi refugees permitted to enter is almost perfectly negatively correlated. In 2003, 298 Iraqi refugees were permitted entry. In the year 2004, at the height of our involvement within Iraq, only 66 were allowed refugee status. In 2005 and 2006, as our nation began to slightly scale back our involvement, the number of refugees was 198 and 202, respectively. These numbers are still tremendously low, especially in light of the fact that they were greater before the attacks.

Policy Recommendations

In this section of my paper I will provide four brief policy recommendations that I believe can be both easily implemented and highly effective in promoting true equality under the law.

First, I believe our government should implement alternative programs to detention for asylum seekers that are not alleged to pose a threat to our nation. Posing a threat must be supported by factual concrete evidence, and one cannot pose a threat simply by being from a particular nation. Those who truly wish to cause our nation harm should certainly be detained and investigated in detail, but there is no reason to detain innocent people who are fleeing persecution and truly wish to be a part of American society. Several programs have been tested in the U.S. with great success, boasting very high appearance rates for asylum seekers whilst saving significant amounts of money for the government. One such program, called the Vera Supervised Release Program, was tested by the Vera Institute of Justice in 1997. It required all participants to report in regular intervals both in person and by phone. Vera monitored their whereabouts and provided all participants with information about the potential consequences for failure to comply with U.S. immigration laws. This system resulted in a 93 percent appearance rate and saved 55 percent in cost. Detention is very expensive (costing about $7,300 per year) while simply monitoring is much more cost effective ($3,300). Due to this programs high success rate and massive cost savings, I believe its implementation would be highly beneficial.[10]

Second, I believe that all asylum and refugee applicants should have an opportunity to have their case reviewed by an immigration judge. This comports with a central notion of the U.S. legal system, namely that one has the right to challenge his or her detention before a judge or other independent and impartial authority. The idea of prolonged and incontestable detention, as put forth in Operation Liberty Shield, is inhumane and morally reprehensible. Accomplishing this would require the DOJ and DHS to implement new regulations that specifically prohibit unchallengeable detention. Similarly, Congress must pass legislation ensuring that all immigration judges are independent of the U.S. DOJ, thereby improving the chances that they are completely independent, impartial, and fair. Unfortunately, this is not the case now and many potential refugees and asylees are not given their fair day in court.[10] As stated by Germain, "Respect for due process and the rule of law can and should be a weapon in our war on terrorism."[1]

Third, regarding the "material support" provision, we should look into the circumstances surrounding such a contribution and factor these into the overall assessment. This could reduce the number of unjust refusals and potentially save a large number of lives. Obviously we should not be permitting the entry of those who freely and of their own accord contribute directly to terrorism. However, someone who was forced to donate money to Al-Qaeda under the threat of extensive torture or murder and flees to the U.S. clearly does not want to participate in such a repressive regime, and we should act in accordance to our obligations under international law and offer them sanctuary from oppression. It is well known and documented that terrorist organizations coerce "donations" by threatening torture or death if refused. By operating under a wide interpretation of "material support," and deporting those who have contributed unknowingly or via coercion, we are sending them back to face a highly probable death instead of offering them refuge. Although documentation and corroborating a potential refugee's story is very difficult (and sometimes impossible), I believe we should require documentation for each case. We should err on the side of caution, as the consequences for a false positive are much more severe than a false negative. Although denying someone admission who was forced into donating to a terrorist organization potentially risks their life, if we do not strictly require documentation for such a claim, we could be admitting those who willingly donate to terrorist organizations, thereby jeopardizing numerous innocent American lives.

Finally, I strongly believe that we should codify INS/DHS parole guidelines into formal regulations. This would ensure that asylum seekers who adequately meet all of the parole criteria (for example, having community ties and an established identity) can actually be released from detention instead of being unjustly held for extremely long periods of time. Furthermore, an internal appeals process should be established to ensure both fairness and accuracy of the parole decisions.[10]

Conclusion

After the terrorist attacks of 9/11, changes such as the formation of the Department of Homeland Security, the USA-Patriot Act, and Operation Liberty Shield, altered the legislative landscape for asylum seekers and potential refugees. The U.S. tightened its overall admissions criteria, letting in fewer refugees and asylees from all parts of the world. However, Muslim nations witnessed a disparate impact as they were further excluded. Due to the war, Iraq was also subject to even more exclusion, as only 66 refugees were permitted entry in 2004.

These policies raise the ethical question, is it right to systematically exclude certain people because of where they are from? And by doing this, isn't the U.S. placing a higher value on others' lives? I have concluded that this is indeed the case and our practices of doing so are fundamentally unjust. However, in recent years, we have been witnessing a slight reversal of these discriminatory policies. As shown by the Annual Flow Report, both refugee arrivals and admission ceilings have increased in recent years. Arrivals increased from 41,150 in 2006 to 60,108 in 2008. Admission ceilings have also grown from 2006 to 2008, shifting up from 70,000 to 80,000.[14] Thankfully, this growth in the overall admission trend has been also witnessed by Iraq; in 2006 it only had 370 refugees, growing to 1,002 in 2008. Additionally, according to a November 2008 news article, Iraqi refugee admissions has increased substantially since 2006, yet still remains at half of the pre-9/11 levels.[15] These facts truly reveal the large magnitude of the post-9/11 changes and their effects on refugee numbers. However, ideally, we as a nation can continue this positive trend and reverse the highly discriminatory changes enacted after 9/11. Although by no means a guaranteed cure-all, I believe four good ways to start on this path can be found in the policy recommendation section of this essay.

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Photographic Exploration

Images of Inequality

David Smythe, *Photo Editor*

Global inequality is as complex a term to define as it is a problem to solve. Usually, it refers to economic inequality or income differences, either within or between nations, and has enormous implications for a group's standard of living, life expectancy, emotional and physical ailments, and criminal behavior. Development, in turn, is the usual solution to narrowing the gap between income disparities, being defined by efforts to give struggling nations and peoples the economic tools to lift themselves out of poverty and into comfortable lifestyles without the worries of hunger or domestic chaos. As such, the photos featured in this year's edition of *Hemispheres* reflect the pervasiveness of inequality and the enormous challenge it poses for those who wish to alleviate it.

Meanwhile, the debate on how to accomplish this noble goal is riddled with controversy and debate. While many economists claim that free trade is mankind's ultimate salvation, others point to a rise in both domestic and international inequality in recent decades with heated accusations against the effects of globalization. Some clamor for the perfectly competitive ideals of capitalism while others idealize the perfect safety nets of socialism. In the balance hang the lives of more than 2 billion people making less that $1,000 a year. Many of them walk the streets of rural China and India, Africa, and South America. Others still live their lives among the mere 500 million considered to be "wealthy," earning over $11,500 a year.

Amid the calls for economic freedom, the first few months of 2011 have already seen a resounding demand for political equality throughout the Arab world and elsewhere. Hundreds of thousands filled the streets to protest their deep-seeded autocratic governments, an unexpected blow facilitated by, of all things, social networks and cell phones. While the rest of the world holds its breath in anticipation, Egypt and Tunisia, perhaps others, may at last be laying the foundations for true, functioning democracy in North Africa, a development that most had thought impossible only months ago.

Photo by Nathan Feldman, Tufts University

A young boy perched atop a hill peers over Pamplona Alta, a *pueblo joven* (young town) located in the outskirts of Lima, Peru. After decades of existence, these barrios still have no running water, no sewage system, and understaffed hospitals.

Photos by Charmaine Poh, Tufts University

For those who cannot afford a car in Kathmandu, walking is the way to go, even if they have to carry heavy loads around.

A women begs for money in the streets of Kathmandu.

Sidewalks in the capital are often covered with garbage, and this boy was presumably looking to recover items to sell (Nepal).

Photos by Christine Suhonen, Tufts University

The main street of a Nzulezu village in Ghana built entirely on stilts.

The view from Mt. Afadjato, the tallest mountain in Ghana. The mountains in the background are part of the neighboring country, Togo.

Photos by Lucia Smith, Tufts University

Street in Antigua, Guatemala.

Three boys playing on the roof, January 2011, Quetzaltenango, Guatemala.

Photo by Sasha de Beausset, Tufts University

A woman from the Kota Tribe in Koli Malai, India, standing next to her government-sponsored house with the necessary additions she had to make to suit the climate and her living necessities.

Photo by Vasundhara Jolly, Tufts University

Egyptian man at a Luxor temple, December 2010. Times of relative peace before protests.

Photo by Brian Yen, Tufts University

A community service project in El Salvador helps to construct a local community center.

Photo by Shehryar Nabi, Tufts University

A busy market scene in Lahore, Pakistan.

Photos by Kelly Roache, Princeton University

During the first week of the revolution in Egypt, widespread looting occurred, particularly in the neighborhood of Doqqi, following Mubarak's recall of the police force.

Many women hung Egyptian flags off their balconies, while the men were protecting the neighborhood and watched what was going on below.

The chaos of the Cairo airport the following week, as people struggled to get out of the country on commercial, charter, or government evacuation flights.

Interviews

Interview with Dr. Ricardo Hausmann

Conducted by Scott Newton with additional reporting by Tessa Shore

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Dr. Ricardo Hausmann is the current director of the Center for International Development and a professor of the practice of economic development at the Harvard Kennedy School of Government in Cambridge, Massachusetts. Prior to working there, he served as the chief economist of the Inter-American Development Bank, as the minister of coordination and planning for Venezuela, and as a member of the Board of the Central Bank of Venezuela. He is renowned internationally as an economist and development theorist and is the author of such influential theories as Original Sin, the Growth Diagnostic Model, Dark Matter, and the Product Space. His research interests include issues of growth, macroeconomic stability, international finance, and the social dimensions of development.

First, we would like to ask you what you do here at the Center for International Development and how this center affects consensus on development theory and policy around the world.

RH: What I do is I essentially think of why some countries are rich and other countries are poor, and why do poor countries not catch up or emulate or are able to achieve the levels of income and prosperity that some countries are able to achieve. And, so, I personally take a certain crack at the issues with some research, but the center supports many people doing research on different sides of this elephant.

What do you think is the primary asset of this center?

RH: The primary asset of the center is the ability to connect people. That is, every professor could be working on his work, but there are some things that are more easily done in groups. This is a place where you can more easily work in groups, design bigger projects than the ones you would otherwise have done on your own, maybe involve more research assistants and fellows and bring together faculty. Bringing together faculty is a big asset. We are a university-wide center, so we have affiliated faculty from many schools and this allows us to create projects that are more multidisciplinary or diverse.

You also worked at the Inter-American Development Bank from 1994–2000. What is the purpose of the bank, and how has it helped influence the Americas' economic system?

RH: Let me go back because you asked me how we influence the world. I think we influence the world through several channels. One is obviously our publications. We write stuff that either our colleagues read in academic journals or that policy makers read in our printed work, so our work informs a certain community. But we also engage directly with countries and governments and so on, so we have done many projects with individual governments on different policy issues, where we can put together teams of people that would work in that country. In addition, we design executive education programs, where we get the professionals—for example, we have a program that was originally designed for the lead economists of the World Bank, where we train them in the cutting edge of development thinking (to keep them on the edge of what's being thought about on development). And now that's opened up to a bunch of other people and we have other executive education programs, where we try to tap policy makers, NGO directors, or other people into understanding the kinds of ideas and issues that we are working on.

Now, then you asked me about the IDB. The IDB is a multilateral regional development bank and there's several of those kinds around the world. There's the European Bank for Reconstruction and Development and for Eastern Europe and the former Soviet Union. There's an African Development Bank, there's an Asian Development Bank out of Manila. So there's several of these entities. They look a lot like the World Bank in their capital structure and their governance and the Inter-American Development Bank is bigger than the World Bank in Latin America. When I was at the bank, I created its research department and the research department is one of my proudest achievements. It's still generating a lot of interesting work, it's working on many ideas that I think are influential in policy.

How do you think that the IDB helps influence the economic policies of its member countries?

RH: These are entities that try to think of themselves as "ideas banks." They are mainly banks that fund projects, and some of these projects are just money that supports a government while it's doing some significant reform. Other times, it funds investment projects, like roads, power plants, schools, hospitals. So that is the typical bread and butter product that these organizations produce. However, before that, they engage the government in trying to think, "Ok, tell me what you think your problems are, tell me what the issues are, and let's work on the issues that you think we should be working on, whether it's education, health, infrastructure, justice, corruption, gender issues, environment."

I'd like to look at the work you did in Venezuela and your research on the Venezuelan economy. I was able to read your dissertation on the oil rent in

Venezuela. I was curious as to how Venezuela's oil rent continues to play a part in its economy today.

RH: The question I try to understand in my dissertation is this question of, "Okay, so you have a country that has several million people and has this enclave, where a few thousand people work, that generates a huge amount of income vis-à-vis the total income generated in the country . . . and generates 90 percent of its exports, but 60 percent of its tax revenues." So, I was trying to understand how this society develops around this oil rent. It's very intuitive for a Venezuelan economist to start thinking about Venezuela's most salient fact, which is that it's a country living off oil. The country is one of the development disasters. When I was born, Venezuela was a country of 7 million people that exported about 3 million barrels of oil a day. Today, it's a country of 28 million people and it's exporting less than 2 million barrels of oil a day. So, the population has gone up by a factor of four, and production has gone down by a third and the combination of the two gives you a much-reduced amount of oil rents in the economy. You would have thought, "Well, you know, if you can't make more oil, first of all, why are you making such small quantities of oil if you have the highest reserves in the world?" So that obviously indicates some major mismanagement. Being a public sector company, it means major public sector strategic mismanagement and operational mismanagement. And, on top of that, you messed up your oil sector. Why don't you come up with other things to export? Why have you failed to diversify? Venezuela is an extreme example of a failed development story.

With what you just said about needing to diversify your exports, could you please tie that into your article titled, "What You Export Matters."

RH: You can think of a country in the same way you may think of a city or a neighborhood. In a neighborhood, there are a bunch of activities where the customers are other people in the neighborhood. You have the grocery store, the barbershop, the dentist. You have a bunch of activities that—we call them in economics non-tradable goods. They typically have to be produced close to where they are going to be consumed. But, then there are a bunch of things that are not produced in the neighborhood. You don't produce your own food, your own clothing, your own car, etc., so you want to import things. Well, how are you going to pay for the things you want to import into your community? Well, you have to export something. So, what I find is that the kinds of things you export—how many different things you know how to export and what kinds of exports they are—have a fundamental long-term effect into how rich a country becomes. What I find in that paper with Dani Rodrik and Jason Hwang, who was a Ph.D. student of ours, is that we develop a measure of how sophisticated a country's export products are in terms of just how rich the countries that export that product are. What we find is that, controlling for how rich you are, the more sophisticated your export products, the faster your future growth. That is a result that suggests that a country—if you want to paraphrase Pindar, Pindar was a Greek philosopher who said, "Become who you are"—countries become what they export. They become as rich as the countries that export what *they* export. To get an intuition for that result, think that if you are a country that is exporting the kinds of goods that are exported by richer countries, those are countries that pay higher wages than you do, so because you are poorer than they are, you are still paying lower wages so you can expand into that industry and grow, and through that process you will increase your level of development and your ability to pay higher wages, but if you are competing with countries that are poorer than yourself, they will do that to you, so it will be harder for you to grow. So, what you export matters, not just how much you export.

Continuing along with the Venezuela discussion, an article in Bloomberg this past summer stated that, for Colombia, the slowdown in bilateral trade with Venezuela reduced its demands for consumer goods, which limited inflation and allowed policy makers to stimulate the domestic economy by lowering borrowing costs. I wanted to know if you agree with the findings of this article, essentially that the trade dispute between Colombia and Venezuela has been beneficial to Colombia.

RH: I think that the statements of the article are correct, but I don't think it was beneficial to Colombia. I think it was very harmful to Colombia because Venezuela imports many things that Colombia produces for its own consumers because we are very similar and have very similar needs, so we would get a lot of our food from Colombia, a lot of our clothing from Colombia, the cars from Colombia, and so on. The first impact of President Chavez's decision to break trade relations with Colombia was that these companies in Colombia had fewer sales and consequently they shrunk and fired workers and increased the unemployment rate. Obviously, those companies turned around and tried to sell those products domestically and, by trying to do that, they put downward pressure on prices, so it helped control inflation, but that's not the kind of outcome you want. It has that effect of lowering your inflation and given that recessionary context, the Colombian government responded with the monetary stimulus policy to try to compensate. But, taken together, the breakdown of trade links did cost output and employment to Colombia. So, it was quite costly for them.

For both sides?

RH: It was very costly for the Venezuelan side, too, because the availability of goods declined and inflation accelerated and that acceleration of inflation caused real wages to go down and consumption to go down. 2009 and 2010 in Venezuela were years of very severe recession.

Now that former Colombian President Uribe is gone and President Santos has agreed to restore diplomatic relations with Venezuela, why do you think that their trade levels have not yet returned to the previous levels?

RH: In the framing of your question, it's not that President Santos decided to restore relations because President Uribe never decided to shut down those relations. Those were decisions taken by Chavez. He decided to shut down and he decided to reopen. But, the Venezuelan economy has done very poorly in the past two years, so Venezuela as a whole is importing much less than it was importing in 2007. The economy has declined very significantly and imports have collapsed across the board. In addition, Venezuela has a very complicated and quite unusual exchange control mechanism. You have to ask permission to buy dollars for every dollar transaction you make. And authorizations to buy from Colombia are not given. In addition, Venezuela bought $900 million in accounts payable to Colombia that it didn't pay and that, after this whole diplomatic effort by President Santos, Venezuela has only paid $300 million and is not expecting to pay the other $600 million. It's also very risky for a Colombian company, even if they were to get a demand request from Venezuela, to sell to Venezuela because they don't know if they will be paid. So, Venezuela has become this radioactive country, where it's very hard to do business with it and the only people who are willing to do business with it expect to make these ridiculous profit margins to compensate for the radioactivity.

Returning back to oil, you talked about the oil sector mismanagement. Who, in the Middle East/North Africa (MENA), has done the opposite, has been able to manage their oil exports well and also diversify effectively?

RH: I think that there are many countries that have committed mistakes of similar or greater proportion in the MENA region to those committed by Venezuela. I've done work on Algeria, which is a bit of a basket case too. But, obviously, a very interesting case is that of Dubai [one of the seven emirates of the United Arab Emirates]. Dubai was under severe pressure because their oil resources were dwindling, but because they had oil and they were rich, they had good infrastructure, many shopping malls, and so on. They adopted a strategy to say, "Okay, so if we have all of this, maybe some tourism is feasible because it's a nice place with good infrastructure. Maybe it could be a financial hub, maybe it could be a transport hub. Maybe it could be many other things." So, actually, Dubai is a country that, because they knew they were going to run out of oil and because they had rich neighbors, decided to become a tourism, business, financial, transportation hub of the region. And actually to achieve that, it had to adopt very permissive social policies that became its comparative advantage vis-à-vis the rest of the region. It became a more diverse country that was easier to move into because it was more tolerant of that diversity. And I think those are somewhat universal lessons that you play with the cards you are given and you look at ways in which you can redeploy the capabilities you already have to explore new avenues of activity.

Earlier, we were talking about why what you export matters. Do you think something like agro-export-led growth can work for a country?

RH: What I find in subsequent papers is that it's not that rich countries that specialize in some kinds of products and poor countries specialize in other kinds of products. It's that poor countries make few things and things that everybody makes and rich countries just make many different kinds of things. So they have communities that know about many different kinds of things, that know many different kinds of processes and mechanism and know-hows, and that that diversity is deeply related to how rich they are. So, agro-business is definitely—if you have it, if you can make it, there are people eating agricultural products everywhere—and if anything characterizes the current state of affairs, it is that, in the past, until about a decade ago, 80 percent of world growth was concentrated in the rich countries. And the rich countries don't spend much of their additional income on food. But today, 60 percent of world growth is generated in the middle-income countries. The rich countries have an average income per capita of some $40,000, while the middle-income countries have an average income per capita of $4,000. China is around $5,000. India is around $1,000. Latin America averages around $7,000 or $8,000. When they grow, they eat more, and not only do they eat more, they eat more proteins. If we go to a poor country, the amount of proteins they eat is very low and the amount of animal proteins they eat is very low. As they become richer, there is a big increase in the demand for food, proteins in particular, and the things that allow you to make proteins. That's why one of the salient products of this moment is soybeans because you use soybeans to make pork meat and chicken meat, so it's an input into making those proteins and it has proteins on its own too.

I would expect that a significant part of future global growth is going to have an agricultural sector, and there's also a lot of technology that has been incorporated into agricultural. It's one of these incredible success stories of spectacular increases in productivity thanks to the incorporation of genetically modified seeds and other agro-chemicals and so on to the production process and even changes in production strategy. The world discovered, for example, that tilling the land—which is sort of ancestral and everybody said you start agricultural by tilling the land—well the world discovered that tilling the land is a bad idea in the tropics because it rains too much, and when the rain comes, it takes all the nutrients out of the soil. So, actually, they invented no-till agriculture, which means that the land is always covered by some stumps of the old crop and you plant the new seeds in between and keep the land covered and that preserves the nutrients in the soil, and that has caused enormous increases in productivity. I'm saying all these things because we have the sense that agriculture is backwards and that is a very wrong message to send. The U.S. is one of the richest countries in the world, the largest economy in the world for sure, and one of the highest incomes per capita in the world, and it's a big agricultural exporter, as is Canada, as is Australia, as is New Zealand, as is France, so there's no shame in having a significant agricultural sector in your economy.

Now I'd like to move on to your own theories because they've been extremely influential and even in one of the papers we recently accepted to our journal, the author refers directly to your work. The theory that we'll start out with is *your theory of "Original Sin," so please tell our readers what Original Sin is and we'll go from there.*

RH: Original Sin is a theory that I developed to try to understand why emerging markets got into so many financial crises in the 1980s and 1990s. And the idea is that what caused the crisis was not that they had a foreign debt, per say, but that the foreign debt was denominated in foreign currency. So, the reason why I call it Original Sin is because original sin is a theory of why women give birth with pain and why men have to work with the sweat of their brow, according to the Bible, and the answer is an apple. It is not that you or I ate the apple, but something as unconnected as an apple apparently caused that. So, something as unconnected as a detail of the world that people took for granted is causing this. It's "Wow, foreign debt is in foreign currency." First of all, it is not an obvious fact of the world. But, it generates very serious problems because it makes debt harder to pay when you get in trouble. Typically, when a country gets in trouble, the currency weakens and, since the debt is in foreign currency, the debt becomes harder to pay *precisely* when the country is least able to pay. So, that gets the country into these vicious cycles in which the debt goes up, the currency weakens, the debt goes up more, the country is now less able to pay, which means people get even more scared, the currency weakens even more, and then the country collapses. Then the question is, "Why is it that foreign debt is in foreign currency? Why is foreign debt denominated in five currencies if there are one hundred currencies in the world?" And it's a little bit of a theory as to why that is the case.

What steps should countries afflicted by Original Sin take to get out of that situation?

RH: Countries should try to create a market for their debt in local currency and to lengthen the maturity of that debt in local currency because short-term debt is also problematic. And they should see if they can get foreigners to buy this longer-term domestic currency debt. What I find in a recent paper with Ugo Panizza, who is one of my co-authors in this area together with Barry Eichengreen, is that over the past decade, it's not that countries have redeemed themselves from Original Sin—there's about eight countries that have significantly reduced their Original Sin, but the majority of countries have not—it's just that developing countries have stopped borrowing. They have accumulated more reserves than they have accumulated debt, and so we say that it is not that countries have redeemed themselves from Original Sin, but that they have opted instead for abstinence. And abstinence seems to be paying off. Foreign currency debt is so risky that you're better off not having it.

Would you say there are major emerging market crises going on currently that stem from Original Sin?

RH: In some sense, yes. There are the crises in Latvia, Estonia, in Hungary, which are related to the fact that countries borrowed a lot in foreign currency. In the case of Latvia, they wouldn't let the currency depreciate even though it would have been good to let it depreciate because so much of the debt was in foreign currency and they didn't want the price to go up and that complicated the whole adjustment process. So I would say that Eastern Europe is one place to look at to observe this phenomenon. But, fortunately, in Latin America, Africa, and Asia, this crisis has left them quite unscathed.

The article in this issue of Hemispheres, which refers directly to your work, is about Egypt and your Growth Diagnostic Model. We would like to know why the Growth Diagnostic Model was overlooked for so long and how it can apply to other countries besides Egypt.

RH: The idea is that the Growth Diagnostic can be applied to any country, any region, and any industry. It is a different way of thinking about empirical analysis and diagnostics. The older tradition was to say, "There is a general model of how the world works and I know that it is true because I have estimated data for the whole world, so these are relationships that I know to be true by using international evidence. They are true in general for the world." It was an approach called Cross-Country Growth Regression and it tried to find the policies that are good for growth based on international evidence.

The Growth Diagnostic Model says that is the wrong way to think about the problem. In the same way that Anna Karenina [in the Leo Tolstoy novel] starts with "All happy families are alike; each unhappy family is unhappy in its own way," maybe countries that are doing well have something in common in the sense that everything works, but countries that are doing poorly don't need to have anything in common because different aspects of those countries' economies might be failing. So, what you want to do is to be able to diagnose which aspect of an economy is failing, so you can know what to focus on. The idea is that the aspects of the economy that are failing are going to send signals—symptoms—that you can look for, capture, and analyze. So, you want to look not for things that in general are good for growth, but for the things that appear to constrain growth in that particular country, what we call the Binding Constraints to growth. What you want to look for are the symptoms that tell you that that constraint is binding. So, in that sense, it is a very general approach to thinking about diagnostics, before you think about therapeutics. It's not as if you go to the doctor, and he says, "Take this drug." He first asks, "What is the problem? Where does it hurt?" and then he gives you the prescription. You can think of the Washington Consensus as an approach that said, "Don't ask me what you have. Take this."

Interview with Robyn Nietert

Conducted by Christy Loftus and Avantha Arachchi

Robyn Nietert is currently the president of the Women's Microfinance Initiative. She is a graduate of George Washington Law School and worked at the law firm of Brown, Nietert, and Kaufman for 25 years prior to opening American Capital Partners Company. In addition to her professional work dealing with telecommunications, Nietert has dedicated much of her time to various community projects related to education. In 2007, she teamed up with Betsy Gordon to found the Women's Microfinance Initiative as a means of helping women live in the Global South.

The Women's Microfinance Initiative is a nonprofit organization originally based in Bubayo, Uganda, that has expanded to several East African countries. It provides local community groups with the capital necessary to provide female residents with small loans ranging from \$50–\$150 to improve their businesses. Rather than demanding collateral or mitigating risk by charging high interest rates, the organization requires clients to apply for loans as part of a group in which the women guarantee their counterparts' loans. These groups also serve as a vehicle through which WMI offers basic financial literacy classes.

Twenty-four months after receiving their first loan, women who have repaid their loans in a timely manner graduate to the Transition to Independence Program. Rather than receiving a group loan from the nonprofit organization, the clients receive an individual loan from a formal financial institution that is guaranteed by WMI. The Transition to Independence Program consequently serves as a means of accessing the formal financial sector, which will theoretically serve program members as they continue expanding their business into the future.

How does WMI's microfinance model compare to others used around the world?

RN: WMI does not use a model used around the world. In fact, WMI has developed a model that only WMI uses. It has proven enormously successful. We do not want to become a bank. I think there are certain development-type issues that nonprofits are better suited to address that for-profits or even governmental organizations and one of them turns out to be going out into rural areas, providing business training, and setting up support groups, and giving the women that kind of training and support they need to start businesses. That is pretty much a nonprofit activity because banks can't do it. They do not teach people financial literacy; it's not their mission, and government agencies are not particularly well-suited to provide support at this very poor, local level. We are an on-ramp to the institutionalized financial banking system in any country. We want women to get financial training, get started running a business, develop a track record of repayment, form support groups, talk to other women about their businesses. And then, as they develop expertise and become experienced, we transition them from our microfinance loans to a bank loan that we guarantee for one year. After that transition loan, they graduate to independent banking with a commercial bank.

Microfinance is a misnomer for many big organizations such as FINCA, Acción, Grameen. Grameen is actually a bank; all it provides are small loans. They have loan officers that they send out; they are centralized, you bring your loan payments to the bank, you have a deposit, you have to qualify, you have to pledge collateral, and you pay an enormously high interest rate. That is pretty much the microfinance model. Plus, in addition to having a deposit, many of them use a cross-guarantee mechanism. We don't operate like that. We're totally decentralized. Each village's community-based organization operates the program in that location and geographic area. We don't have credit officers that go out, we have coordinators from within the group, from within the borrowers in the village who supervise the entire placement of the loan, collection, deposit, etc. If you happen to be in an ecosystem where no one has money and you give someone a $100 loan, that is not microfinance. That is giant finance, as far as that ecosystem is concerned.

With WMI utilizing local community organizations to facilitate loan dispersal, how does this relationship differ from typical microfinance organizations?

RN: When you think about the typical credit relationship, it's a relationship that is the paradigm for a Grameen or an Acción, it's a centralized location sending out a credit officer to a poor woman in a village, and the credit officer is usually a male. This is an antagonistic relationship: the credit officer wants to protect against default, so his goal is not to encourage this woman to succeed, but to discourage her from defaulting, which are really two different things.

Do you believe that there is a place in the world for for-profit microfinance?

RN: We're not for-profit; we're for self-sustaining. I think the problem with for-profit microfinance is the whole concept of a company's allegiance is to its stockholders and its obligation is to return the highest profit to its stockholders. That's not necessarily in the interest of extremely poor and extremely vulnerable individuals. So, how do you police that? Do you just say, "Oh, well, we're a company that's going to have a set of ethics that are going to prohibit exploitation of poor people." And we have them sign something saying that they don't care about getting top-dollar returns, that they're willing to settle for X return. Okay, that's possible. But how do you police that? You set up a dynamic that pits the two parties against each other because each party has different goals. Can it work? Sure, but how do you police it? Anytime you have to have the third party policing something, there are just inherent tensions. So why not look at a model where there are no inherent tensions. Our system does work well. But there are people who criticize it, saying, "You're not mobilizing for-profit capital to this sector." And that's true, you're not. But maybe you shouldn't be.

How does WMI become a self-sustainable organization?

RN: As we cycle women out of our program, they graduate to bank loans. When you graduate to a bank loan, the $250 that WMI has been lending you is freed up to lend to a new borrower. So, each of these village loan programs becomes self-sustaining after 24 months.

Why has microfinance proved so successful in Uganda? Is it the best option for Ugandan development?

RN: It has proven so successful for a couple of reasons. People have the necessary skill sets to start businesses. Even extremely poor people are very entrepreneurial and economically active in very small ways. They do have ideas about how to start a business, how to make a profit—even a small profit—on a product or a service. The thing they lack is capital. Every business needs capital to get started, and you're talking about such small businesses that they only require a small amount of capital. All you're doing is lighting a little fire on a pile of kindling that has already been perfectly put together. So it just takes off, and that's the experience we've noticed in eastern Uganda, southwestern Uganda, central Kenya, and western Kenya—where we also have programs. It's remarkable how similar the experiences have been in these villages in a wide range of geographic locations.

How do you assess WMI's success? Do you look at economic figures or quality of life?

RN: A business is not a goal. They're just a way to reach a goal. A goal is to improve a family's living standards and their opportunities and their choices for the future. To me, microfinance is all about giving people choices. People have no choices because they have no options. When you have a business and when you have disposable income, you start to have options about your entire life. That's how we measure impacts, like improvements to the household, children attending school more frequently, better medicine, good nutrition. And you see enormous gains in all of those areas from women operating businesses.

In January 2008, we went to Buyobo and made 20 loans. We could have just lost our money. Who knew what was going to happen, but the impact was immediate. It was incredible how responsible the women were and how ready they were to support each other and help get new borrowers into the loan system.

How do you measure the impacts in these villages?

RN: We monitor the clients very closely. We do surveys every six months to try and prevent against over-indebtedness. We don't allow our women to take loans from any other source, so they can't go loan shopping. And because we work on a village-level, everybody knows what's going on. It is impossible to borrow from other sources and not have all the other women in the community know about it. And that's a really big advantage. One of the biggest issues with microfinance is over-indebtedness and pushing loans out the door so governments and big programs can brag about how many loans they place. Well, it's not about placing loans; it's about being able to show impact on improving living standards and improving opportunities for your clients. And many people don't measure that. But that's exactly what we measure every six months.

Given the success of the microfinance program, do you believe that other financial services such as microinsurance and microsavings programs would be beneficial?

RN: There are issues with microinsurance because the insurance products that are being pushed out are typically profit-based. A person who is generating marginal income needs to seriously consider the best allocation of the limited profits she may have. When you have the same organization pushing products other than microfinance, you have to be very careful about cross-promotion and cross-subsidization.

On the other hand, microsavings is a big deal because savings really do protect a marginal family from a catastrophe and ending up totally impoverished with no way to dig out. WMI does do savings. The women organize in groups of 20 and they all save every two weeks; there is collective savings. It's very popular with the women. We give prizes for best savers every six months in each group. The prize for the best saver is one of the most sought after prizes in the WMI organization. To get in front of the hundreds of women in Buyobo—there are 600 women in that program now—every six months when they have that ceremony and get awarded the kerosene lamp for best saver is a very big deal for these women.

Where do you see WMI going in the future?

RN: Well, we're expanding. In the past year, things have really started to click, and we're getting a lot of calls from different NGOs that typically operate three different kinds of facilities: an orphanage, a clinic, or a school. These facilities are funded on a totally subsidized basis and at some point the organization realizes that they can't continue to do that. They need to have some kind of financial participation from the clientele that they serve. And the only way to get financial participation in these developing countries is for people to be able to start their own businesses because there's very little third party employment. Most of the third world—95 percent of it—is self-employed. For example, you have a school that has been operating in a village for 10 years. They start to say, "Wouldn't it be nice if the village could contribute a little to the school, for, maybe, the costs of the books." We're working with a school right now that called us into a village, and now the women are generating income and can contribute to school fees for their kids. So many of these outreach programs—like these schools, orphanages, or clinics—that are trying to reach social gains, become self-sufficient by finding a way to generate some kind of microfinance activity in their locations.

How do WMI's clients envision the organization's future?

RN: They're hoping to take over the world with WMI by empowering every village in their country through stand-alone loan programs. The women that we started with three years ago did a World Bank-training program and they've become loan generators. They go out to every single new hub location and train the women in these new communities and organizations to run these programs in their village. It makes peer-to-peer mentoring enormously successful. Women very much relate to other poor women who get up in front of them and say, "Three years ago, I was just like you. I had no income. I had no options. My children were hungry. Now I have a thriving business; I did it and so can you." It's so empowering. The very bottom-level of the microfinance system is going to a village and setting up the loan program. The participation of these women is such an enormous step forward, which is what the women in our program focus on, really getting into as many villages as possible.

The women become role models in their community. It's amazing. You know how they say that all politics is local? Well, all finance is local, too. There's just no way to duplicate a homegrown—a village-grown—success story.

Editorials

Making Money on Microfinance: Shifting Power Dynamics and Goals within the Microfinance Industry

Christy Loftus, *Tufts University*

> *"Give a man a fish and he'll eat for a day. Give a woman microcredit, she, her husband, her children and her extended family will eat for a lifetime."*
>
> —Bono

Although obviously exaggerating, renowned anti-poverty activist and rock star Bono captures widespread hopes attached to various microfinance initiatives around the globe. Theoretically, by providing impoverished women with small loans to expand their businesses, the industry will enable them to increase their profits and reinvest them in their families and communities while concurrently gaining the resources needed to access formal financial institutions. As anecdotes of its success have become increasingly common, microfinance has become increasingly prominent in development discourse. This newfound popularity has, however, resulted in new influences from various powerful actors dominating the international arena, altering not only power dynamics within the industry, but also its fundamental goals.

While the origins of the microfinance industry are debatable, its founding is largely attributed to Muhammad Yunus. In 1976, he opened the Grameen Bank to provide small loans to impoverished Bangladeshis to enable them to access capital while avoiding predatory loan sharks. This model was soon applied in various locations around the world, with many organizations also offering clients financial literacy lessons as they recognized "that the poor need more than credit—that a combination of grants and training may be necessary."[1] This system emphasizes the importance in developing human capital amongst the poor, while simultaneously enabling them to access needed financial capital. It focuses on sustainable development as opposed to profit for the development organization.

By the 1990s, however, the microfinance industry was becoming increasingly centered on profit. Interest rates soared; *Compartamos,* an organization based in Mexico, even reported interest rates exceeding 100 percent.[2] Not only does this contradict Yunus' initial desire to allow the poor to access capital without exorbitant interest rates, but it also perpetuates the cycle of poverty. Clients often must borrow from additional microfinance agencies in order to repay debts from earlier microloans, which "lead[s] to a vicious cycle of debt, poverty, and even deaths."[3] Some microfinance organizations, it seems, choose to maximize their profits even if such behavior means sacrificing many of their purported objectives.

The shift from humanitarian to economic goals mirrors a simultaneous change in the loci of power within the microfinance industry. When still in its formative years, much of the industry was rooted in the Global South as demonstrated by its birth in Jorba, Bangladesh. However, many of the most powerful entities within the microfinance industry have since moved toward the Global North. While many organizations maintain their roots in developing countries, many of the industry's norms are now established by supranational entities that have historically been dominated by more affluent nations. These "new models of microfinance institute strict norms of financial sustainability and emphasize profits rather than human development."[4] As powerful organizations such as the World Bank and CGAP increasingly stress the importance of "'best-practice' microfinance: from the repudiation of interest rate ceilings and donor subsidies to the emphasis on financial transparency . . . financial norms [have] come to supersede social norms in the making of development."[5] Consequently, many microfinance organizations no longer measure success in terms of improvements in a client's quality of life, but rather by assessing the same financial statistics used by many for-profit banks.

As an increasing number of microfinance organizations begin subscribing to the norms promoted by supranational organizations in the Global North, they must somehow reconcile the focus on profitability with their desire to promote international development. The two goals need not be mutually exclusive; however, under current "best practices" identified by CGAP, the initial focus on improving clients' lives has been lost. While many microfinance organizations across the globe do continue to value human development over profitability, the power welded by those emphasizing economic returns constitutes a threat to the entire microfinance industry and Muhammad Yunus' initial goals.

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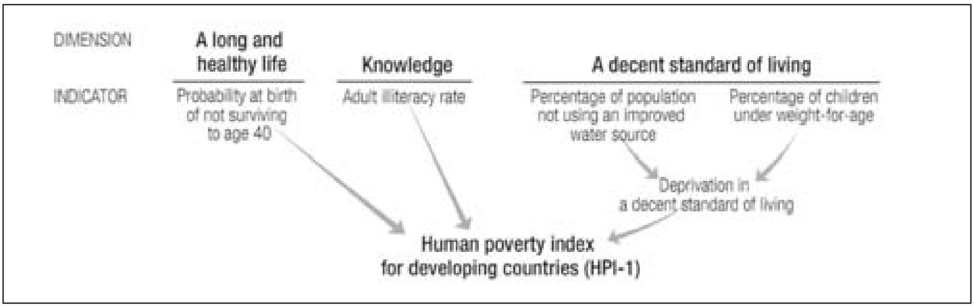
Poverty Undefined

Robert Truglia, *Tufts University*

As the World Bank Group defines, "poverty is pronounced deprivation in well-being and comprises many dimensions."[1] This ostensibly broad definition encompasses the difficulty countries, policy-makers, and academics face in describing this term. To me, poverty exists as an elusive, distant yet extremely familiar issue as a classically trained international relations major from the United States. Having visited rural Mali, a region recognized for its extreme poverty by many indicators, I have personal experience to compare to the clout of academia and policy surrounding this issue. I argue that there is no such thing as absolute poverty, that it is all relative. One can see that various measurements of poverty differ in their rankings of the most impoverished countries, each failing to capture a facet of poverty yet all contributing to the idea of quantified deprivation. I will briefly compare and contrast the measurements of headcount index and the United Nations Development Project's (UNDP) Human Poverty Index (HPI) as examples.

A headcount index measures H, the headcount of people that fall below the absolute poverty line (those earning less than $1 a day), over N, the total population.[2] This H/N ratio is very useful in creating a somewhat standardized way of calculating and comparing poverty across nations. The $1 a day standard is not absolute and can be adjusted into PPP dollars, but it is meant to indicate that those incomes below that can absolutely not provide for their/their family's basic needs to live. This measure is also useful in calculating total poverty gap (TPG) to be able to see how much total income or wealth is needed to raise everyone above the poverty line. Those countries with the highest headcount index according to World Bank Development Indicators in 2009 were Sierra Leone, Tajikistan, Madagascar, Zambia, Mozambique, Swaziland, and Azerbaijan.[3] What this measurement fails to take into account are the different ways one could be impoverished aside from absolute income. Factors such as lack of education, rural vs. urban location, and fertility rates are ignored as possible effectors of poverty. The standard of $1 a day, even when adjusted to PPP, most likely does not hold true as the poverty line for every nation. Thus, the headcount index, although objective in its standards, is subjective in its factors of measurement.

Luckily, there exist measurements of poverty that are multivariate in nature, such as the HPI. Introduced in 1997, the HPI does not use income but rather incorporates the deprivations of survival, knowledge, and decent standard of living to calculate the extent of poverty in a nation. This nexus can be further expressed through this flow-chart:



Source: United Nations Development Program, Technical Note[4]

The chart shows more specifically the thought behind this less-used indicator that material well-being is not the only measure of poverty. UNDP argues that with an indicator like the HPI, emphasis is put on the "poverty of choices . . . lead[ing] directly to strategies of empowerment and other actions to enhance opportunities for everyone."[5] The most impoverished nations in 2009 according to these estimates are Zimbabwe, Congo, Niger, Burundi, Mozambique, Guinea-Bissau, and Chad.[6] These top results differ almost entirely from the World Bank's headcount index. While these measurements could be considered absolute in their criteria, they still focus solely on the human condition, ignoring the material aspect tied to poverty at its core.

Where the headcount method provides policy-makers with clear numbers relating to unequal income distribution, the HPI dissects the failing sectors of a society that could cause such disparity. For example, officials could use statistics from the headcount percentage to design a progressive income tax. After generating revenue, the government could then take data that was gathered in compiling the HPI to allocate funding to different parts of society, such as education or sanitation. Together, distinct indicators, such as these two, build upon their findings to provide a richer body of information to assess poverty around the world, each adding to the solution and to further confusion as to what poverty actually boils down to.

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The Moments After a Nuclear Attack: An Analysis of Nuclear Disaster Management Systems

Avantha Arachchi, *Tufts University*

As a student of international relations, I spend day in and day out thinking about one central topic: power. So, it's natural that, with the sheer power that mutually assured destruction holds over the world, I would be attracted to the topic of nuclear weapons. But during my studies, I began to look at the concept of mutually assured destruction differently. Could the U.S., perhaps, break free from its hold by gaining a different weapon: the weapon of survivability, of resilience. If our nuclear disaster management systems were so powerful that they allowed the U.S. to move forward from the massive destruction of a nuclear attack, wouldn't they have a giant leg-up in the international system? Wouldn't other nations' nuclear weapons, in effect, be obsolete?

I was privileged enough to do research in our nation's capital for four weeks on nuclear disaster management systems. I spoke to members of the Department of Homeland Security, the Metropolitan Police Department, the D.C. Fire & Emergency Medical Services Department, and the American Red Cross. They gave me invaluable insight into what would occur should the unthinkable happen. What would occur, should Washington, D.C. be devastated by a nuclear attack?

In discussing matters with Deputy Director Yi-ru Chen of DHS, it was clear that she was well aware of the many effects that stem from a nuclear detonation. In addition, the police department was very knowledgeable about blast effects, and had done considerable plume modeling on scenarios involving nuclear fallout and radiation. The D.C. Fire Department surprised me even more. At the very beginning of our conversations, 5th Battalion Chief John Donnelly mentioned many of the very blast effect statistics that the U.S. government released in its lesser read surveys.

One of his first answers also revealed that the fire department knew of how the electromagnetic pulse portion of the bomb worked and had developed a system to counteract that. Though the normal radio systems would be down, short-range repeaters would be unaffected, especially considering they are on mobile units that would likely be out of range from the EMP. These short-range repeaters relay information from one mobile unit to another to another to another until it gets back to incident command, the base of operations. They call it "polling."

The unfortunate thing is that, while polling is occurring, there are hundreds of thousands of people in need of help. It will take hours to poll enough information to be able to establish the four zones of a nuclear disaster. Without these zones, emergency workers will have no idea what areas are safe to proceed into and what areas are too dangerous to enter. I've been assured by members of both departments, though, that this will not stop them from saving lives and containing the disaster. On 9/11 out of the total 2,100 members of the fire department in the district, 2,040 came into work, despite the fact that the department never called anyone in, and there were more firefighters than apparatus available, something the department speaks about with pride.

Another central question was related to what would happen if the nuclear device took out the emergency systems within the city. Deputy Director Chen described that incident command is broad and reaches across many different agencies that work together. If one agency falls, another will compensate. Additionally, there are command centers across the country; the next closest one to D.C. is Alexandria, VA, and it would be able to coordinate the management effort. For resources, Catherine Kane, the governmental special representative for the American Red Cross, showed systems to replace any lost in an attack with aid from the private sector. Additionally, the Red Cross would be able to coordinate aid from other areas in the region from its headquarters in D.C. or in Alexandria.

Additionally, all suspicious activities in D.C. are initially assumed to be chemical, biological, or radiation-based, shown by a HAZMAT team needing to be on each site before incident commanders can make substantial decisions. The incident commanders (one from the police and one from the fire department) actually travel to the site together, discussing the options for each force and coming to a decision together, which is a new improvement to the system. Another new improvement to emergency systems is a PA system that covers the entirety of D.C. that alerts citizens in the capital about incidents in their area. Such systems are either already in use in some major cities or in the planning stages in others.

However, not everything was as comforting. Nuclear disaster management systems and training is actually not a high priority at all. In fact, neither the police nor the fire department receives nuclear attack training. MPD Chief Burke stated that this was because the possibility of a nuclear attack was far lower than that, for example, of an active shooter. Emergency workers are trained on these scenarios instead. They do, however, receive a considerable amount of hazardous materials training. In fact, every year, the D.C. Fire Department sends 60 members to Nevada for radiation and counterterrorism training, where these members are actually exposed to radiation in scenarios similar to what they might encounter in a crisis.

There are no concrete plans, though, because as Deputy Director Chen says, there is really no way to form a "cover-all" plan that would account for what a nuclear attack could be. There are too many possibilities and too many uncertainties, considering that the U.S. has never really experienced anything that could even be compared to a nuclear attack. They do, though, receive written policies on how to respond while FEMS is "polling" for information to relay to the DHS Emergency Management Systems Agency.

The most vital policy for the fire department is the WMD response policy enacted in 2003. It is also called the 30 minute policy. Members can work for 30 minutes in normal turnout gear, unless they encounter fatalities, which could signal deadly levels of radiation. A variation on this, for the more cautious battalions, is the 3:30 rule: 3 minutes inside, 30 minutes outside. Additionally, all fire and emergency medical workers have radiation pagers that say how much radiation there is in the immediate area. It is an integral part of protocol that these pagers are always on, always checked, and read and reported every 15 minutes. There were actually file cabinets filled with these reports.

The possibility of evacuation is a question that rests on many minds. In fact, there are exactly 22 evacuation routes out of D.C. Within the hot zone, the fire department will be tasked with survivor extrication and transportation, at the same time performing triage. Outside of that zone, the MPD will take initiative.

Before that, however, it is likely that citizens will be advised to shelter-in-place for the first 24 hours as best as they can, which will allow for a majority of the radiation to dissipate, by DHS calculations. Then, evacuation efforts will begin. Chief Donnelly is confident that, modeling evacuation after the successes of those during the California brush fires, D.C. would be evacuated within 10 hours. The MPD considers "practice" for this to be their 4th of July "Fast Forward" plan, which coordinates stoplights on routes out of the city to allow for a steady and fast flow of cars leaving.

After obtaining all this information, I have three main suggestions to bolster the U.S.'s nuclear disaster management systems. Firstly, we need to make these systems a priority. As I explained earlier, making these systems as strong as they can be has the possibility to make the cost of getting a nuclear weapon far outweigh the benefits of its power.

Secondly, many of the interviewees stressed that they had the money, the resources, and the people. What they don't have are the actual policies and systems in place. In disaster crises, it is the bureaucracy that holds up essential life-saving capabilities and aid.

The third and last suggestion is that the large number of agencies involved should participate in large-scale table-top exercises, "drills," for nuclear attack scenarios. Although the fire department ran four of these exercises in 2008, there have not been any more since and it was limited to their department. Every month, large-scale table-top exercises are done on various scenarios, but there has never been one to encapsulate the intense coordination and resource management problems that are unique to a nuclear attack scenario.

Regardless of these suggestions, I do feel hopeful for our country's safety and security. These systems are a back-up plan. They are what we need should all else fail. By bolstering this resiliency, nuclear weapons will slowly, but surely, hold less power over the U.S. government's decisions. Nuclear blackmail may become a thing of the past. If the U.S. can show that a nuclear detonation on its soil would yield such low costs and fatalities that the effect of the detonation is minimal, a rational actor contemplating nuclear proliferation would be deterred from even trying to proliferate. Furthermore, with the U.S.'s example, other countries would follow suit, making their own nuclear disaster management systems robust enough to deter states in the international system from proliferating.

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