

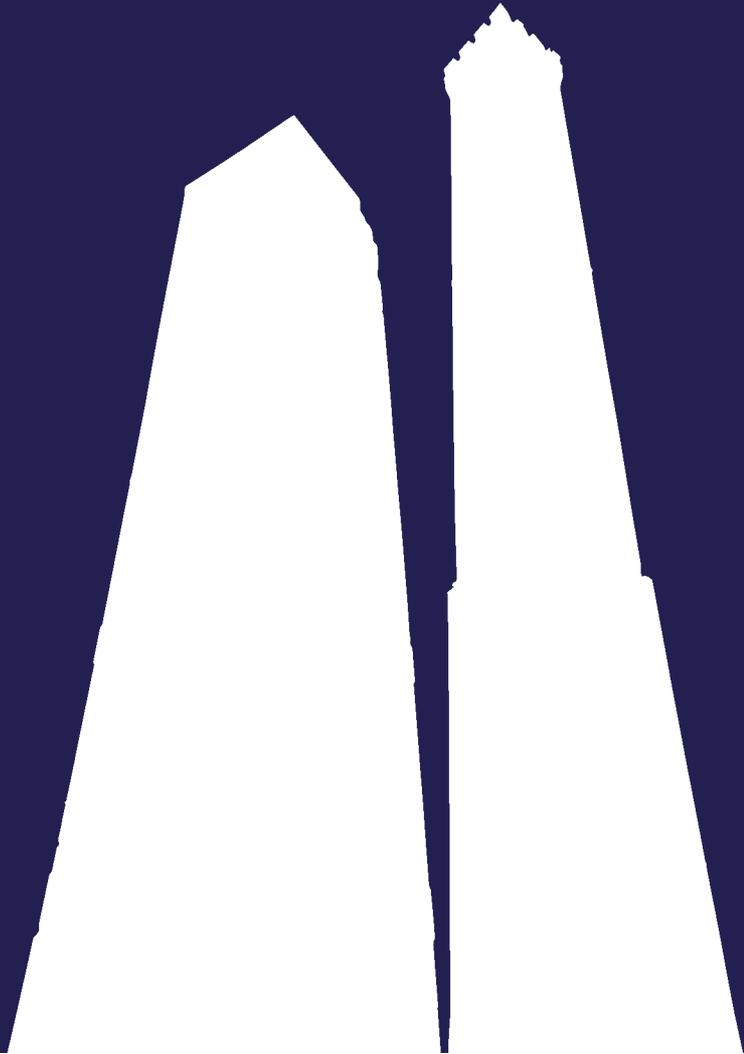
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Approaching the Nexus



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Letter from the Editor

Dear Readers,

I am excited to present the 19th edition of the SAIS Europe Journal of Global Affairs, which highlights a variety of perspectives on the interconnected events shaping our world today. Complex interactions between political actors produce policies and outcomes that stretch across multiple disciplines and cannot be neatly categorized. In light of this, the Journal team decided to choose a theme that grasps the multifaceted nature of these interactions. Thus, this edition's theme "Approaching the Nexus" emphasizes international issues at the crossroads of many different economic, political, and social forces.

By selecting this broad theme instead of focusing on a single academic discipline, it was our intent to allow authors to examine a wide variety of issues. The many areas of interest and expertise seen in this year's submissions speak to the success of that approach. The articles selected explore topics ranging from current political and economic issues to historical analyses of the junctures of society and policy. The Journal supplements the excellent articles by students and academics from around the world with interviews with distinguished policymakers. Due to the high number of well-written submissions to this year's edition,

I urge you to check the Journal's website at www.saisjournal.org for additional articles published online. As well as these online-exclusive articles, which will be published throughout the summer, this year's print edition and other past archival editions can also be found there.

This year's edition continues the tradition of an academically diverse, entirely graduate student-organized and run Journal. We have built on the exceptional work of the previous 18 years of publication and have also benefited tremendously from the support of numerous students and SAIS Europe staff and faculty. Our staff has contributed their unique skills and perspectives throughout the editorial process and helped produce the high-quality print edition that I am proud to present to you. I hope that you enjoy Volume 19 of the SAIS Europe Journal of Global Affairs.

Samuel Irwin
Editor-in-Chief
April 2016

Letter from the Director

Dear Scholars of
International Affairs,

It is a great pleasure and honor to open this year's issue of the SAIS Europe Journal of Global Affairs, which marks the 19th year of a wonderful tradition of scholarship. As I'm sure you know, the Journal is organized entirely by SAIS students in Bologna, led by an indefatigable editorial board, and composed of contributions from the SAIS community as well as external scholars. I am sure that you will agree me that this year's issue exceeds the usual high expectations set for the Journal.

The editorial board this year decided to do something quite innovative: rather than select a specific disciplinary topic or—like last year—adopt an open submissions approach, this year's theme is "Approaching the Nexus," featuring papers that highlight areas where economics, politics, and social issues meet. I cannot think of a theme that would better reflect the unique inter-disciplinary nature of the SAIS mission itself. Moreover, in addition to traditional scholarly contributions, this year's issue embraces an eclectic format, including interviews with the Chief Economist of the Organisation of Economic Cooperation and Development (OECD), Catherine Mann, and visiting adjunct professor Gary Sick, as well as a

review of the influential article "Unpackaging the Environment" by SAIS Europe professor—and my predecessor as Director of SAIS Europe—Ken Keller. The editorial board received many submissions; I am sure that you will agree with me that it did an excellent job in selecting uniformly high-quality and interesting submissions.

I would like to thank everyone who contributed to this issue, especially its Editor-in-Chief Samuel Irwin and the entire editorial team. Having edited an academic journal myself for eight years, I know how much time and devotion it takes to produce a high-quality academic contribution, no mean feat given the rigorous coursework that all SAIS Europe students have to shoulder. Their dedication is much appreciated!

Sincerely,
Michael G. Plummer
Director, SAIS Europe and
Eni Professor of Inter-
national Economics
April 2016



Stuxnet: Risk & Uncertainty in the First Salvo of Global Cyber Warfare

Andrew Leedom

The primary focus of this case study is to try to understand what risks and uncertainties governments and other actors confront when they deploy offensive cyber weapons as part of military and intelligence operations. Under current circumstances, the implications for national and international infrastructure seem staggering. The roadmap for this case study is threefold: 1) provide a framework for analysis, 2) introduce Stuxnet and survey the history and development of the first documented cyber weapon, and 3) apply the framework in an attempt to explore the risks and uncertainties inherent in the nascent arena of cyber warfare.

State of the Art

The interconnected and complex systems that lie at the heart of modern energy delivery, financial markets, and information storage are shockingly vulnerable to pene-

tration and manipulation by hostile parties. The United States government, specifically the National Security Agency (NSA) and its allegedly associated cyber development teams such as the shadowy

consortium of infiltration experts dubbed the “Equation Group” by Kaspersky Labs,¹ played with precisely this kind of fire when it designed and deployed the worm that became known to the world as Stuxnet as part of the clandestine project codenamed Operation Olympic Games.² Looking at the saga and consequences associated with Stuxnet offers the opportunity to see clearly how advanced cyber weaponry disseminates through interconnected information systems and into the far reaches of cyberspace beyond the control of its architects, and how it eventually ends up in the hands of unintended parties. When the malware was – as it had to be expected – isolated and the source code made publicly available, security firms like Symantec, Kaspersky, and F-Secure quickly began to see offspring from Stuxnet. For instance, malware such as Duqu 2.0, Flame, and Gauss containing similar or identical security exploits showed up on their radar, leading them to conclude that third parties are dissecting the code from the world’s most advanced known cyber weapon and utilizing its capabilities for their own purposes.³ These risks are very real and quite serious as governments rapidly careen toward conflicts fought across fiber optic cables rather than battlefields.

Cyber Warfare’s Unintended Consequences

Perhaps the most famous quote from Donald Rumsfeld’s long and storied career comes from his time as secretary of defense under President George W. Bush. At a Pentagon press conference, he answered a reporter’s question with the following linguistic triumph:

*As we know, there are known knowns; there are things we know we know. We also know there are known unknowns; that is to say we know there are some things we do not know. But there are also unknown unknowns—the ones we don’t know we don’t know.*⁴

Secretary Rumsfeld went on to point out that it is the latter category, that of the “unknown unknowns,” that poses the greatest problem for assessing the consequences of and fallout from one’s actions.⁵ Despite its façade of incomprehensibility, his comment is actually an excellent expression of the difference between risk and uncertainty as distinguished by Frank H. Knight in his seminal text, *Risk, Uncertainty, and Profit*. The Knightian distinction between risk – which he used to describe those instances in which the outcome of a given set of circumstances is not known, but may be accurately quantified – and uncertainty – where outcomes are unknown and the information needed to make any kind of quantifiable prediction is

not attainable – provides a helpful framework for understanding the difficulties associated with carrying out cyber warfare attacks.

As with the financial markets that Professor Knight examined, military strategic decision-making is replete with risk and uncertainty with regard to outcomes and consequences. This has always been true, but the nature of cyber weapons makes the considerations more important. Even with cutting edge conventional weaponry (improved or more effective ordnance, GPS-guided missiles, stealth technologies, nuclear weapons, etc.), there is the concern that it will fall into the wrong hands for one reason or another. The nuclear age brought with it much hand-wringing about the possibility of nuclear designs being stolen by enemy governments or non-state actors. Such worries, however, are often overblown. The per-unit destructiveness that can be achieved by an enemy acquiring advanced assault rifle technology or even reverse engineering and building better stealth technology is rather low and, in the case of stealth technologies, the cost of production is prohibitively expensive for non-state actors and for many governments as well. Additionally, even the great fear of the nuclear age – namely, the proliferation of nuclear weapons designs – is tempered by the fact that, even given the proper informa-

tion for constructing a warhead, the process is extremely complex, and requires tremendous investment and years to implement. Moreover, in the circumstances in which advanced ordnance and warhead delivery systems are utilized against an enemy, the weapon itself is obliterated upon reaching its target, leaving no trace of the weapons systems for hostile actors to use or reverse engineer.

Few of these mitigating factors for conventional arms hold true in the case of cyber weapons. When a payload is delivered to a target via a worm or in the form of a virus, the weapon itself must remain intact in order to be effective against its intended recipient. This is a unique feature of cyber weapons and it has an interesting, if also terrifying, risk associated with it. The very use of malware against an enemy actually gives the enemy access to all of the advanced components that make such an attack successful in the first place. Essentially, the aggressor is delivering the means for an effective retaliatory attack directly into the hands of its enemy. It is in this context and through this lens that the risks associated with cyber warfare must be evaluated. The risks are high, the payouts are not always certain or obvious, and the nature and structure of the venue makes retaliation an uncertainty.

Stuxnet: Origins & Design

At some point in June 2010, strange things were happening at a nuclear enrichment facility located in Natanz, Iran. International Atomic Energy Agency (IAEA) inspectors reviewing footage from surveillance cameras installed at the facility in accordance with UN nuclear enrichment monitoring requirements noticed that the Iranian technicians at the plant had been replacing an exceptional number of centrifuges used to enrich uranium. Failure of these delicate machines is not uncommon over a number of years, and there were many at the plant that were previously used when installed or were somewhat older than would be ideal. Nonetheless, the centrifuges were apparently failing at an unexpectedly high rate. Still more alarming to the Iranians, the high failure rate was increasing with time.⁶ It would come to light over the ensuing months that the cause for the high rate of failure was anything but commonplace. The centrifuges were not physically faulty, nor were the Iranian technicians and nuclear scientists incompetent. Rather, the Natanz nuclear facility had become the first targeted casualty of the most sophisticated offensive cyber weapon the world had seen to date.⁷ The malware causing the Iranians so much trouble at Natanz would become infamous around the globe under the moniker Stuxnet.⁸

There was something remarkable about the fact that malware of any kind was present on control systems at the Natanz nuclear facility: the Natanz plant was an air-gapped site.⁹ In theory, air-gapped systems are not vulnerable to worms and other malware that propagate through the interconnections between computers via the Internet. Without having been connected at any time to the open web, there should have been no opportunity for malicious code or hackers to gain access to the system and infect it. So where did Stuxnet come from and how, given the extensive security protocols that separated Natanz from the outside world, was it moving through the system? The answers to these questions came to light only over time and in a piecemeal fashion.

According to experts in cyber warfare, the Stuxnet virus is one of the most intricate pieces of malware known to exist.¹⁰ Although no group or government has officially claimed responsibility for the design and deployment of Stuxnet, it is widely assumed, based on extensive investigations by reporters, statements from current and former government officials (such as Richard A. Clarke) and in-depth analyses of the source code carried out by security experts around the world, that it was the work of teams at NSA and their counterparts in Israel.^{11,12}

The sophistication of the malware in and of itself suggests that the group behind Stuxnet must have had state backing.¹³ Regardless of the worm's origin, it contained a staggering number of zero-day exploits and intricate, high-level code features.¹⁴

While the technical details of the Stuxnet worm are beyond the scope of this case study, a general explanation of its unique design and capabilities is necessary in order to understand how its designers approached the risks and uncertainties associated with cyber weaponry of this kind. Stuxnet is, at its most basic level, a kind of malware that is known as a "worm."¹⁵ Several features of Stuxnet's architecture, however, set the malware package dramatically apart from even its most formidable predecessors (e.g., Conficker). First, Stuxnet clearly possessed the capability of circumventing one of spy tradecraft's most effective barriers to entry in digital systems – air gapping. Second, it was a truly massive piece of coding by malware standards, weighing in at 500 KB.^{16,17} Third, Stuxnet was capable of utilizing a kernel-level rootkit exploit that makes it possible for the malware to avoid detection by even some of the most sophisticated anti-virus scanners.¹⁸ Fourth, the package contained a set of four zero-day exploits.^{19,20}

It would also eventually be determined that the group who de-

ployed Stuxnet had breached the air-gap defense by infecting the computers at five well-known contractors working in Iran on the construction and operation of the Natanz nuclear facility. The worm was designed to hide on the computers of individual employees at these contractors' offices and then to jump onto any USB thumb drive that was inserted into an infected terminal. The bet that the designers made was that eventually one of those USB drives would end up in a computer within the Natanz facility and, at that point, the worm would migrate to the internal Natanz system. To that end, yet another unique aspect of Stuxnet was the fact that it used a standard Windows functionality (a .LNK file) to initiate infection on a new computer. The brilliance of this exploit lies in the fact that .LNK files in the Windows OS are responsible for rendering the icons for files contained on a USB drive or any other portable media drive that is inserted into a terminal. The traditional method for transmission from portable media drives utilized by hackers is to initiate migration via the Windows Autorun command that usually functions to automatically open files that are present on newly introduced portable media drives; however, the Autorun feature is a commonly known vulnerability and even the most mediocre of security administrators disable this functionality as a matter of

common practice when securing proprietary networks. The .LNK method used by Stuxnet is far subtler and significantly more difficult to defend against.²¹

Any time a user inserts a USB drive and opens the drive on a desktop display, the Windows OS will use a .LNK protocol to render icons for all the files contained on the USB drive. At the initiation of the .LNK rendering process on a terminal at Natanz, Stuxnet moved into the computer's hard drive where it began to search for its targets and Stuxnet's kernel-level rootkit (disguised as a common driver) buried the intrusive code deep within the computer's OS, making it nearly undetectable by standard issue security software and virus scanners.²²

Incredibly, the descriptions in the preceding paragraph are only the more noteworthy capabilities that Stuxnet possesses, barely scratching the surface of what the worm can do and how it can enter and control specific computers. Once inside, Stuxnet performs a series of linked inquiries summarized by Richard Clarke as follows:

What does this incredible Stuxnet thing do? As soon as it gets into the network and wakes up, it verifies it's in the right network by saying, "Am I in a network that's running a SCADA [Supervisory Control and Data Acquisition] software control system?" "Yes." Second question: "Is it running Siemens [the Ger-

man manufacturer of the Iranian plant controls]?" "Yes." Third question: "Is it running Siemens 7 [a genre of software control package]?" "Yes." Fourth question: "Is this software contacting an electrical motor made by one of two companies?"²³

If the answer to the last inquiry is "Yes," said Clarke, then the worm knows that it can be in only one place – Natanz.²⁴ If, at any point in the survey, Stuxnet received a negative answer to any of its queries, then it would not take any action and would simply replicate and move within the infected system, limiting itself to only three additional infections in order to reduce its footprint, but to still investigate whether it is in a system at Natanz and had simply been inserted into one of the terminals that does not control centrifuges.²⁵ If, however, Stuxnet received affirmative answers to all four aspects of its checklist, it would deliver the payload it was built to convey.

Centrifuges spin at extremely high speeds to separate the heavier uranium-238 atoms from the remaining gas components to form an enriched product. When enriched sufficiently, the product can be used in a nuclear weapon.^{26,27} Stuxnet's payload instructions were created to stymie the Iranians' progress toward weapons grade enrichment.²⁸ The centrifuges involved in enrichment

are easily damaged if the speed at which they are spinning is unexpectedly changed. Any volatility in the rotational frequency can cause catastrophic damage to the machinery over a relatively short period of time, requiring it to be scrapped and replaced. Taking a man-in-the-middle position,²⁹ Stuxnet set to work destroying the Natanz centrifuges without ever making its presence known.³⁰ The Iranians had to replace nearly 1,000 damaged or destroyed centrifuges over the time that Stuxnet was implanted in the facility's control systems, setting back Iranian enrichment efforts months, if not years.³¹

So, in the end, that was it. The architects of Stuxnet – NSA and Israel's cyber warfare groups – had accomplished their goals of demonstrating American and Israeli dominance in offensive cyber capabilities and simultaneously setting back the Iranian nuclear program, seemingly with no body count, zero collateral damage, nor negative repercussions. Not quite.

Stuxnet Unbound: The Progeny

From a purely tactical standpoint, Stuxnet was a resounding success. The targeted facility had been hit with precision and collateral damage as a direct result of the attack on the nuclear program in Iran was nil. No body count. No external or unrelated systems were hit by the worm. However, within months of its release into

the contractors' computer systems in Iran and the worm's growing notoriety around the world, a disturbing trend began to flash across the screens of the same experts who had found and isolated Stuxnet in the first place. Variants of the Stuxnet code were showing up in private sector computer infrastructure all over the world and on other governments' systems.

An interesting aspect of the Stuxnet source code was that it included an end date. That is to say, the program was written to self-arrest its propagation and end continuing infections on June 24, 2012.³² While this is an intriguing safeguard installed by its designers, likely as a hedge against unnecessary distribution into non-targeted systems, the shortfall is that the safety measure may not actually end infection outside of controlled conditions.³³ The consequence of this is that any previously affected computers may still harbor Stuxnet source code and it may continue to spread. This means that any person with the technical skills to find and extract the Stuxnet source code on an infected terminal can then utilize the infection architecture to deliver a payload of their own choosing, or they can simply post the source code to publicly accessible web sites for use by just about anyone interested in doing so.

As discussed in the previous

section, Stuxnet included a multitude of nefariously clever capabilities that allowed it to invade and subvert control systems while remaining undetected. Stuxnet can now be used by hostile state and non-state actors as a cheap, pre-fabricated, and modifiable means for delivering devastating attacks against governments, financial systems, businesses, and critical national infrastructure anywhere in the world.

In September 2011, Hungarian cyber security researchers found themselves with a concerning program on their hands. Dubbed Duqu, in reference to a little understood hacking collective known for its advanced malware, the virus was designed to steal information from industrial control systems.³⁴ Analysis of Duqu by several firms found that it bore a number of striking similarities to the Stuxnet source code and used several of the same techniques and exploits.³⁵ Duqu was, at the time, one of the more intricate infiltration systems documented, which is not terribly surprising since the authors had used the Stuxnet platform as a source of Duqu's building blocks.

In May 2012, another major blip appeared on security firms' maps. A truly massive modular platform, essentially comprising a hacker's dream toolkit, showed up on the scene. The package was called Flame and, at 20 MB, it was

40 times the size of both Stuxnet and Duqu.³⁶ Flame included several signature exploits that were first observed in the Stuxnet architecture including the .LNK infection tool and a print spooler exploit that had been one of the zero-day manipulations that originally appeared in Stuxnet.³⁷ Researchers who mapped the infection locations and distributions were not able to determine what kinds of information Flame was intended to access or target, but the malware has been found in government computer systems, private industrial control systems, and even in critical infrastructure controls.³⁸ The variety of infected systems reinforces the notion that Flame is designed as a multifaceted collection of tools that can be mixed and matched by preference, depending on the function that a programmer wishes to achieve.

Most recent in the family tree of Stuxnet offshoots is Duqu 2.0, which was found to have infiltrated – almost unbelievably – the internal network at Kaspersky Labs.^{39,40} Duqu 2.0 is based on the architecture that underlies both Stuxnet and the original Duqu. The attack was likely intended as a demonstration of advanced capabilities by the Duqu group.⁴¹ It was a show of force achieved by stealthily gaining access to the networks of one of the world's most respected and resourceful cyber security firms.⁴²

While the Duqu branch of the Stuxnet family is widely accepted as having been manufactured by a non-state group of hackers who used Stuxnet code in their malware, many experts believe that Flame likely had the backing of a national government.^{43,44} These are precisely the risks and uncertainties that are so inherently intertwined within the field of cyber warfare. Once Stuxnet was released into the wild (sent to the computers at the Iranian contractors' offices), the developers at NSA immediately lost control of the worm's destiny. All that NSA could know for sure was that the source code would inevitably end up in the hands of hostile third parties at some point in the future, but they could not know who that party would be or how they might use Stuxnet (the known unknown). Clearly the likes of Flame, Duqu, Gauss, and Duqu 2.0 would not have come to fruition in the form that they did without the guidance and helping hand of the source code that they found Stuxnet.

Stuxnet has also given the world a model for how to successfully complete a cyber attack that combines both virtual infiltration and physical damage. It has focused attention on the shockingly unprotected critical infrastructure in nations such as the United States, where even a slight disruption to the power grid could bring

the economy to a screeching halt and deliver a devastating blow to essential services that would take weeks or months to repair. As then-Secretary of Defense Leon Panetta observed in a speech to the Council on Foreign Relations in October 2012:

The most destructive scenarios involve cyber actors launching several attacks on our critical infrastructure at one time, in combination with a physical attack on our country. Attackers could also seek to disable or degrade critical military systems and communication networks.

The collective result of these kinds of attacks could be a cyber Pearl Harbor; an attack that would cause physical destruction and the loss of life. In fact, it would paralyze and shock the nation and create a new, profound sense of vulnerability.⁴⁵

The American power grid system, in particular, is regarded as poorly protected and exceedingly interconnected and difficult to repair once damaged, making it a prime target for cyber attacks.⁴⁶ Stuxnet and its successors have shown a path for those who mean to harm the United States and its allies. The design and modular components of these malware platforms are free to anyone who has the desire to find them. They can be modified or used as-is in

many cases to carry massively destructive payloads of malicious code to the poorly insulated critical systems in the United States, potentially causing power grid failures, oil and gas pipeline explosions, systemic financial crises, and even direct contamination of major water supply lines.

Just as Stuxnet in itself posed risks for the United States when it was deployed because of the possibility that it would be appropriated, it is also important to look at the uncertainty that comes with launching the first documented salvo in international cyber warfare. The NSA may have been able to quantify the risk that came with others getting ahold of malicious code they had themselves designed and were willing to run with that risk, but it is an entirely different matter when dealing with the uncertainty that comes with initiating the development of a new and untested form of conflict. The United States government must deal with the uncertainty that the decision to unleash Stuxnet has brought. It is difficult to understand what, if any, significance a cyber attack carries under international laws. Has the United States engaged in an attack that could be construed as an act of war by using Stuxnet in Iran? This is not totally obvious and the consequences are uncertain. The doors of the future of cyber war have been flung open by the Unit-

ed States and the next steps are precarious.

Conclusion

This case study has used Stuxnet as a window into the risks and uncertainties of cyber warfare in the 21st century. The first and most advanced nation-sponsored cyber weapon ever produced provides a perfect example of what the United States and other actors at the forefront of the technological arms race are and will be confronted with in the future. When Stuxnet found its way to Natanz, it left its trail through the open wilderness of the public web. There it was studied and disassembled by experts in the employ of American enemies and non-state hostiles alike. The results have been a series of increasingly evolved platforms for attack on both government and private systems and the potential for much more severe attacks on critical systems nationwide and abroad. The newest field of battle across the globe is one characterized by new risk and uncertainty that must be confronted head-on when considering whether to design and deploy newer and better weaponry. Stuxnet has shown both the success that comes from preparation and planning, but, more poignantly, it has given an example of the risks that nations run when they open a new front in global conflict.

Andrew Leedom is a Masters candidate in his first year at the Johns Hopkins University School for Advanced International Studies. His area of concentration is International Political Economy.

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- 8 The malware was "dubbed Stuxnet by Microsoft from a combination of file names (.stux and MrxNet.sys) found in the code." (Zetter, How Digital Detectives Deciphered Stuxnet, the Most Menacing Malware in History 2011).
- 9 An air-gapped computer or facility is one that has never been connected to the open internet at any point during its existence.
- 10 (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World's First Digital Weapon 2014)
- 11 The Israeli equivalent of the NSA and the US Cyber Command is a military specialist group named Unit 8200.
- 12 (Sanger 2012)
- 13 (Zetter, How Digital Detectives Deciphered Stuxnet, the Most Menacing Malware in History 2011)
- 14 (Falliere, O'Murchu and Chien, W32.Stuxnet Dossier 2011)
- 15 "[W]orms are similar to viruses in that they replicate functional copies of themselves and can cause the same type of damage. In contrast to viruses, which require the spreading of an infected host file, worms are standalone software and do not require a host program or human help to propagate. To spread, worms

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1 Kaspersky Labs has been

either exploit a vulnerability on the target system or use some kind of social engineering to trick users into executing them. A worm enters a computer through a vulnerability in the system and takes advantage of file-transport or information-transport features on the system, allowing it to travel unaided.” (Cisco Systems, Inc. n.d.).

16 At the time Stuxnet was discovered, 500 KB was a nearly unheard of size in the malware world because the general idea of malware packages is to keep a low profile and avoid detection by the user’s operating system or antivirus platforms. Soon after the release of Stuxnet, however, some truly gargantuan malware programs were discovered that were related to the Stuxnet infrastructure. Notable is Flame, which came in at 20 MB, was isolated and identified in May 2012.

17 (Constantin 2012)

18 (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014)

19 Zero-day exploits are vulnerabilities in software that have never been previously identified by anti-virus and security firms and are also unknown to the software makers themselves, leaving the system completely defenseless in the face of attacks that utilize those security holes.

20 (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014)

21 (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014)

22 (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014)

23 (Rosenbaum 2012) (quoting Richard A. Clarke)

24 (Rosenbaum 2012)

25 (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014)

26 Enriched product intended for energy generation facilities generally measure in at about three to five percent enrichment and, while crude nuclear devices can be constructed with uranium enriched to 20%, truly weaponized mate-

rial comes at 90%. (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014) 27 (Sanger 2012)

28 Most malware, and worms in particular, are constructed as vehicles for delivery of a “payload” package, much like an ICBM is designed as a vehicle for the transport and delivery of its warhead.

29 A man-in-the-middle tactic in cyber security circles is one in which a program creates a false feedback loop which prevents monitoring systems from receiving correct diagnostic information. In the case of Stuxnet, the man-in-the-middle aspect of the malware prevented the Natanz computers from noticing that the centrifuges were spinning at critically high and low speeds. The monitoring system was always given data that indicated that the centrifuges were spinning at the proper 1064 Hz level.

30 “After the initial reconnaissance stage recording data for thirteen days, Stuxnet first increased the frequency of the converters to 1,410 Hz for fifteen minutes, then reduced it to 1,064 Hz, presumably the normal operating frequency, for about twenty-six days. Once Stuxnet recorded all of the data it needed to record during these three weeks, it dropped the frequency drastically to 2 Hz for fifty minutes, before restoring it to 1,064 Hz again. After another twenty-six days, the attack began again. Each time the sabotage commenced, the man-in-the-middle attack fed false frequency readings back to the operators and safety system to keep them blind to what was happening.” (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014).

31 (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014)

32 (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World’s First Digital Weapon 2014)

33 Stuxnet was designed to erase itself using what is called a TTL, or “Time to Live” protocol – a command that tells a program to self-terminate at a given date – but the problem is that not all computer

systems or individual user's computers are properly set to the correct date and time. This can lead to serious errors that would prevent Stuxnet from executing the erase command under any circumstance based on date. (Rosenbaum 2012)

34 (Kushner 2013)

35 (Symantec Security Response 2015)

36 (Constantin 2012)

37 (Constantin 2012)

38 (Constantin 2012)

39 Gauss was also recently discovered and includes a number of previously unseen exploits and a particularly clever MS Word-based infection method using a fabricated font style. (Zetter, Countdown to Zero Day: Stuxnet and the Launch of the World's First Digital Weapon

2014). Gauss also incorporates a great deal of Stuxnet architecture, but much of the re-used code is already discussed in the context of the Duqu, Flame, and Duqu 2.0 sections of this case study.

40 (Symantec Security Response 2015)

41 (GReAT (Kaspersky Labs) 2015)

42 (Symantec Security Response 2015)

43 Gauss may also have been developed with government support.

(GReAT (Kaspersky Labs) 2012).

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Influence Operations: Challenging the Social Media – Democracy Nexus

Ignas Kalpokas

Social media has traditionally been unequivocally seen as facilitating democratic transitions and challenging the power of autocratic regimes. Some most recent research, however, contradicts this established narrative, and as a result, this article first aims to show that social media does not have intrinsic political qualities of its own. Rather, they are contingent upon the offline conditions and the actors who use social media. Then, building on the contingent nature of this media, the author aims to show how social cyberspace enables a new kind of influence operations that can be carried out instantly, globally, and with the help of the victims themselves (referred to as ‘sofa warriors’). Finally, the conflict in Ukraine is presented as an example of how social media influence campaigns can be employed in hybrid warfare.

Traditionally, the internet and social media (SM) have been seen as game changers in democratic struggles, enabling activists and promoting freedom. And yet, as will be shown, there are also mounting evidence challenging the social media-democracy nexus. This article aims to take one step further by arguing that not only SM does not have any essence of its own but also it can be used for influence operations by hostile foreign actors. This proposition is then demonstrated in the context of hybrid war and the conflict in Ukraine.

As the popular narrative has it, “[t]oday, anyone with an internet connection and a Twitter account can make the news. If you choose, the powers that be are you.”¹ Indeed, the advent of “citizen journalism,” through a combination of SM and devices capable of capturing images and keeping individuals constantly connected, has significantly democratised the information landscape. Still, it is doubtful whether the optimism is completely deserved since it is equally true that, in military-strategic terms, “new media [is] a significant enabler of ‘that element of combat power called information.’”² The fact that the British Army has recently decided to create a new brigade tasked with performing information operations³ is another proof of that point. And yet, commendable as this addition to military force might be, there is

a need to take one step further by dissociating influence operations from conventional military ones in terms of both offence and defence. In this respect, the recent addition to the European Union agenda of protection against information influence, understood as a continuous process,⁴ seems to be a step in the right direction.

Notably, a significant part of the pro-democracy social media literature, including that used in this article, draws on the Arab Spring (it is, undoubtedly, the most widely discussed case study), whereas the contrary potential is mainly illustrated through the conflict in Ukraine. These two crises are very different: one represents popular uprisings dealing with political reform, the other refers to two governments (and their proxies) clashing over control of a specific territory. However, that is precisely the point, emphasising radically different uses and context dependence of social media.

Social Movements and Social Media: Contradiction and Contingency

Initially, the positive side of SM has to be outlined. Certainly, SM has had significant impact in enabling pro-democracy movements and facilitating expression of civic discontent. Although what follows is not an exhaustive account of SM’s positive contribution, the main changes are nevertheless covered. And yet, as it is argued later, these same contributions can easi-

ly be inverted and used to strengthen authoritarianism and/or embark on influence operations.

First of all, SM is a valuable addition to social movements' toolkit. Generally, the crucial role of SM in spreading information, mobilising people, creating protest networks both nationally and internationally is emphasised.⁵ By erasing distance, it is argued, SM succeed in "making the remote local," i.e. enabling people to connect across geographical distances.⁶ Clearly, SM has the potential to facilitate "multiple and diverse network spheres" that, if translated to offline action (which is by no means unproblematic), can encourage democratic tendencies.⁷ Crucially, citizens are no longer forced to passively consume information but are, instead, empowered to challenge centrally sourced news and put forward their own perspectives⁸ avoiding official networks.⁹ As a result, SM plays a vital part in disseminating otherwise unavailable information and facilitating its exchange.¹⁰ In this way, SM is seen to offer "more readily available, immediate and equal access to public sphere."¹¹ It appears that, for example during the Arab Spring, SM did enable "direct and relatively constant channels of communication and diffusion of ideas," sustenance of collective action, and global transmission of information.¹²

Next, it is quite likely that SM

affects users' choices and actions. SM may play a role in empowerment and mobilisation, as research shows that SM users are more likely to protest¹³ and be otherwise politically engaged,¹⁴ also being more active and better informed than non-users.¹⁵ It has even been argued that SM fosters an ethic of "perpetual participation."¹⁶ Organisation of such protests themselves might be affected as well since movements enabled by SM tend to operate under a "logic of aggregation," whence viral flow of information acts as an impetus for aggregation of people in offline spaces.¹⁷ Even SM discussions originally intended for criticism only can evolve into offline protests.¹⁸ As such, SM might be seen as enabling latent opposition to take material forms and creating drive for regime change or challenges to the global order seemingly out of nowhere.¹⁹

Among other notable claims, it is even suggested that internet penetration, supported by adequate hardware and broadband, by itself "facilitates democratic change by cultivating pro-democratic attitudes."²⁰ Moreover, a Tunisian case study appears to show that SM can also make a positive contribution to post-regime change development.²¹ In short, it is relatively easy to see SM, and internet more generally as "liberation technology."²² Nevertheless, the record is contradictory. Wid-

er research also shows that SM is equally capable of spreading anti-democratic ideas that are sometimes even more hard-line than the regime itself,²³ and anti-democratic participation via SM is not unheard of.²⁴ This observation, then, leads to the other side of SM – one that acts as facilitator of authoritarian regimes.

Indeed, there is an emerging strand of research that challenges the determinism of SM almost unavoidably leading to democratisation. In fact, depending on the actual political culture of a particular authoritarian regime, SM might not be widely used to challenge it,²⁵ and home-grown Social Networks in particular seem to be relatively passive and are easily controlled by the government.²⁶ Even more importantly, many authoritarian governments have learnt to co-opt SM, using it to 1) gather information about grievances, 2) keep local officials in check through public opinion, 3) shape public discourse thus boosting legitimacy, and 4) mobilise and coordinate their support base.²⁷ Moreover, since no regime can function without at least some public support, SM can be used to mobilise those supporting the status quo. All these uses significantly draw on the supposedly empowering SM contributions outlined above. Also, autocratic regimes use SM to discredit the opposition and shape the discourse of their

support base.²⁸ Those supportive groups are not only comprised of people directly benefitting from the status quo but also of those driven by ideology, patriotism, or fear of change and, therefore, cut across large segments of society. Such online mobilisation campaigns are employed not only for crowding out the opposition from social networks or organising pro-regime anti-opposition rallies but also to disseminate propaganda more effectively.²⁹

Furthermore, SM can have destabilising consequences unrelated to the nature of government. There are indications (particularly from multiethnic states) that penetration of SM has a tendency to instigate collective violence by exacerbating group differences, especially when online networks are formed along segregated lines.³⁰ SM can also have a destabilising effect by causing dissatisfaction with democracy through raising impossible demands³¹ or through exposition to widespread disagreement on fundamental issues.³² Both of these traits can also be used in what later will be referred to as influence operations.

From the above, it is clear that SM's track record so far has been far from unequivocal. Indeed, the relationship between SM and political change is "complex and contingent"³³ and SM does not seem to possess any intrinsic quality that exclusively leads

to democratisation.³⁴ Rather, one has to recognise the contingent nature of SM. It can be very useful and effective in organisation, dissemination of information, and radicalisation (in the sense of increasing the willingness to stand up for a cause). The issue is that all of these processes can work in both positive and negative ways. SM also cannot cause revolutions on its own.³⁵ In fact, two elements are needed. First, any movement needs a core of hard-line devotees who prepare the information and carry out the initial dissemination. SM activism seems to be dominated by those who are already active in the offline environment, people associated with conventional politics, and a limited number of influential bloggers³⁶ – professional influencers. It is up to them to turn a particular SM-based movement in a direction of their choice.³⁷ Second, there must be a set of grievances and other motivations that turns online potentiality into offline actuality. Notably, “[t]here is no positive correlation between levels of SM penetration and the emergence of social movements calling for political reform and regime change”; instead, local political and socio-economic conditions with regards to democracy are the key.³⁸ Overall, the actual (democratic or anti-democratic) effect of SM depends on both the intention of the initiators and on the nature of offline conditions.

Influence Operations and the Hybrid War in Ukraine

The second part of the article endeavours to demonstrate the ways in which the empowering and mobilising features of SM can be used in a strategic manner to affect the perceptions and actions of target populations. After outlining the nature and typical technique of such operations, the conflict in Ukraine will serve as an example.

To begin with, due to their contingent nature, SM is prone to influence operations, carried out by state or non-state actors, whence “[h]oaxes and scare-mongering campaigns seek to subvert public order, then generate and exploit the resulting chaos.”³⁹ SM influence operations in particular are characterised by “[t]he use of social interactions to mobilize populations without a physical presence,”⁴⁰ thus causing ‘individuals or masses of people to spontaneously move in specific ways in response to messaging.’⁴¹ The ubiquitous nature of cyberspace also means that “hundreds of millions of people can be approached, simply and at a low cost.”⁴² These characteristics make SM influence operations a dangerous addition to an adversary’s arsenal.

There are some crucial structural and psychological underpinnings to such use of SM. Notably, SM now is “a unique information source to deal with information- and cognitive-overload problems,

find answers to specific questions, and discover more valuable opportunities for social and economic exchange.”⁴³ However, since people tend to connect with others that are similar,⁴⁴ such SM use might well lead to ghettoisation⁴⁵ and facilitate influence operations. Furthermore, it is common for a large number of mutual contacts to create an interconnected network where not only user A knows user B who knows user C but also user A knows user C; this clustering produces an echo effect, in which user A receives the same information from different directions, thus getting the impression that everybody is talking about it and having the same opinion; hence, a message is further stabilised as truth.⁴⁶ Such influence operations are, essentially, struggles over a narrative about a given country, its population, and government – and even narratives that otherwise appear stable can be dislodged by strong campaigns.⁴⁷ From the perspective of the attacker, the aim is to erode trust among members of the society and between the citizenry and the government. Since trust, in its political dimension, reflects the attitude towards one’s society in general,⁴⁸ once trust is eroded, any hostile action becomes much easier to carry out. While such strategy is far from new, with the advent of SM, this struggle has become ever more intense and ubiquitous.

Another dangerous aspect of a cyber influence campaign is that once started, it is able to largely continue on its own with the help of the individuals it has already affected. The scheme is as follows: 1) an operation is initiated by a hostile actor; 2) part of the target group is affected by the message; 3) the affected individuals themselves become the generators and disseminators of the influence operation. Such unwitting agents could be referred to as “sofa warriors.” In contrast to derogatory terms, such as “armchair activists” or “slacktivists,”⁴⁹ these individuals, while not posing significant danger on their own, are capable of making impact when herded into a social botnet (to borrow a conventional cyber security jargon term). Of course, these botnets of “sofa warriors” must be occasionally prompted, nudged, and kept excited; nevertheless, the work of the initiator is still made significantly easier while the potential reach of the operation increases exponentially due to the significant increase in the number of disseminators.

Furthermore, the strategic aims of an operation have changed. Notably, in case of influence operations, “[t]he win, especially against irregular adversaries, is in the form of political victory” as “[t]he center of gravity is public opinion.”⁵⁰ After all, not only national but also “[g]lobal public opinion

is becoming more strategic,”⁵¹ with interest-based communities, coalesced around an issue pertinent to a certain country, attracting members around the world, as it were, temporarily expanding that nation’s citizenry.⁵² This also means that influence operations are not exclusive to a period of conflict. In fact, they predate the conflict because any anti-state disturbance indicates that the official narrative has already failed to reach or convince a section of the population.⁵³ Whoever has attempted to take grip on part (or whole) of that state has already succeeded at the cognitive level.

Influence operations are neither self-serving nor, in most cases, self-sufficient: they have to be used to prepare ground for or in conjunction with other means. Most prominently, hostile actions on SM form part of hybrid war. In a hybrid war, the population itself is the battleground with both conventional and informational operations being aimed at accumulating support.⁵⁴ In this context, SM, and cyberspace generally, are important in forging and maintaining regional and transnational linkages, facilitating recruitment, and disseminating propaganda; they can also be the site of adversarial efforts to suppress such use.⁵⁵ The conflict in Ukraine has been precisely a hybrid one: “a conflict waged by commandos without insignia, armored col-

umns slipping across the international border at night, volleys of misleading propaganda, floods of disinformation”⁵⁶ – something that has been part of the Russian military doctrine at least since 2013.⁵⁷ And, since any definitions in this kind of conflict are blurred, it is still not entirely clear what the best response is;⁵⁸ after all, hybrid challenges “cannot be deterred by troops, tanks and aircraft alone.”⁵⁹

In more concrete terms, the influence operation, coming from Russian-controlled or backed media, has been aimed at creating an image a ‘humanitarian crisis’ in Eastern Ukraine and portrayal of Ukrainians as Nazis, wearing swastikas and carrying out something akin to a genocide of Russian speakers.⁶⁰ Consequently, the Ukraine conflict has also become “a battle of narratives”⁶¹ in which SM is used to spread graphic images of violence, often “borrowed” from other conflicts (Syria, Chechnya, Bosnia etc.).⁶² To that extent, an “invisible, clandestine army” of “social networkers, rumor-mongers, and the armies of trolls” are claimed to be an “indispensable weapon” in the Russian strategy to portray the Ukrainian conflict as a defence of Russian-speakers from neo-Nazi mobs and atrocious Ukrainian army.⁶³ Notably, since the Russian media were banned in Ukraine after the fall of President Yanukovich, SM became the prime vehicle to mo-

bilise pro-Russian groups within the society,⁶⁴ essentially creating parallel information realities.⁶⁵ Not surprisingly, this has been, according to NATO's Supreme Allied Commander in Europe General Philip Breedlove, 'the most amazing information warfare blitzkrieg we have ever seen in the history of information warfare'.⁶⁶ Clearly, this conflict has disclosed SM's potential for distortion, whence populations are caught in a torrent of partial information and only pick those bits and pieces that either neatly slot into their preconceptions or provoke their emotions sufficiently. After all, if a message has become viral and is being repeated sufficiently, it is no longer questionable. Crucially, once competing influence operations have reached a critical mass of self-perpetuation and increased radicalisation, any feasible solution becomes less and less likely: the "sofa warriors" on both sides begin living in parallel informational universes with (almost) no common vocabulary – and that has been precisely the lesson of the Ukraine conflict.

Conclusions

Although SM has, for some time already, been mooted as the most important game-changer for pro-democracy movements, the evidence is contradictory. This points to a nuanced take on SM: it 1) does not have a distinctive democratising quality of its own and

is 2) insufficient to instigate action without appropriate offline conditions. What is clear is that the contingent nature of SM does allow for its exploitation in influence operations, whereby hostile actors aim to manipulate the population into pre-programmed ways of acting. Admittedly, employment of SM in perception management and orchestration of large-scale demonstrations might not be an all-encompassing tactical tool but it can certainly be used as part of overall strategy.⁶⁷ After all, "hybrid actions are all the more powerful [...] when backed by the credible threat of force," as is evident in Ukraine.⁶⁸

In the face of hybrid warfare, there is a need for NATO and other organisations to brace themselves for hostile influence operations and, arguably, acquire the capabilities of carrying out campaigns of their own. Crucially, weaponised SM information has become part of the security landscape. Moreover, it is vital to recognise that influence operations (including defensive ones) cannot be limited to offline military conflicts – they must be permanent.

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Title Page Photo by: Jason Howie



The Growth and Investment Puzzle: Why it matters and where it comes from

Editorial Staff

Dr. Catherine L. Mann has been OECD Chief Economist, G20 Finance Deputy, and Head of the Economics Department since October 2014. Dr. Mann is responsible for advancing the Strategic Orientations of the OECD, including the OECD's Economic Outlook, country-based economic surveys and the Going for Growth report. She was most recently a Professor of Global Finance at the International Business School at Brandeis University and Director of the Rosenberg Institute of International Finance.

In your view, what are the most important economic trends that OECD countries are facing? What opportunities do you see in relations between OECD and non-OECD states?

I would address this from the standpoint of the recently released OECD Economic Outlook, which has a perspective that is relatively short-term in the sense that it is a couple of years, but nevertheless I do think that there are some

things that we are seeing in the near term. From the standpoint of the global economy, not just the OECD, countries are facing a very significant slowdown in global trade.

You might want to ask why does this matter and where is it coming from? Those are the two interrelated pieces of the puzzle. What really matters is when we see these very dramatic slowdowns in global trade, which in the past 50 years has only happened five times, that has been a period of global recession. I don't want to say that we are headed for a global recession, but there has been this correlation between very slow trade growth and very slow growth in the global economy. So we worry about the trade figures being a harbinger of more difficult periods going forward.

For most countries, certainly at the OECD and in Europe, the room for maneuver for economic policy is relatively limited, although there are things that can be done. The question is are they going to be able to undertake the policies necessary to get out of the middle income trap? And if this is an environment where we have slow global trade and slow global growth this makes those policy changes, both for the emerging economies and for the OECD, that much more difficult, Europe has a potential to really be a very large player in the global econo-

my, but countries still very much see themselves as national units and even increasingly so. In light of the refugee crisis, Greece, and issues with banks, rather than Europe pulling together as a unit, I see a lot of fractures. Europe accounts for 25% of global trade so part of the reason why we have the trade slowdown is because Europe is not growing as fast as it should. And again, that's partly because it sees itself as national units as opposed to a unified whole acting in the unified whole's interests.

The other big player in the global economy that is relevant for the trade story is China and it's very challenging to forecast their growth rates. We do know the set of things that are related to rebalancing away from commodity-intensive growth, and the transition away from investment in general towards consumption. Those things, even if we don't think they're fully being undertaken, are collectively responsible for the halving of commodity prices in the last year. So commodity prices are down, commodity sales are down, and that has knock-on effects to growth in commodity-dependent economies, which is part of the global trade slowdown. But it's also the case that China is on a path to more internal production of the intermediate goods that they used to import through the global value chain. So that has knock-on effects to the whole

global value chain and is affecting global trade very significantly. Finally, exactly how fast is China's domestic demand really growing? And it may be that it's growing a little less than one might think based on the top line GDP data.

So we've got Europe that is not acting as a unit and is a drag on global trade and we've got China rebalancing and slowing down and becoming more of a "closed" economy. The last player that we can talk about is the U.S., which has traditionally been a buyer of last resort and the locomotive of the global economy. The channel through which it has done that in the past is through importing a lot of consumer goods. It has imported capital goods as well, but consumer goods have been very important for countries that are on the first steps of trade, like textiles and more labor intensive goods. If you look at what U.S. consumers are buying these days, growth rate is up but the extent to which we are importing things in the United States is actually much less: there's a much lower income elasticity than there used to be. That is even in light of an appreciated dollar, which generally leads to lower prices and consumers really should be buying more imports, yet they are not.

Why is that?

A couple of things. One is we've had an increase in income inequality in the United States. That

means lower-income consumers have not gotten the benefits of growth. The import intensity of those consumers is quite high and they are not in a position to consume much more. The second thing is that if we go back and look at the period of time when we had tremendous increases in consumer goods imports, it was when we had a housing boom. People had to furnish two houses or furnish bigger houses and they're not doing that anymore. On the other hand, people do have more money in their pockets, even lower-income consumers to some extent. This is because of lower gas prices, more benefits and more employment: even if your wages have not gone up, at least you have a job.

So there is a capacity to consume but where is it going?

It seems to be going much more for the types of things that you had completely given up: you had to give up going out to restaurants. You gave up your vacations and stayed home, remember the term "staycations"? So now with that additional disposable income, people are spending it on services: food away from home, restaurants, and entertainment.

Looking through the lens of trade, that is a collection of both short-term and medium-term trends that I think are very important for the global economy. If we think about five or ten years from now the most important thing is

will China become a closed economy? Will it become like the United States? The United States is basically a closed economy, if we look at $(X+M)/GDP$. If you take Europe as a whole they are not really a closed economy and China has not been one, but the question is will it be?

What effect would that have?

For probably two or three decades the United States always talked about the need for other countries to pursue domestic demand-led growth. You don't need to depend on a global cycle with that type of growth and it would be the source of more stable development. Well that was intercepted by China and the fragmentation of the global value chain. If China becomes more like the US, more like a closed economy, then the source of the global value chain-generated trade and growth is going to go away. And so we will be back once again to talking about the need for domestic demand led growth, but China will have transitioned to a closed economy. So then you will have some countries with no demand-source of a trade-oriented pathway to GDP growth and I see that as something that policymakers should really be thinking about as they pursue their agendas.

What time span is this going to happen for China?

That is entirely dependent on whether or not they can navigate towards domestic production and

domestic consumption: specifically, domestic production of intermediates and domestic consumption as opposed to exports for GDP growth. Going back to the mid-90s, there were two major times when the Chinese said that they were going to rebalance for consumption based growth, away from commodity-intensive investment and the export led-growth model. Both times they tried and they have not yet succeeded and frankly, right now when I look at the stimulus program that they have under way it's the same old: it's credit heavy, so credit extensions to heavy industry, to real estate, to commodity intensive production. Those are not the foundation for consumption based growth. They could have spent money for more education, for more of a social safety net, for health insurance, all which would be ways you could reduce the household savings rate. Right now there's always precautionary savings for those purposes, so what you need to get consumption based growth going is to have a type of support that brings down the precautionary household savings rates. The way to do that is to have insurance programs, whether it be education, health, or old age. So even though it could be the approach of the fiscal program, it does not appear to be where the focus is.

The OECD has linked credit overexpansion and the current

structure of the financial market to slowing growth. How have these led to a slowdown and what should the policy response be?

On the OECD website is a section called Finance, Growth and Inequality. The issue here is that there is a U-shape to financial depth, which can be measured by bank credit, bond, and equity capitalizations. At very low ratios of financial depth expanding all three types of credit are the foundation for faster growth. A lot of emerging markets have very thin capital markets and they have very little bank credit, so for those economies the argument to restrict financial markets is wrong. You need more financial depth in order to do the things that credit does in a system. However, in a number of the OECD economies including the U.S. and Europe (but not for example Korea, Mexico or Israel), we want to decompose different kinds of finance -- bank credit depth, bond credit depth and equity market capitalization. For bank credit depth what we find is that when bank credit as a share of GDP exceeds something in the neighborhood of 80% there is a negative correlation between increases in bank credit depth and growth rates. So this is the research finding about over-expansion of credit.

How does this happen?

We first want to make a distinction of who is getting the credit. We

can look at bank credit overall and then ask is it going to households? Is it going to firms? And what we find is that this over expansion negative correlation is much more extensive for household credit than for credit that is extended to firms.

So why is that? Think about what you are supposed to do when you get credit: you are supposed to get a loan and then acquire an investment that will earn at a rate of return that is sufficient to repay the obligation. That is how it is supposed to work. And now consider that the only way to repay a housing loan is through housing price appreciation. It's not that the house is going to change, the only reason your house gets a rate of return is because prices go up. But if prices do not go up enough or if they go down then all of the sudden you have the negative correlation. The house price is not enough to repay the obligation and then you have a bankruptcy and then you can't spend: that is the channel through which we get this particularly strong relationship between too much credit and negative implications for growth.

The story for firm credit is not as strong because at least some of the firm credit is going into investments that are going to repay the obligations. However, we know that firms borrow in order to buy back stock, they borrow to do mergers and acquisitions, and they do all sorts of borrowing that actu-

ally doesn't involve creating an asset that is going to earn a rate of return over the lifetime and repay the obligation. So there are a number of things that firms do with credit that don't have good rates of return and that's also where the negative from credit overexpansion comes from.

Are there other factors influencing growth?

For equity market cap we find that there is throughout the sample a positive correlation between equity market depth and growth. Perhaps this results because there's a closer link between equity valuations and wealth or the marginal propensity to consume wealth is large enough so that you get the positive growth, but I also think that a lot of it is driven by the fact that equity market depth in Europe is very low. When we look at the whole sample, there's very low equity market depth in parts of the OECD like Korea, and Mexico as well. We know from other research on productivity that stock market capitalization and availability of risk capital is positively associated with productivity growth, because availability of risk capital allows new firms with new ideas to start up and therefore push productivity. It's the new firms that really push the productivity frontier out

Looking at capital markets in Europe and limits on bank credit for some countries that have ex-

cessive credit to GDP, I think what you're seeing there is happening in the context of limiting bank expansion. The new financial stability boards and total loss absorbing capital (TLAC) or Dodd-Frank in the United States are mechanisms to effectively limit the ability of banks to extend excessive credit. Then you have loan to value ratios and other similar mechanisms, which are macroprudential measures to limit the extent to which credit goes into housing.

The full transcript of this interview will be published on the SAIS Europe Journal of Global Affairs website: www.saisjournal.org

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Andrew Wheeler



Energy & Climate Change

Christian Maximilian Stadler

In 1996, Professor Kenneth H. Keller, at that time professor at the Hubert Humphrey Institute of Public Affairs, published an article titled “Unpackaging the Environment” that detailed the steady rise of the environmentalist movement since the 1960s and proposed that the entire “concept of the environment” needed to be reformulated.¹ Exactly 20 years after publication, Professor Keller was available to talk with me about his work. This paper therefore represents a summary of the original piece and offers an updated per-

spective and critical evaluation of the developments ever since.

The article’s general theme is that the term “environment” has become too extensive and overburdened by moving “from the periphery to stage center,” and under these circumstances it is no longer possible to set effective policies. The wide range of interpretations can be seen in the number of areas where the umbrella term “environment” is now applied. These include international trade negotiations like NAFTA with vague environmental side agree-

ments, multinational companies including environmental issues in their strategic planning, and major international conferences like the Montreal Convention 1987 and Earth Summit in Rio 1992. In addition to the generally broader usage of the term, certain policy-makers have also begun to link the term with national security concerns, in order to advance their specific agenda. In doing so, the lines have become further blurred and the “environment” has become inseparable from other issues. Consequently, the success of enacted policies has been modest, and they have not been able to correctly address the multitude of problems for which they were intended. In order to remedy this problem and further the “spotty progress,” Keller elaborates, under eleven subheadings, on the emergence of environmentalism and offers his assessment of how to solve the dilemma. In the section below, the most important subheadings have been summarized in order to prepare for the subsequent discussion.

The author dates the rise of the environmental movement to the 1960s and 70s when influential books like *The Silent Spring* (1962) by Rachel Carson or *Small is Beautiful* (1972) by E.F. Schumacher raised concerns about the use of pesticides and obtrusive technologies. Initially these fears were value-driven and located at the

brink of society. Advancements in technology and a multitude of sophisticated measurements finally expanded the “rubric of the environment” and resulted in the inception of the Environmental Protection Agency (EPA) in 1970. Globally, population growth and energy consumption have continued to increase at staggering rates, causing a debate between the “North” and “South” as to whom is ultimately responsible for solving the problem of global warming. While the UN Conference on Environment and Development (UNCED) in Rio (1992) brought hope, the lack of follow-through and the over-broadened closing document “Agenda 21,” with 14 chapters and hundreds of subsections, hindered any meaningful progress.

Starting with the subheading “Decoupling the Issues,” the author suggests that by dividing the “environmental problématique,” responsibility can be spread over multiple actors and ultimately this can allow us to gain the necessary flexibility in order to assign problems to the closest policy area.

A categorization according to geography, cause, effect, time horizon, and relative importance in terms of national interest, accelerates policy-making and opens the door for meaningful progress.

The new taxonomy exemplifies that some environmental problems are not very urgent due to

their long time horizon, but are absolutely vital for the survival of mankind. This insight demonstrates that the responsibility for solving climate change cannot be assigned to a massive, highly organized, and hierarchical organization with well-established chains of command, like the military, but rather it has to be tackled on an international level, with a team of highly-trained and experienced diplomats.

The article's conclusion stresses that a "one size fits all" approach needs to be avoided at all costs. Only a set of micro-strategies for each individual problem can be successful in the long run and overcome the broad but shallow public concern about the environment.

While discussing his piece and events of the past 20 years in the environmental realm, Keller argues that the article is – quite shockingly as he admits – still very much up to date.

Nevertheless, he thinks that the unpacking of the environment has not yet been successful.²

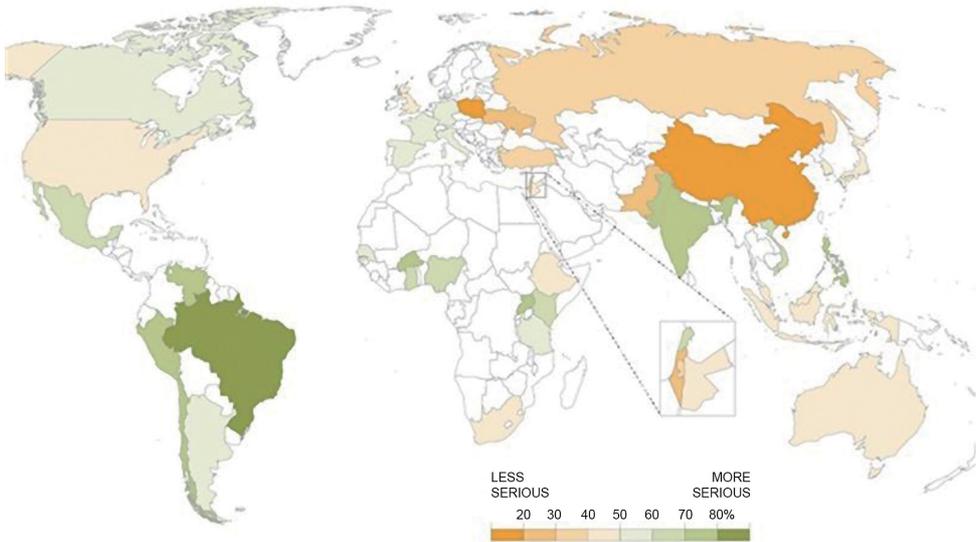
While the urgency and severity of environmental problems like climate change has increased considerably, Keller believes that more can be done and that the Paris Agreement (2015) is a big step forward in this direction. By utilizing an individualized approach to setting Intended Nationally De-

termined Contributions (INDCs), his article's plea appears to have finally found resonance amongst policymakers. This is an improvement from earlier agreements like the Kyoto Protocol (1997), which he argues steered in the wrong direction by deploying a simple "one size fits all" approach and giving out the general target for developed countries to decrease GHG emissions by five percent below 1990 levels. Asked about whether the environment has emancipated itself from other topics and whether it can now be considered its own matter when formulating policies and evaluating projects, he makes a differentiation between Europe and the United States. In his opinion it is still way too easy in the United States to override environmental concerns by quoting cost increases. Europe, on the other hand, has adopted much more stringent rules in support for environmental concerns.³

Overall, I agree with Professor Keller's assessment of the situation but would like to add some differentiation and underline some claims with additional data and references. First of all, I think that unpacking the environment has been at least partially successful. Over the last twenty years, the topic of environmental protection has achieved a mainstream status across Europe. This also fueled the rise of green parties and by now "no member state in

Latin America, Africa Most Concerned about Climate Change

Percent saying global climate change is a very serious problem



Source Spring 2015 Global Attitudes survey, Q32.

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the European Union has been untouched by the political advance of green parties.”⁴ This includes the observation that “green interests are easily the most successful of the new wave of non-producer organizations [...] – at all levels.”⁵ Additionally, I argue that only due to the majoritarian electoral system, there has not been a similar rise of a Green Party in US politics. Another indicator for heightened levels of awareness about the environment are illustrated by the results of a recent survey about climate change by the Pew Research Center (see graph and table on page 4). The results of the survey show how big the differences in perception are around the globe. Again I would argue that countries

with higher levels of concern have further advanced in unpackaging the environment than countries with disregard of the issue.

Lastly, I think that Professor Keller’s assessment of the different emancipation of the environment can be explained with the two entirely different approaches to environmental policy-making. In Europe it is the norm to apply the precautionary principle that embodies that “the ‘lack of full scientific certainty,’ should not be used as a reason for inaction.”⁶ In the United States however, there is typically the rule of number-crunching and cost-benefit analysis. This “demands that the advantages and disadvantages of a regulatory policy be reduced,

[...], to numbers, and then further reduced to dollars and cents.”⁷ Hence when negative externalities such as air and water pollution and their consequences cannot be expressed in numbers, they essentially do not exist in the US policy arena.

For the future, there remains hope that scientific evidence for environmental problems, like climate change, will become irrefutable. Current and historical experience suggests that this is the only way that the topic of the “environment” can fully be emancipated and unpackaged moving forward to enlightened policy-making.

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NOTES

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Graphic:

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Title Page Photo by: Annette Bernhardt



Islamic Economics: No Interest and Diminishing Returns

Niki Masghati & Kelly Isom

Islamic economics (IE) provides an alternative economic model to today's Western system. Interest in this newfound field stems from its success in remaining relatively unaffected after the 2008 financial crisis. Proponents include financiers interested in attracting new business from a growing portion of the population and Islamic scholars hoping to utilize it as a tool in Muslim identity. Competing interests from these differing sectors of society has led the original intention of IE astray. But does it matter if IE is simply a reworked form of Western financial products and its framework guised under another name? This paper examines a brief history of IE followed by an analysis of its theory, goals, and operations. Finally, a comparison of implementation in three Islamic states highlights the challenges of IE and Islamic finance, and concludes with a short summary of IE's potential legacy.

Born of the twentieth century, Islamic economics (IE) provides a new Islamic orthopraxy to help substantiate and unify the collective Muslim identity across borders while simultaneously reconciling tradition with modernity. Although this recent development in economics manifests Westernization under the guise of a “return to Islam,”¹ its function in identity politics for Muslims serves an important purpose in today’s Islamic political agenda. Examination of the various forms of IE in nations such as Saudi Arabia, Iran, and Malaysia elucidates the differences in theory versus practice. This divergence highlights the Islamic market’s shortcomings as an economic model and questionable success as a corollary to Muslim identity, but nonetheless it is increasingly integral role in today’s Islamic political landscape.

History of Islamic Economics

IE originated during the Golden Age of Islam, 622-661 CE, when the Prophet Muhammad and the Rashidun practiced “brotherly cooperation”² in economics. The *ummah* operated under the same codes of conduct, and resources were allocated efficiently to ensure a high standard of living³. It is believed that as ties to Islam weakened, so did global economic growth in Islamic institutions.⁴ Islamic social thinkers Sayyid Abdul-Ala Mawdudi, as well as Sayyed Qutb and Muhammad

Baqir al-Sadr, popularized the concepts behind IE in modern times based on their own experiences and explained the civilization clash between Islamists and perceived Westernization. IE is seen as a practical counteroffensive against Western aggression.⁵ A few decades passed before the current form of IE was brought to Muslim society, starting with Egypt.

Principles of Islamic Economics

What brought the reemergence of IE in the mid-twentieth century? An Islamic financial system is not a recent concept, having existed for centuries prior,⁶ but its newfound popularity rests in its relation to identity and politics. Timur Kuran, a Professor of Economics and Law at the University of Southern California, explains that the initial form of IE differs from what it is commonly thought of today: “at least initially, the *economics* of ‘Islamic economics’ was merely incidental to its *Islamic* character.”⁷ Simply, it was Islam first and foremost; economics was merely part of the complete, ideal Islamic nation.⁸

Orthopraxy vs. Orthodoxy

Economics provided the vehicle to manipulate Islam’s orthopraxy. While other religions judge observance based upon doctrinal adherence, or orthodoxy, Islam believes devotion results from orthopraxy, the correct conduct. To be identifiably Muslim meant one could be observed as practicing

the principles of Islam through all actions of daily life – enter economics. As Western influence continued to seep into India (pre-partition, which included modern-day Pakistan), economic change inevitably crept into society as well. To combat this fear of potential cultural hegemony, Mawdudi reasoned that Muslims needed a way to make economic decisions that were recognizably Islamic or else risk the loss of communal identity. While this agenda was a “return to Islam, it was, in an important sense, a manifestation of Westernization.”⁹ This attempt to reconcile the traditionalism of Islamic orthopraxy with modernity inescapably meant inculcating parts of Westernization, such as creating a distinct branch of economics.

Goals of Islamic Economics

Official Goals

The stated two goals of economic justice, equality and fairness, buttress the foundation of IE; equality focusing on the outcome of economic processes (e.g. the distribution of wealth cannot be grossly unequal) and fairness focusing on the processes itself (e.g. economic transactions should be fair).¹⁰ Through the issuance of numerous Islamic injunctions, all of which have a basis in the one or more of the four operational mandates (avoiding *riba*, *gharar*, and transactions involved *maysir* and/or prohibited commodities) Islamic economists and scholars

believe that equality and fairness can be achieved. Yet in practice, despite these injunctions, problems permeate at the functional levels that undermine its effectiveness as a source of identity and as a branch of economics.

Unofficial Goal

The unofficially declared purpose of IE was to “to identify and establish an economic order that conforms to Islamic scripture and traditions.”¹¹ In the late twentieth century, petrodollars amassed in huge quantities when oil-rich nations like Saudi Arabia found themselves on the favorable side of a world commodity supply and demand chain. This newfound wealth allowed such nations to focus their attention on how to make their booming financial sectors comply with the teachings of the Quran.¹² Such a goal required establishing a clear bifurcation between Islamic culture and Westernization: “economics as a vehicle for accentuating the uniqueness of Islamic civilization and its incompatibility with other civilizations, even the emerging global civilization.”¹³ As noted earlier, economics as a science was secondary in the development of IE; the real matter concerned its Islamic character.

Equally important are the goals *not* included in IE. Such topics that are noticeably absent include “the economic effects of gender discrimination, the productivity implications of replacing secular

schools by Islamic schools, the role of Islamic law in the emerging global economy, and the institutional determinants of scientific creativity.”¹⁴ These purposeful omissions can potentially have grave consequences, and “may contribute to global economic instability. In hindering institutional reforms necessary for healthy economic development, they contribute to social despair. As important, they allow Islamic militants to rationalize crimes as serving a sacred cause.”¹⁵ Critics partly fault Saudi Arabia for these shortcomings of the Islamic economic model since they provide significant funding for the Islamic Development Bank (one of the centers for Islamic economic policy), yet remain sensitive to policy criticisms.

Saudi Arabia’s sensitivity has limited IE, but they are not wholly to blame. Kuran identifies four main reasons for the hindrance of Islamic economic goals. First, due to the many differences within IE, each respective political system can embrace whichever works best for its purposes, i.e. “whatever meaning seems least threatening to the status quo.”¹⁶ Second, the principal of risk sharing, evident in avoidance of *gharar* and *maysir*, conflicts with human nature, which is inherently risk averse. Third, reality conflicts with religion – people have not adhered to IE in part because of conflict-

ing social realities; e.g. “continuing prevalence of tax evasion has made it imprudent for bankers to engage in profit and loss sharing.”¹⁷ Finally, there exists a lack of standardization and skills.

Theoretical and Operational Problems of Islamic Economics

The theory behind IE is simple enough – create a universal Islamic community by keeping religion in public view via an updated orthopraxy.¹⁸ But what does this orthopraxy entail and who ultimately decides what should be adopted? For example, the two tenets necessary for economic justice, equality and fairness, are concepts with subjective meaning. As a result, despite the sharing of “substantive objectives, [Islamic economists] disagree as to the procedures needed to reach them.”¹⁹ This divergence in theory leads to a divergence in Islamic injunctions and Islamic economic priorities, and the inconsistencies remain unsolved because of adherence of to the philosophical argument style known as intuitionist, or “using intuition to strike a balance among different principles.”²⁰ Islamic economists, however, would disagree with this criticism, claiming that they use *qiyas*, or analogical reasoning, to approach these problems.

The serious design flaw within IE resides with the overestimation of human ability. Islamic economists, believing Islamic thought to be divinely inspired, “ignore

that, like the doctrines they indict, Islamic economics rests on human reasoning and interpretation.”²¹ If the human element were removed, dispute would disappear since the divine is infallible; but this reliance upon interpretation opens the door to exponential problems in practice since what one rules acceptable in country X could easily be deemed unacceptable in country Y. Kuran further explains this claim by illuminating that too much faith in the *qiyas* system blinds scholars and economists to their own differences in opinion, which is ultimately the source of the inconsistencies: “proposed injunctions are riddled with inconsistencies, and their convictions that Islam’s consensus mechanism would eliminate these collides with their own divisions over many crucial matters.”²² By assigning too much credit to the *qiyas* system and by extension the abilities of the scholars who utilize it, IE continues to be an inconsistent theory that provides little practical operational guidance.

Exploring the shortcomings on the operational side of IE presents a different set of problems. For instance, Turkish economic historian Murat Cizakca believes that the limits to “credit opportunities for entrepreneurs,” which violates *maysir* (gambling), contributes to the economic backwardness in the Islamic world and explains the need for the “establishment

of vast numbers of venture capital firms.”²³ Cizakca extends his criticism to Islamic banks, which have essentially the same objective as venture capital firms, but different practices. In Cizakca’s view “Islamic banks should be in the vanguard of genuine venture capitalism.”²⁴ Another interesting example includes investment portfolios. Since transactions involving prohibited commodities must be avoided, care must be taken when designing a portfolio to ensure it complies with *al-syariat al-Islamiyyah* (Islamic law).²⁵ This law dictates that investment in such industries as defense and alcohol, to name a few, must be excluded. A recent study by BinMahfouz and Hassan provides insight into this issue on two fronts.²⁶ First, operational problems, like the creation of socially responsible investment portfolios that adhere to Islamic law, can be designed. Second, IE appears to be a manifestation, to some extent, of Westernization, as previously argued and articulated by Kuran. The effort to embrace and imitate modern financial products under the blessing of Islamic law mitigates the idea of IE as a source of unifying identity.

The above examples validate Kuran’s skepticism of the Islamic economic system. Namely, that it “has fueled the illusion that Muslims can solve a wide range of social problems simply by embracing Islam and resisting Mammon

– the evils associated with immoral forms of economic gain.”²⁷ Yet the Islamic market avoids addressing some of its most pressing issues, like gender inequity, and potentially contributes to the stagnation of its own economic advancement, such as by denying venture capital to entrepreneurs due to the risk involved. While a theory exists – identity creation via a publically visible religious practice in the form of economics – it remains inconsistent because of human interpretation. The theory of IE informs general operational structures, but it often proves of little practical use since varying theoretical interpretations result in differing manifestations of IE and thus an overall lack of standardization.

Islamic Finance in Context: A Subset of IE

In the world of investment and financial crises, many proponents of Islamic finance (a related branch of IE) believe Islamic banking is a more stable institution, as it relies on the “real” economy, unlike conventional finance, which relies on money creation.²⁸ Islamic banks were virtually unaffected by the financial crisis of 2008; however, because Islamic firms invest heavily in real estate and private equity, the collapse of Lehman Brothers led Islamic institutions to experience a drop in valuation in those specific sectors.²⁹ Moreover, Islamic finance enjoys

a recent success in the financial market that has awakened the interest of investors both inside and outside of the Islamic community. A 2015 study by Deloitte assessed that “Islamic finance represents 1% to 2% of the global financial assets worldwide.”³⁰ *Sukuk* sales are also gaining in popularity, with “outstanding *sukuks*, or Islamic bonds, [growing] by an annual 20.7 percent between 2008 and 2013, amounting to \$294.7 billion at the end of September 2014.”³¹

Islamic Economics Case Studies

Saudi Arabia

Modern day IE began in Saudi Arabia in the 1970s with King Faisal as a result of the Saudis’ attempt to create an international Islamic coalition. King Faisal carried out the coalition’s message of pan-Arabism and pan-Islamism, and focused many resources towards IE. The Organization of Petroleum Exporting Countries (OPEC) was established by Saudi Arabia in 1960, and succeeded in not only bringing in vast wealth to participating nations, but also in helping to unify Muslim countries in the Middle East and North Africa region. In 1969, Saudi Arabia created the Organization of the Islamic Conference (OIC) in order to promote Islam on an international scale and unite the Islamic states. Furthermore, the Arab loss in the 1973 Yom Kippur War inspired re-Islamitization, leading OPEC to initiate its first oil embargo the

same year.

The earliest Islamic bank still in operation today is a private commercial bank that opened in Dubai in 1975. The OIC voted on the creation of the Islamic Development Bank, located in Saudi Arabia, which began activities the same year³². The Islamic Development Bank facilitated the transfer of petrodollars earned through OPEC post-embargo to Muslim countries through interest-free instruments.³³ These first Islamic banks were meant not only to establish an Islamic-focused banking method that outlawed the Quranic standard of usury, but were also a response to calls for Islamic ideals to be upheld throughout all sections and sectors of society.

Additionally, King Faisal saw Islamic banking as a way to control the invasion of Saudi Islamic ideas by the Muslim Brotherhood. During the persecution of the Muslim Brotherhood in Egypt under Gamal Nasser and Anwar Sadat, the Kingdom of Saudi Arabia provided money and refuge to many fleeing members. Muslim Brotherhood members even served as teachers for the newly formed *madrasahs* (schools) in Saudi Arabia. Because of their role in the Saudi education system, the Muslim Brotherhood began to gain leadership and control in Saudi Arabian society. By creating an Islamic financial institution run by the

Kingdom, King Faisal reined in some of the influence garnered by the Muslim Brotherhood.

Furthermore, King Faisal, although initially friendly with Reza Shah Pahlavi of Iran, began to see the Shah's modernization of Iran's military and dominance in the Middle East region as a threat both to Saudi security, and to the continuation of Islamic influence. Islamic banks in Saudi Arabia and beyond stood in contrast to the Shah's anti-Islamic military regime. IE furthered Saudi Arabia's goal of Islamic unification in the face of outside Western influence and threats to Islamic states.

Today, the Saudi Arabian model for IE is considered the baseline of orthopraxy for Muslim countries across the Middle East and South East Asia, as well as non-Muslim countries that have incorporated Islamic banks, such as the Bank of London and the Middle East and the American Finance House LARIBA.³⁴ The basis for IE in Sunni countries such as Saudi Arabia relies on *Sharia* law established by the four schools of thought: *Maliki*, *Hanafi*, *Shafii*, and *Hanbali*.³⁵

In addition, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), established in 1990, publishes standards and norms for all Islamic institutions to follow, which nearly all Muslim countries strive to do, with the notable exception of Iran.

Iran

Four years after the Islamic Revolution of 1979, the new Islamic government established the Riba-Free Banking Act, which created a national system of IE.³⁶ The leaders of the Iranian revolution stressed the importance of restoring Islam's role in Iranian societal identity,³⁷ with Islamic banking being one of many ways by which the Islamic Republic aimed to establish a universally Islamic society.³⁸ The Shah notoriously led a lavish lifestyle, and conventional banks were seen as exploiting society and spurring poverty. The new Islamic government made a point to emphasize austerity, and believed that Islamic banking, at least to an extent, should be consistent in restoring the centrality of Islamic orthopraxy in the lives of Iranian citizens.³⁹ IE was a way for the new Islamic Republic of Iran to further establish Islamic control throughout Iranian society.

Iran's form of Islamic banking is different from almost every other Muslim country. While most Islamic banks outlaw usury, Iranian banks prefer interest-free transactions along with other accounting standards used in traditional banking.⁴⁰ Once a year, the central bank of Iran establishes a pre-set rate for that year as the single rate of return.^{41 42} Although all Muslim countries with Islamic banking adhere to standards established by the AAOIFI, Iranian banks do not

follow such standards and instead rely on the *vali-e-faqih* (the "Guardian Jurist," Ayatollah Khamenei) to establish Islamic banking rules.⁴³ Sunni Islamic countries reject these rules and instead rely on the *Sharia* schools of thought to establish Islamic banking laws.⁴⁴ This is particularly true for Saudi Arabia and Malaysia, who consistently criticize Iranian banks. According to the International Islamic University of Malaysia (IIUM), Iranian banks "are merely carrying Islamic labels and are rather dummy version [sic] of Islamic banks."⁴⁵ The reliance on the *vali-e-faqih* to form Islamic law further divides Shia and Sunni forms of Islam, and could very well be a political move by the Islamic Republic to use economics as a way to establish a Shia Islamic Iranian identity in the Muslim world.

Years of economic isolation due to sanctions have led to a form of IE in Iran that differs greatly from the rest of the Islamic world. These differences have hindered the creation of a universal Islamic banking system. Many Sunni scholars believe Iranian Islamic institutions will continue to remain segregated from the rest of the Islamic financial market because of the lack of reliance on *Sharia* schools of thought.⁴⁷ However, Iranian analysts remain optimistic as Iranian banks move to create alternative *sukuk* products (i.e. Islamic bonds),⁴⁸ as well as negotiate the

Iran nuclear deal, which will open Iranian markets and possibly lead to standardization.

Malaysia

Following Malaysia's independence in 1957, the Malay government looked to create economic stability in a country reeling from war, as well as to firmly establish the Malaysian society upon Islamic ideals. Islamic banking was first introduced to Malaysia in 1963, with the formation of the Perbadanan Wang Simpanan Bakal-Bakal Haji (PWSBH), or Pilgrims Savings Fund Corporation, which allowed Muslims in Malaysia to save money interest-free in order to perform the *hajj* (pilgrimage). Established a decade later in 1976, the Islamic Economic Development Foundation of Malaysia combined *amal* (charity) and investment under *Sharia* guidance,⁴⁹ an attempt by the Malaysian government to promote Islamic ideals of brotherhood while also spurring economic growth through inspiration to its predominantly Muslim populace.⁵⁰ Not long after, the Maybank Islam Berhad was established in 1983 as the first *Sharia*-compliant bank in Malaysia, replacing all interest bearing transactions with Islamic alternatives.⁵¹ Today, Maybank ranks the highest for best Islamic institution in Asia.⁵²

Malaysia's form of IE is quite unique compared to its Islamic counterparts. While countries such as Iran, Sudan, and Pakistan

sought a complete Islamization of their banking systems, Malaysia instead established a "dual banking" system in which Islamic banks and conventional banks operate side-by-side, similar to Saudi Arabia.⁵³ This model was later adopted by Sudan and Pakistan, looking to Malaysia for their example. Today, Malaysia seeks to establish Kuala Lumpur as the world center for IE,⁵⁴ with the data showing such efforts: Islamic banks currently comprise 20.7% of Malaysian banks⁵⁵ and two-thirds of globally issued *sukuks* originate in Malaysia.⁵⁶ As a result, Malaysia has been the subject of many case studies on the successful implementation of IE.⁵⁷

Islamic Economics in Non-Islamic Countries

Islamic banking exists beyond the Muslim world and has recently gained traction in the Western market. France and the United Kingdom have contributed heavily to the global assets in Islamic finance, as has the United States. In 2013, the British government established the Islamic Finance Task Force with the goal of making London a base for Islamic finance outside of the Muslim world. It is unsurprising then, that in June 2014, the UK issued 200 million pounds in *sukuk*.⁵⁸ In France, the Islamic Finance Commission was opened in 2007,⁵⁹ and current financial holdings in Islamic assets for France total USD

147.2 million.⁶⁰ Across the Atlantic, the American Finance House LARIBA, which opened in 1987, offers *Sharia*-complaint products.⁶¹ LARIBA, along with the Bank of London and the Middle East, are ranked among the best Islamic financial institutions in the world.⁶² Such influence of Islamic banking in the UK, France, and the United States likely stems from the large Muslim populations that reside in each country. A 2010 Pew Report states the Muslim population in France at 4.7 million, 2.9 million in the UK, and 2.6 million within the United States. While these numbers represent only a fraction of the larger population (only about one percent in the US), the economic mobilization that exists within these communities allows the creation of separate financial institutions.

Conclusion

Mawdudi resurfaced the popularity of IE as a tool for identity formation, but implied in all of its iterations is the importance as a prescription for cognitive dissonance between traditionalism (Islam) and modernity (Westernization). The monetary gains from Islamic economics remain disputable, as does the success of these economic tools in contributing to a modern Muslim identity. As for its future, Kuran summarizes the legacy of IE as one potentially allowing Muslims to overcome suspicions of Western intentions;

an addition to the political goals of Islam; comfort to modern Muslims trying to navigate today's globalized world; or "paradoxically, its revitalization of the goal, taken for granted by leading Muslim thinkers during much of the twentieth century, of keeping economic ideas, practices, policies, and institutions outside the realm of religion."⁶³ With the power of petrodollars weakening, the number of Muslims growing, the recovery of the world market after the 2008 financial crisis, and the increased attention to Islamic politics by Western nations, research into the function of IE as orthopraxy and as an alternative economic model will only continue to rise. Yet it remains to be seen if Islamic economics can continue to maintain its original objective of unifying the Muslim population.

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Transformative Powers in the Middle East

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What are the greatest risks and opportunities for the U.S. in the Middle East – North Africa region?

Actually, I think the two are the same: the opportunities and the

risks are almost identical, because risks create opportunities.

The Middle East right now is probably in the most chaotic state that it's ever been. There's nothing like it in history. In the past there have been wars, revolts, and uprisings, but there has never really been what appears to be, in effect, a region-wide civil war in which there are different parties fighting domestically, as in Syria, Yemen, or Libya. But there is also a transnational civil war in which there are people trying to initiate what I would call a sectarian war – Sun-

nis and Shi'as – throughout the region. At the same time, there is a Sunni-on-Sunni civil war, in which there is the ISIS uprising and the so-called caliphate competing with the classic Sunni countries of the Middle East in Jordan, Saudi Arabia and others.

So there are multi-layered civil wars going on. To try to sort this out a little bit and to make some sense out of it, there are three transformative powers in the Middle East that are in the process of remaking it. Analysts of the Middle East have for many years worked under the assumption that there would be a war, or a revolt, or a change of government, or internal dissension. But after it had run its course, things would pop back to where they were before; we would end up back with something like the previous status quo, with minor changes. So if there was a revolt someplace, there might be a different government, but that government would probably end up looking very much like the previous government. There would be some minor adjustments, but things would stay more or less the same.

I think that is changing, and I think that is why we have such a major problem today. The first transformative power is Iran. I believe that the Iranians actually made a serious decision – made a gamble, in effect – [that] by accepting extraordinary controls

over their nuclear program (beyond any other country in the world), they would begin to move into a new era. They would begin to rejoin the rest of the world. And that means a real change in their attitudes in a variety of different directions. That isn't accepted one hundred percent in Iran, and they don't even talk about it in those terms, but in reality I think that is what is going on. So they have, in effect, gambled that by coming to an agreement with the rest of the world that they can begin to transform the revolution into perhaps its next phase – which would be to integrate more into the rest of the world. That is a significant change. This is not just business as usual; instead, this shift might actually produce something very different. And that, of course, frightens other countries in the region because they see Iran potentially becoming more powerful and having greater influence in the region.

The second transformative power is Saudi Arabia, where there is a new king who has brought in his young son and given him a tremendous amount of responsibility. Saudi Arabia is not behaving the way Saudi Arabia used to. In the past, you could rely on Saudi Arabia to be conservative, to be very cautious about its activities, to work in the background. Today, we are seeing the Saudis getting out in front, leading the way, and in fact launching a full-scale war.

They are putting together a coalition and launching a war on Yemen, which many of us believe is a bad idea and is a mistake on their part. It was the kind of behavior that was impulsive, impetuous, and much more like a country that is being ruled by a group of young people who are more likely to take such actions than the staid, conservative, and very elderly leadership of Saudi Arabia in the past.

So in effect, what has happened is that there has been a transformation from one generation to the next, and we don't know what the outcome of that is going to be. But in fact, it does change things, and Saudi Arabia has taken upon itself to emphasize the sectarian differences in the region. They are pushing very hard for the idea that "The Shi'a and Iran are responsible for everything bad in the region, and they have to be stopped at every point." One can agree or disagree with that, but that is the way the Saudis see it at the moment and that is the way they are behaving. Saudi Arabia is not behaving the way it has in the past, and is probably not going to in the future. We're seeing a fundamental change that goes beyond just the superficial.

The third transformative power in the region is the United States. We are a Middle East power. We have the largest footprint of any country in the world in the Middle East. We have a tremendous

influence on the economics, politics, and security aspects – every aspect – of the region. In the past the United States has taken on the responsibility for making sure that things work the way they are supposed to. We had said it is our responsibility to make sure that Iran is contained, and doesn't get out of hand. And if there is a problem in Iraq, we will go in and settle it, and so forth. If there is a war on terror, we will lead it – and if others want to follow, that's fine, but we will go in and do the dirty work ourselves. This is a policy on the United States' part that has existed since the Clinton administration, and people in the Middle East have come to accept that. I would argue that President Obama is very gradually trying to take the United States out of that position, saying to the countries in the region, "It's your problem, and you're going to have to deal with it. We will help you. We will back you up. We will give you assistance if necessary, but we're not going to go in and do it for you." Obviously, this upsets countries like Saudi Arabia who have relied on the United States to come in and take care of their problems, and they see this as a threat.

So those three things are going on, and I think they are irreversible. I think Iran is taking itself into a new stage in the revolution, and that it is not going to go back to where it was before. Saudi Ara-

bia is going into a new generation, which is not going to behave the way their parents did. And the United States – regardless of who becomes president the next time – is, in fact, reducing its footprint in the region. I think that the next president, whatever they say in the campaign, is going to follow that same general process – that we are not going to go in and solve everybody's problems for them.

Those three factors are going on simultaneously. So, to answer your original question, all of those things involve risk. We don't know what the new Iran is going to look like. We don't know what the new Saudi Arabia is going to look like. And we are really not sure what the new U.S. is going to look like. But at the same time, each one of those presents opportunities to change the way that we have seen the Middle East in the past, for better or for worse. So, the risk is that it could be for the worse, and the opportunity is that it actually provides prospects here for positive change – and I don't think we know which way things are going to go.

Can you predict what you think Iranian-American relations will look like following the P5+1 deal?

Both sides made it very clear from the beginning that they saw this as a unique event, a single shot, that it was going to solve the nuclear issue which – in my view – it has solved. Take that off the ta-

ble. Iran has proceeded to get rid of most of its centrifuges and its stockpile of nuclear material, and it got rid of the heavy water reactor in Arak. Remember, this is not just a deal between the United States and Iran. This was all of the major powers of the world: the five permanent members of the Security Council, plus in effect the European Union, all making an agreement with Iran. It does involve a lot of other people. Those others, including the United States, will relieve some of the sanctions pressure that Iran has been under. And, in so doing, that will change things.

From the beginning, at least the United States and Iran made it very clear that it was only the nuclear issue they were aiming at. It was not something much broader. The reality is that in the process of negotiating this, the United States and Iran got very accustomed to talking to each other. We had not talked to each other for thirty-five years, in between the revolution and the beginning of this process. Now the top negotiators, such as Secretary Kerry and Iranian foreign minister Javad Zarif, have each other's private e-mail addresses, and they exchange e-mails back and forth. That is a very different thing than we had in the past. So even though the parties said this was not their objective, simply going through the process of negotiating changed

the nature of the relationship. Both sides still argue that they are not interested in a major shift or transformation of their relationship. I would argue that that is mostly window dressing for the local groups of hardliners on either side, but, in fact, a breakthrough has really happened here. We are seeing, for instance, Iran being invited to the Syria talks in Geneva, to which they were not invited previously. That is not by accident. It is because of the prior negotiation process.

So, my best guess is that we will probably see – with some very serious ups and downs – more interaction between the United States and Iran than we have had since the days of the revolution. I anticipate that, although there will still be serious. I do not see, in the very near future, any prospect of the United States and Iran restoring full diplomatic relations. That may happen, but at the moment nobody is talking about that. We are going to have to see how the nuclear agreement pans out, with both Iran and the United States fulfilling their respective parts of the bargain. Once that begins to settle in as being normal, then I think there is a real possibility that those people will say, “Okay, so why are we not having diplomatic relations?” Once that question begins to be asked, the possibility of moving in that direction comes about. But it would be really pre-

mature to predict anything more than that right now.

Which do you think poses a greater threat to regional stability: oil price dynamics, or demographic trends?

Those are really the big, big issues involving the Middle East. The oil price issue is a critical one. Oil prices are now down. It is not at all clear that they are going to go back up to where they were before, but in effect, the countries in the region are protecting themselves. Countries like Saudi Arabia sit on top of a tremendous amount of oil, and they faced a situation where a lot of their exports are threatened to be replaced with renewables and shale oil (especially in the United States). The shale revolution marked the largest increase in oil production in a period of less than ten years of any country in history. The United States suddenly went from being a country that consumed more energy than we produced to being a surplus nation. We went from a deficit to a surplus in a blink of an eye, in terms of the way these things normally work.

Saudi Arabia was facing a situation where its oil was becoming less valuable over time. One way to deal with that – which is a gamble – is to overproduce and bring the price of oil down, driving their competitors out of the market. Those competitors are not just the renewables and the shale (which,

in fact, have not gone away and are not ending) but their rivals like the Russians – who are their direct rivals in the marketplace, both for China and for Europe. They had enough reserves that they could last and by any standards at all they could keep this up for five or six years, if they need to. That is a tough gamble, and it is a hard thing to do. But they are playing a very serious economic game here.

The demographics are reflected in the fact that Saudi Arabia is now being run by a much younger group of people. The king is old, but his young son and the crown prince [are young]: Muhammad bin Nayef, the crown prince, is fifty, and the king's young son [Deputy Crown Prince Muhammad bin Salman] is thirty. By Saudi standards that is like young children, since most Saudi leadership has been over seventy for a very long time and, in some cases, eighty and ninety. So this is a huge shift.

But the problem that none of the countries in the region have really, fully resolved is job creation: how to create jobs for a young, vibrant, growing population. Half the people in Saudi Arabia are under thirty, so they are well represented by the new [deputy] crown prince, who is just their age. There is a problem about how to create jobs and what to do, in effect, with these educated people – and they are increasingly educated, and in some cases, quite well educated.

In Iran and Saudi Arabia the education systems have been quite successful. One of the curiosities is that more women than men are getting college degrees and entering the marketplace and, in many cases, finding that there is no place for them to go. They have no jobs. If you do what Saudi Arabia does and basically make up jobs so that they stay there employed and get a salary, but they do not really do much of anything – it is not a solution. You have got to find a way to do that. And I think there are efforts being made, but they are way behind the curve on this. This is something that they have not really dealt with.

Plus, that younger generation is accustomed to a degree of openness of communication that has simply not been true in the past in these societies, because of the Internet and other things. Thus, you have a very volatile mix of sociological trends: a desire for greater openness, the need for jobs, and a new, different philosophy – and in many cases activity, action as opposed to stasis of just staying put and doing what you have always done in the past. This is unpredictable. We do not really know if these countries are capable of dealing with these issues. Up until now, not much has been done that gives you any real grounds for optimism.

That is the problem that they are dealing with, and it is their own

problem. This is not something that is being imposed from the outside; it is happening because of their past political and economic decisions. Their governance problem today requires them to do things they have not done in the past. The way they solve that problem will differ from country to country: in Iran they will do it one way, and in Saudi Arabia they will do it a different way. Certainly, in a country like Yemen, or Syria, or Egypt they will do it still in other ways, but those are the problems that they have to deal with. One of the big differences is that the United States is saying rather clearly that 'We are not going to try to come in and do that for you.'

Especially when it comes to the demographics and the financial side and job creation, we cannot solve their problems. There is no way that we can do that. We are making it very clear that we are not going to even try. We will back them up. We will give them help, and we will give them support – whether it is training, aid, advice, or political access. Whatever it may be, we are prepared to assist them with that, but we are not going to do the job for them. And we are not going to pretend that we know how to do the job for them. They are going to have to solve that themselves.

I think that is where your questions inevitably lead. We do not know what might happen in the

Middle East, and I fear that the old answers are no longer adequate to the challenge.

The full transcript of this interview will be published on the SAIS Europe Journal of Global Affairs website: www.saisjournal.org

Title Page Photo by: Dragan Tatic



No Love Lost? The Crisis of German-American Relations Under Helmut Schmidt and Jimmy Carter

Christoph Erber

In the mid-1970s, the transatlantic ties between the United States and West Germany stood at a peak. However, according to most scholars, German-American relations subsequently reached a nadir under the Schmidt/Carter administrations in the second half of the decade. Why was this the case? While the common narrative typically stresses severe personal dislike between the two transatlantic leaders, this paper will emphasize their conflicts of interest and specifically those related to Germany's foreign policy objectives. It will show how these growing disruptions across various policy areas gradually undermined the German-American transatlantic alliance by 1980. In this context, the 1977-1980 crisis of relations was driven by the emancipation of West German foreign policy from American dominance – overall exemplified by (West) Germany's growing commitment to European integration in the following decades. Consequently, the Schmidt/Carter rift constitutes an important crossroads in postwar German-American relations, which precluded Germany's growing international role since the 1970s into present times.

Introduction

In the summer of 1976, the relations between the United States of America and the Federal Republic of Germany stood at a peak. In Bonn, Chancellor Helmut Schmidt lauded the unprecedented trust between the two allies.¹ Likewise, future U.S. President Jimmy Carter underscored his staunch commitment to preserve the German-American friendship in an election campaign interview with *Der Spiegel*.² Yet, German-American relations reached a nadir under the Schmidt/Carter administrations in the subsequent 1977-1980 period. Illustrating this in the most pronounced way was the harsher tone adopted by the two protagonists who referred to each other as incompetent, unreliable, stubborn, naïve or brazen.³ Thus, it is an open secret that there was no love lost between the German Chancellor and the American President.

While there certainly was personal dislike between the two transatlantic leaders, these differences were exacerbated increasingly by conflicting foreign policy interests. Accordingly, the 1977-1980 crisis was a crucial period in the continued emancipation of German foreign policy from Washington's yoke and Berlin's growing support for European integration. This was a direct consequence of the German disappointment over wavering American leadership and

frustration with the imbalances in the transatlantic partnership. The rift provides crucial insight into the prominent role which (West) Germany would play in European integration from the 1970s into present times.

A number of factors contributed to this severe deterioration of German-American relations in the scope of the Schmidt/Carter administrations. While a complex mix of miscalculations, conflicts of interests, personal dislike and external circumstances drove a wedge between the transatlantic partners, this paper will emphasize the conflict of interests and specifically those related to Germany's foreign policy objectives. These divisions encompassed various policy areas and are therefore best understood by highlighting key political events of the period that exemplify the growing crisis. However, since relations did not break down overnight, it is important to differentiate chronologically between four phases: a rough start, continued disruptions, a brief rapprochement and the eventual crisis.

Therefore, this paper will initially outline the peak of the German-American relations in the mid-1970s. Subsequently the rough start after the (re)election of Schmidt and Carter will be discussed. The next section will focus on the growing disruptions mainly due to economic and security poli-

cy disagreements. By contrast, the following section will consider a brief period of rapprochement focused around the NATO dual-track decision. The subsequent section will highlight the recurrence of economic and security policy disagreements, eventually leading to the eventual crisis of the German-American relations. Finally, a conclusion will summarize the story and discuss implications.

The German-American Transatlantic Relationship in the Mid-1970s

The mid-1970s were a period of “striking transatlantic cooperation” between the United States and Germany.⁴ On the one hand, this was due to the desire of Chancellor Schmidt, who had succeeded Willy Brandt in May 1974, to be a dependable ally to the United States.⁵ On the other hand, Washington regarded Bonn as its strongest ally, leading President Ford to restore the trust in the alliance, which had been undermined previously by President Nixon.⁶ For the United States, Germany’s emerging economic strength as well as its intermediary role between America and France made it an increasingly important partner.⁷ Close personal ties between the transatlantic leaders certainly facilitated this development. The fact that Schmidt designated the relevant chapter in his memoirs as “friendship with Gerald Ford” is quite telling in this respect.⁸ Likewise, Ford’s biography reveals re-

ciprocal feelings of friendship for the German chancellor.⁹

However, this close cooperation with the United States also boosted the self-assertion of German foreign policy as Schmidt stated that Germany was no longer a political dwarf.¹⁰ Assuming to retain its influential international role, the Federal Republic did not anticipate a fundamental change of relations after Jimmy Carter was elected in November 1976. Nevertheless, the election of the internationally unexperienced former peanut farmer from Georgia did constitute a puzzle for leading foreign policy experts in Bonn – Egon Bahr, the architect of Brandt’s *Ostpolitik*, considered Carter a “dark horse,” but not a threat to the transatlantic alliance.¹¹ Yet, German-American relations soon would take a turn for the worse.

Off to a Rough Start – The Brazil Nuclear Deal and Global Economic Distress

From the onset, three fundamental differences between Schmidt and Carter foreshadowed a deterioration of relations. Firstly, the American president was convinced of his ability to induce foreign politicians to act according to what he thought was right and reasonable, whereas the internationally experienced Schmidt understood successful diplomacy essentially as an exercise in arduous and repeated discussions.¹² Secondly, while the German chancel-

lor shared Carter's notion of universal human rights, he was less uncompromising and preferred to promote them more subtly.¹³ In this context, Bahr recalls that Carter's mace-like rhetoric concerning human rights violations towards Moscow raised many eyebrows in Bonn, as West Germany was concerned that this American persistence would burden German-Soviet relations.¹⁴ Retaining good standing with the U.S.S.R. was of fundamental importance for the Federal Republic to ensure the continuance of German-German rapprochement.¹⁵ Thirdly, the recent decline of American hegemony exemplified by the Vietnam disaster and the Watergate scandal required an adjustment in the United States' leadership role. Even though Schmidt conceded the U.S. a leading position in the Western alliance, he also called on America to take the particular concerns of its Western partners more into account.¹⁶ From Bonn's perspective, the Carter administration violated this new unwritten principle on two occasions already at its outset: the Brazil nuclear deal and economic policy.

The first conflict erupted around the 1975 German nuclear technology deal with Brazil. While President Ford previously had approved the deal, the White House's new resident emphasized the importance of nuclear non-proliferation, fearing that German technol-

ogy might enable Brazil's military regime to develop nuclear arms.¹⁷ Thus, Carter's firm commitment to contain the possible spread of nuclear weapons clashed with West German economic interests. Bonn feared that a possible cancelation of the deal would jeopardize Germany's international reputation as a reliable trade partner – after all, the U.S. had previously forced West Germany to renege a large pipe deal with the Soviet Union in 1962-63, which had consequently inhibited German exports to the Eastern Bloc for almost a decade.¹⁸ Moreover, the Brazil deal was of crucial importance to ensure a sufficient utilization of the German nuclear industry, which had been developed just recently at considerable expenses.¹⁹ Finally, Carter's demand to cancel the deal also contradicted German foreign minister Hans-Dietrich Genscher's objective to strengthen Germany's presence in Latin America.²⁰ After more than a half year of bickering, the dispute was settled in July 1977 when Bonn grudgingly agreed to refrain from future exports of sensitive nuclear technology.²¹

A second clash between West Germany and the United States evolved around differing economic policy conceptions. The key term in this issue was the so-called "locomotive theory," advocated by the American president, which essentially called on Germany and

Japan to function as an engine of growth to reflate the global economy.²² Arguing from a Keynesian point of view, these countries were supposed to strengthen their domestic demand by means of increased public spending, consequently translating into an international stimulus of growth.²³ However, Carter's approach significantly contrasted with Schmidt's economic policy understanding. Cautious to keep inflation in check after the price-driving impact of the 1973 oil shock, the Federal Republic prioritized budgetary consolidation and consequently was reluctant to deviate from this course.²⁴ In particular, Washington's repeated public criticism annoyed Schmidt, as he indicated to Carter's vice president Walter Mondale in January 1977 that he did not appreciate this kind of official encouragement.²⁵ The May 1977 London economic summit further strained the German-American partnership. While Schmidt's attempts to lecture the American president on basic macroeconomic theory failed, Carter successfully pressed Germany into proclaiming an (unrealistic) five percent growth target for the German economy.²⁶ This was a great success for the American president, who admitted in his diary to have been "at somewhat of a disadvantage in discussing the finance matters" with the other leaders.²⁷

Continued Disruptions – The Neutron Bomb and Loss of Trust

Strained by disagreements over human rights promotion, economic policy and energy issues, a major clash in terms of security policy further deteriorated the German-American relationship. Starting in 1976, the Soviet Union had initiated the deployment of superior medium-range SS-20 missiles, which could exclusively strike European targets.²⁸ Naturally, this alteration of the eurostrategic military balance troubled the West German leadership. Calling on the United States to restore the nuclear balance, Helmut Schmidt expressed his concerns that the U.S.S.R. might otherwise use its new military advantage to exercise political pressure on the Federal Republic.²⁹ As Hanrieder argues, this was in fact an indirect criticism of "incompetent American diplomacy," as the United States did not consider the SS-20s a threat at first, thus neglecting the vital interests of their European partners.³⁰ Indeed, Willy Brandt mentions in his memoirs that Schmidt was "troubled and wounded" when his fears about the growing Soviet threat were not taken seriously by the Carter administration.³¹ Initially, driven by Carter's aversion for an expansion of the American nuclear arsenal, the U.S. called on its NATO partners to increase their defense spending to develop a limited non-nuclear response in case of an attack.³² To Germa-

ny, this suggestion appeared as if America was shirking its responsibility to assist its European allies in the case of an attack – a contradiction to NATO’s fundamental principle of “mutually ensured destruction.”³³ By contrast, championed by Schmidt and British Prime Minister James Callaghan, the Europeans championed nuclear rearmament in order to credibly deter Moscow.³⁴ At the same time, the German chancellor stressed the need to demonstrate that NATO was not acting aggressively either by suggesting to accompany nuclear rearmament with further arms reductions negotiations.³⁵

Eventually, the Americans agreed to Schmidt’s proposal but considerations over how to restore the eurostrategic nuclear balance consequently put the German-American relations to a serious test. The prospective deployment of the so-called neutron bomb, lauded “America’s wonder weapon for Europe” on the cover of *Der Spiegel* in July 1977, was, however, highly controversial.³⁶ The German chancellor was at first cautious, emphasizing the need to assess whether the neutron bomb would serve as an “additional element of the deterrence strategy, as a means of preventing war.”³⁷ Pushed by his security advisor Zbigniew Brzezinski to advance the production of the new weapon, Carter demanded European support.³⁸ Reluctant-

ly, Schmidt agreed to back the president’s proposal, investing a large amount of political capital in fending off fierce party internal opposition against the neutron bomb’s possible deployment.³⁹ In particular, Egon Bahr had referred to this new weapon as “the perversion of thinking” in an article which struck a chord with many of his Social Democratic party fellows.⁴⁰ However, in April 1978, moral scruples led Carter to withdraw his initial offer to advance production of the neutron bomb without previously consulting his European partners.⁴¹ This created a “political tempest” throughout Western Europe – Schmidt in particular felt left high and dry by the American about-face.⁴²

In a similar fashion, economic policy continued to strain the relations between the two transatlantic leaders. Specifically, Carter’s repeated emphasis of the “locomotive theory” disturbed German-American relations: Germany’s excessively cautious economic policies, the American president argued, limited the United States’ ability to export, thus being responsible for the pronounced U.S. trade deficit.⁴³ Increasingly annoyed by these accusations, the German chancellor referred to Carter’s theory as a “monster of the Loch Ness type,” which resurfaced time and again when the American economy was in trouble.⁴⁴ By contrast, the fall-

ing value of the dollar – from DM 4.00 in the late 1960s to DM 1.76 in late 1978 – led Bonn, in turn, to accuse the United States of intentionally devaluing their currency, which hurt German export competitiveness.⁴⁵ As Gilbert argues, Schmidt perceived a strong contradiction between the United States' reluctance to make the "economic sacrifices its hegemonic role demanded of it" and its claims to lead the transatlantic alliance.⁴⁶ Indeed, Schmidt criticized this American policy as irresponsible, arguing "the world economy was without leadership, without coordination".⁴⁷

As a result, these continuous disappointments over American leadership caused German foreign policy to shift its focus gradually towards European integration. Arguably, Schmidt's turn towards Europe was more motivated by the international economic problems than by the neutron bomb disaster – the establishment of the European Monetary System (EMS) in March 1979, aiming to reduce the vulnerability of the Common Market to external shocks, attested to this.⁴⁸ Championed by Schmidt and French Prime Minister Valéry Giscard d'Estaing, the EMS was a clear sign of European – and, for that matter, West German – emancipation in the transatlantic alliance. According to Schwammel, the Federal Republic's growing commitment to European integra-

tion starting in Schmidt's Chancellorship was primarily used as a means to boost its international prestige as a "great power".⁴⁹ On the contrary, Schulz suggests that Schmidt's gradual prioritization of European integration over the transatlantic alliance resulted from his realization that Germany's economic and political fate increasingly depended on the Common Market.⁵⁰ While the exact reasons are disputable, both cases, however, share the assessment of West Germany realizing that the present transatlantic framework "did not always provide the most effective instrument for defending West German [...] interests".⁵¹ Realizing that these interests aligned more frequently with its European partners, European integration appeared to be an increasingly more beneficial way to conduct German foreign policy. Nevertheless, as West Germany continued to be targeted by the U.S.S.R.'s SS-20s, a strong alliance with the United States was still indispensable from a security perspective.

Attempted Rapprochement – The NATO Dual-Track Decision

This realization subsequently led to a brief period of rapprochement in the German-American relations. After all, neither the German chancellor nor the American president were seriously questioning the relevance of the transatlantic alliance, thus managing to

resolve some of their differences in the realm of economic and security policy. At the 1978 Bonn economic summit, Schmidt and Carter settled their previous dispute over the “locomotive theory,” agreeing to follow a joint policy of economic reflation.⁵² Moreover, faced with rising inflation in fall 1978, the Carter administration finally agreed to address the dollar’s falling value through a pronounced increase of the interest rate.⁵³ Consequently, two controversial economic issues, which had previously strained the transatlantic alliance, had been settled.⁵⁴

In terms of security policy, the Guadeloupe meeting to prepare the NATO dual-track decision was an example of reconciliation between the transatlantic partners and was a rare exception to the constant quarreling. Meeting in January 1979, Callaghan, Carter, Giscard d’Estaing, and Schmidt expressed their joint support for the ongoing strategic arms limitations talks (SALT II) between the United States and the Soviet Union but also stressed the need for NATO rearmament to counter Soviet nuclear superiority in Europe.⁵⁵ Uniting these two objectives would in December 1979 result in the so-called NATO dual-track decision – opening arms limitations negotiations with the U.S.S.R. over medium- and intermediate-range ballistic missiles combined with the

threat of NATO rearmament in the case these talks failed. Enthused by the Caribbean setting, Carter noted in his diary that the Guadeloupe meeting was “helpful in understanding our mutual attitudes and concerns.”⁵⁶ Schmidt, who had essentially envisioned this dual-track approach, was nevertheless feeling uneasy, as he bore the political responsibility for the first track – deployment – but was powerless with regard to the second track – U.S.-U.S.S.R. arms control negotiations.⁵⁷ The Chancellor’s limited ability to facilitate negotiations between the superpowers would become a crucial factor in the subsequent crisis of the German-American relationship. Despite this crucial success for the transatlantic partnership, clouds remained on the horizon which shortly thereafter led to a storm that plunged the German-American relationship into crisis.

When Crisis Strikes – Oil Price Shock and the Soviet Invasion of Afghanistan

Three main reasons were responsible for why transatlantic relations did not improve lastingly following this period of rapprochement. Firstly, the second oil shock confronted the Western partners with a conflict of distribution. Both Bonn and Washington feared supply shortages and clashed over the question whether government interventions in the (inter)national oil markets were

an appropriate measure.⁵⁸ This confrontation resulted from two diametrically opposed economic realities in the respective countries – while West Germany expected an economic upswing in a climate of stable prices, the opposite was the case in the United States.⁵⁹ Hence, the better positioned Federal Republic had little interest in strangling its economic recovery through a short-term reduction of oil consumption, as was proposed by America.⁶⁰ The 1979 Tokyo economic summit offered a possibility to pour oil on troubled water but instead revealed the large discrepancies between the German and the American position, as Carter was deeply upset with Schmidt for “strongly [protecting] German interests.”⁶¹ Although an agreement on country-specific energy reduction goals eventually was reached, the next dispute already awaited.

The second driver for the eventual crisis in the transatlantic relationship were the diverging perspectives on an appropriate response to the hostage taking of the American embassy in Teheran starting in November 1979. Feeling publicly humiliated by this event, the American president imposed economic sanctions on Iran shortly after and pressured his European allies to follow his lead.⁶² West Germany, however, seriously questioned the effectiveness of the American sanctions as they lacked the backing of the United Nations

and would have severely hurt the German economy due to its close trade relations with Iran.⁶³ Moreover, Carter’s “amateurish, erratic and incompetent” handling of the hostage crisis rendered a sacrifice of West German commercial interests on behalf of America even more difficult.⁶⁴ Fearing to be drawn into a possible military conflict, West German politicians increasingly challenged Carter’s tough stance on Iran – Willy Brandt’s statement that the German government served first of all the German people was a case in point.⁶⁵ The failed American attempt to rescue the hostages in April 1980 was “a wake-up call for Europe,” as the angered Schmidt realized that the Federal Republic had to become more involved and stand by America’s side – if only to mitigate the growing unpredictability of Carter’s foreign policy.⁶⁶

This element of unpredictability was also present in the third event which finally led the German-American relationship into crisis – the Soviet Union’s 1979 invasion of Afghanistan. To the German chancellor, Carter’s call to punish the U.S.S.R. appeared restless and driven by panic, lacking any recognizable strategic concept or consideration for possible ramifications on Western Europe.⁶⁷ From Bonn’s perspective, “pique rather than prudence dictated Carter’s response.”⁶⁸ In particular, the American president’s decision to

suspend diplomatic relations with the U.S.S.R. troubled Schmidt, who had previously warned Carter that the current tensions with Moscow could be only kept under control through continued communication.⁶⁹ For West Germany, maintaining an open dialogue with the Soviet Union was of fundamental importance for the continuance of German-German rapprochement.⁷⁰ Moreover, Schmidt was upset deeply by Washington's withdrawal from the SALT II treaty in retaliation for the Afghanistan invasion, which essentially jeopardized the second track of the NATO dual-track decision – arms limitation negotiations. Attempting to break the ice of the frozen negotiations between the two superpowers, Schmidt suggested a temporary moratorium to freeze the deployment of additional missiles in Western Europe by either side. While this suggestion was motivated predominantly by German interest of reducing the nuclear threat in Western Europe, Carter scolded Schmidt's single-handed advance in a strongly worded letter.⁷¹ Responding to this letter in a personal meeting with Carter at the June 1980 Venice economic summit, Schmidt vociferously expressed his anger over the United States' patronizing attitude towards West Germany – famously clarifying that the Federal Republic was indeed not America's fifty-first state.⁷² With the American president referring to this event as

the “most unpleasant personal exchange” of his political career, this final episode exemplifies the desolate state of the German-American relationship by the end of Carter's presidential term.⁷³

Conclusion

Without question, there was not much love lost between the pragmatic realist Schmidt and the moralistic idealist Carter. After all, Carter admitted in his memoirs that he was “glad to deliver Schmidt [...] to Reagan” when he left office.⁷⁴ Likewise, Schmidt concluded that Carter, lacking adequate experience in international affairs, was never “big enough for the game.”⁷⁵ However, as this paper demonstrated, the deterioration in the transatlantic partnership was not solely due to the personal quarrels between the two leaders. Rather, a number of conflicting interests between the two allies drove the growing estrangement and triggered frequent clashes in the 1977-1980 period. The short period of rapprochement around the 1979 NATO dual-track decision was the exception which proved the rule. Faced with repeated disputes over economic, energy and security policies, German-American relations ultimately plunged into crisis.

This crisis of the German-American relationship reflected a distinct change in German foreign policy. Irritated by the asymmetries in the transatlantic alliance

and disenchanted in American leadership, the Federal Republic increasingly turned its attention to the European integration process. Whether this was intended to boost its great-power status or to mitigate skepticism regarding its international rise by embedding it in a firm multilateral structure are questions for further debate. There is, however, no doubt that the late 1970s witnessed a shift in priorities of West German foreign policy. The previously dominating precedence of the transatlantic security alliance yielded to an increasing focus on European integration. In this context, Schmidt's advocacy for the establishment of the EMS was a resolute move to protect West German (economic) interests when they were threatened by questionable U.S. policies. The repeated failure of bilateral diplomacy led West Germany to the conclusion that a European multilateral institution would prove more effective to protect its national interests.

Therefore, this re-orientation of West German foreign policy must be understood as a consequence of the deep divide between Schmidt and Carter. The changing economic and political circumstances of the late 1970s required that the transatlantic partners renewed the framework, within which they could coordinate their policies more effectively. Therefore, advancing European inte-

gration was necessary to bridge the discrepancy between Europe's economic power and its relative lack of political influence. This aim to strengthen Europe was the legacy of the countless confrontations between Schmidt and Carter, and in this light, an important impetus for the decisive expansion of European integration in the subsequent decades.

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The Crime-State Nexus: How Petrolao Has Exposed Brazil as a Captured Democracy

Matthew Brandeburg

Brazil has been badly shaken, economically and politically, by the ongoing investigation into a nearly USD 1 billion corruption scheme involving state oil company Petrobras, many of Brazil's largest construction firms, and Brazil's leading politicians – including both former and current presidents. This article will look at the extent of the criminal organization run by political actors to determine the country's qualification as a captured state. With Brazil's efforts to consolidate its democratic institutions since its return to civilian rule in 1985, this article will also examine how this level of criminal organization is impacted by the state's democratic norms, and how the state has come to exploit these norms over time. This distinction is critical to the development of a new terminology to describe Brazil's unique circumstances – those of a captured democracy.

A series of major scandals in recent years has exposed widespread corruption among Brazil's political and business elite. The Mensalao case, which came to light in 2004, revealed vote-buying by prominent members of Brazil's ruling party, the Partido Trabalhista (PT). A former president of the Chamber of Deputies, the chief of staff of then-President Luiz Inacio Lula da Silva, and 24 other current and former public officials were convicted of engaging in corruption between 2012 and 2013.¹ More recently, an investigation centering on Brazil's state oil company, Petrobras, has exposed racketeering, bribery, and money laundering activities by dozens of Brazilian politicians and some of the country's largest construction firms. The investigation into the Petrolao scandal has increasingly demonstrated collusion at the highest levels of Brazilian government in a corruption scheme totaling more than BRL² 2.1 billion (USD³ 900 million).⁴ Thus, despite its democratic consolidation, Brazil appears to serve as an example of a modern "captured state," or a state in which criminal interests have purchased and entrenched political influence through corruption.⁵ This paper will test Brazil against the definition of a captured state by analyzing the extent of the criminalization of Brazil's top-level institutions — including its branches of government and largest state-owned enterprises —

to determine if the Petrolao scandal has exposed the freely elected state as being run by a criminal network, thus trapping itself in a unique form of captured state: a captured democracy.

The Importance of Brazil and Its Style of State Capture

Brazil serves as a particularly important subject of analysis for both its role in the Western (and global) economy and its status as a democratic nation of 200 million people — the fifth largest in the world. Brazil's economic influence has increased in recent decades, leading to its inclusion in the collection of influential developing countries known as BRICs.⁶ As the seventh largest economy in the world, Brazil is responsible for over USD 242 billion in annual exports and a roughly equal value for imports.⁷ This volume puts Brazil in the top twenty states by share of global trade, thus highlighting its crucial role as a strategic trading partner of the West.⁸ As criminal capture risks undermining a state's economic efficiency, an examination of state criminalization should be the concern of all countries, especially of the West, so that such an economic linchpin does not risk faltering. Additionally, the presence of high-level criminal influence poses a risk to domestic and hemispheric security through its potential to fuel violent actors involved in illicit trade. Furthermore, as a demo-

cratic nation, Brazil serves as an even more curious model because the predominant example of captured states tends to be autocratic governments with low levels of civil liberties.⁹ Brazil is often seen as the contrary. According to *Freedom House*, who publishes an annual report on the subject, Brazil's democracy is characterized by high levels of press freedom, political rights, and civil liberties.¹⁰

While the average citizen may have high levels of "freedoms," in reality Brazil's political system may share more commonalities with autocracies than pluralistic democracies. Autocracies typically provide examples of patronage and influence peddling, important characteristics for evaluating the criminalization or capture of a state. A classic example of this is Russia and its oligarchy-run¹¹ "kleptocracy," where some of the highest government offices are allegedly bought and sold.¹² For comparison, starting in 2004, a system for buying and selling political offices or votes in Brazil was uncovered during the Mensalao case. Mensalao, deriving from the Portuguese portmanteau for a large monthly stipend, was the colloquial name given to the prosecution of 26 top government officials for vote-buying schemes. The officials were charged with "bribery, money laundering, misuse of public funds, and conspiracy." José Dirceu, chief of staff to

President Luiz Inacio Lula da Silva (Lula), was among those convicted, though Lula himself avoided implication. Though the scandal broke in 2004, the trials did not reach a final conclusion until 2013, nearly a decade later, highlighting the lengths those accused of corruption could go to avoid sentencing.¹³

While the Mensalao case emphasized vote-buying and only resulted in the sentencing of a small number of officials, a more systematic corruption racket has recently been exposed which shows not only continued vote-buying, but a web of kickback schemes and political offices for sale that is exposing hundreds of politicians and threatening to engulf the entire polity of elected officials. This scandal, known as Petrolao, has further exposed a Brazilian state operating much more along the lines of a kleptocracy than a pluralistic democracy.

The Petrolao Scandal

On 17 March 2014, Brazil's Federal Police conducted a series of arrests that marked the beginning of a corruption scandal that has uncovered links between executives at the state oil company, *Petróleo Brasileiro* (Petrobras), to a kickback scheme worth billions of dollars. The bribes were in exchange for inflating major contracts awarded to many of Brazil's largest construction companies. Some of these funds were alleged-

ly channeled to President Dilma Rousseff's PT and its allies in the ruling coalition. This scandal, referred to as Petrolao, is the largest in the country's history and has prompted widespread protests and public scrutiny over Brazil's "culture of impunity," which, as exemplified by the extraordinary delays in bringing the Mensalao case to trial, shields unethical actors from responsibility. Brazilian President Dilma Rousseff (Dilma) – who previously served as the chairwoman of the Petrobras Board of Directors during the years under investigation as part of Petrolao – has so far not been formally implicated. However, the investigation has devastated her government's credibility and implicated those closest to her. To date, over 18 rounds of arrests have been conducted, over which former presidents Lula¹⁴ and Fernando Collor de Mello (Collor)¹⁵ have also been accused of corruption tied to the petrolao scandal (Collor was formally charged on 21 August 2015).¹⁶ Furthermore, even after his conviction in 2013 for being a key member of the Mensalao scheme, Jose Dirceu has also been accused of being "instrumental" to the Petrolao case, demonstrating the direct and ongoing connection between the political scandals.¹⁷

The Formation of a Criminal Network

Over the past year, the Brazilian

state has begun to look less like the victim of a corrupt few, and instead like the victim of a well-organized network nearly resembling a criminal enterprise. Organized criminal network are groups which have their own hierarchy, and share fundamental characteristics such as clearly defined roles, language, and continuity.¹⁸ The Petrolao scandal has exposed a network influencing Brazil's political system that exemplifies these very characteristics.

Relying on the established hierarchy of the corporate and political structures of the companies and political parties involved, communications were directed from the executives through a chain of command, hinging on two middle men: Alberto Youssef, an actor outside of the structure but crucial for money laundering operations at Petrobras-affiliated gas stations, and Paulo Roberto Costa, former Petrobras Director of Supply and Refining. According to testimony, all communications would go from these two middle men to either former President Collor, who would allegedly use his commanding role in the Senate to direct politicians or sell positions, or Eduardo Cunha, the speaker of Brazil's lower house of Congress, who would allegedly do the same for the Chamber of Deputies. Cunha, who is next in line for the presidency should the vice president and Dilma be

impeached, was also charged with Petrolao-related corruption at the same time as Collor.¹⁹

Apart from the hierarchies and defined roles within the criminal network, the corruption scheme also had its own language. “Pixuleco” is one example of the unique vocabulary that the criminals employed to refer to their operations, and was used either to describe the three-percent cut taken during the money laundering process which was redistributed to the political orchestrators of the operation, or to describe the one-percent cut taken from contract kickbacks with Petrobras. This word has come to be used not only for subsequent Petrolao investigation names,²⁰ but has also developed its own pop-culture applications.²¹

Finally, the role of continuity emphasizes the degree of influence wielded by the network. It should be noted that the “culture of impunity,” where cases face a series of appeals and legal loopholes which could make trials last for years if they ever come to a close, has combined with a system where even those sentenced, such as José Dirceu, can still orchestrate criminal behavior, ensuring continuity of operations in the process.

The Degree of State Capture

While it can be argued then that a criminal network organized to a consequential degree has operated across state owned enter-

prises and government offices, to what degree has this network “consumed” the government itself? While over fifty people have been arrested to date, hundreds more are suspected of participating in the scheme.²² The political parties involved cross all party lines. Beyond Lula and Dilma’s PT, the Progressive Party (PP) – the fourth largest party in the lower house and fifth largest in the upper Senate – has been accused of being the largest recipient of Petrolao funding.²³ The Partido do Movimento Democrático Brasileiro (PMDB), the largest party in both houses (and the party of Collor and Cunha), has also been heavily implicated in Petrolao.²⁴ Further exemplifying the network’s reach, the scandal itself has gone beyond the borders of Brazil, allegedly involving multi-billion dollar contracts across Latin America and the United States.²⁵ The supposed fraudulent peddling of contracts abroad for Petrobras and Odebrecht, among other companies, has even allegedly been tied to Lula, raising the probability of investigations not only into his involvement in Petrolao, but possible violations of the United States’ Foreign Corrupt Practices Act (FCPA).²⁶

Finally, while the extent and magnitude of Petrolao’s criminal network are significant, it is still worth examining the role of the judiciary, the government’s poli-

cy efforts to combat Petrolao, and the electoral role of the citizenry before a pronouncement can be made on the effective state capture of Brazil. Though concerns were raised in 2014 after the Supreme Court absolved Collor of the corruption charges that led to his impeachment from the presidency in 1992,²⁷ Brazil still has shown a degree of independent judiciary during the investigations into Petrolao, suggesting the state is not fully operated by a criminal network, or at least not by one with full impunity.²⁸ Judges encouraging the investigation, such as Sergio Moro, have become celebrities in Brazil and have been prided on their swift and decisive action.²⁹ Furthermore, though it took nearly a decade, those found to be involved in Mensalao were eventually sentenced without room for further appeal. These steps are critical to preventing institutionalized state racketeering since they prevent “the source of the threat and the protector against that threat” from being the same law enforcer.³⁰

Despite efforts to strengthen these frameworks, lax enforcement has undercut most efforts to date and remains a major obstacle to reducing graft. The government itself has signaled to foreign countries that, despite the extent of politicians involved, it is willing to enact reforms to mitigate the crisis and prevent future ones.

Brazil’s government has sought to tackle corruption with a series of new measures. The country is a signatory to the Organization for Economic Cooperation and Development (OECD) Anti-Bribery Convention and is a founding member of the Open Government Partnership, an intergovernmental group aimed at enhancing transparency. In a direct response to Petrolao, Dilma has initiated new laws that would criminalize the use of slush funds in political campaigns and add “teeth” to anti-bribery statutes.³¹

What is most curious about the extent of state capture so far in Brazil is its ability to permeate political parties, ignoring oppositional politics and seemingly exploiting the democratic system of Brazil itself. As allegations of vote buying persist, the conclusion that the criminal organization behind Petrolao desires to exploit rather than subvert the democratic institutions of Brazil, combined with Brazil’s outwardly high levels of press and political freedoms, imply that Brazil does not fit the mold of many authoritarian countries often affixed with the label of a captured state. For this reason, one could argue that Brazil is a new type of captured state, one that is perpetuated by the fractured nature of its parliamentary institutions and overwrought bureaucracies. A more appropriate terminology to describe Brazil’s

unique situation is that of a *captured democracy*, a term emphasizing not only the type of institutions which are captured, but that Brazil has not seen a complete decay or reversal of its political institutions, as evidenced above by its persistent judicial branch of government.

Conclusion

Though Brazil continues to battle corruption at the highest levels, and though multi-billion dollar schemes have been perpetrated by a highly-organized operation with ties to leadership in its largest companies and political parties, Brazil does not appear to be a completely captured state. The foundations for a successful democratic state are there, should the remaining politicians sustain the political will to combat the Petrobrás network. Furthermore, as mentioned previously, though these officials guilty of corruption have been elected in free and fair elections, the true extent of this corruption has only recently been exposed. Thus, there is a real chance that these politicians — and their network of corporate executives — will face consequences, from the ballot box to the court house. However, for the ballot box to lead to lasting change for Brazil, leading political parties would have to conduct their own in-house audits and reforms, which so far have not been sufficiently demonstrated. If these political parties are allowed

to continue in current form, there is a real risk that Brazil will slide back into a corruption scandal in short order, as the fact that Petrobrás quickly succeeded Mensalao has shown us. Lastly, the role of the judiciary cannot be minimized when evaluating the risk of state capture. The original harbinger of Brazil's scandals, Mensalao, has finally seen its defendants sentenced after exhaustive rounds of appeal. The legal system, despite its lethargic efforts, has still managed to definitively jail the worst offenders, a positive sign for a country desperately needing a pronounced enforcement of rule of law. If President Dilma is deemed to have not taken part in the operation while at Petrobrás or under the PT, then she serves as a powerful example that Brazil's highest office is still a position which is not for sale. Therefore, despite the magnitude of corruption uncovered by Petrobrás, Brazil still stands a chance of breaking its corruption cycles, maintaining its long-championed democratic institutions, and avoiding classification as a captured democracy.

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France 2015: The End of Innocence?

Constance Hubert

*On November 14, 2015, the Council of Ministers announced the establishment of the state of emergency upon a country in mourning after the deadliest attacks on French territory since World War II. A few months later, if *Fluctuat Nec Mergitur*, France seems to be sinking into risk management as a paradigm of government, to the detriment of civil liberties. This trend, however, exposed outright by the recent attacks, finds its roots in a culture of counterterrorism - pre-existent to 9/11 - gravitating around the French legal apparatus.*

“A French 9/11?”

Since French President François Hollande declared the state of emergency after the terrorist attacks in Paris on November 13, 2015, comparisons with the United States after 9/11 have been greatly exploited by the media. Why France and not Spain,

11-M being the deadliest attack on European soil since the Lockerbie bombing in 1988? France is traditionally depicted as the “Country of Human Rights,” a nickname as symbolic among Western democracies as the reference to the U.S. as the “leader of the free world” during the Cold War.

Moreover, more than ten years after the invasion of Iraq by the Bush administration, France seems to be the new reliable partner of the U.S. in Europe, ousting Britain as the “American Trojan Horse” on the Old Continent. France has been leading an active foreign policy abroad, often criticizing the lack of boldness of its main European partner, Germany. Hollande’s active foreign policy directed against international terrorist networks in Mali (*Operation Barkhane*) and Iraq (*Operation Chammal*) has been referred to as the cause for the terrorist attacks by ISIS fighters in the Bataclan concert hall.

The blurring lines between foreign and domestic policy is not without reference to the 9/11 attacks, explained by Al Qaeda as a consequence of American foreign policy in the Middle East in the early 2000s.

The comparison between 9/11 and the 2015 Paris attacks corroborates the idea of an internationalization of insecurity and a global fight against terrorism, a national security discourse that has invaded the political space for more than a decade.

Terrorism: Building the Threat

According to French intellectual Pierre Bourdieu, the state is defined by its capacity to create patterns of thought. The Copenhagen School describes this political process as “securitization:” in in-

ternational relations, an issue becomes a security issue not because it constitutes an objective threat to the State (or another referent object), but rather because an actor has defined something as an existential threat to some object’s survival. A relevant illustration of this process would be President G.W. Bush’s first use of the phrase “war on terror” in his address to a joint session of Congress on September 20, 2001, “GWOT”¹ having been integrated in worldwide political speech and used to justify military interventions and restrictions of civil liberties all over the Western world for a decade. The concept of terrorism as a whole enabled a symbolic construct of a homogenous threat, while the reality is a lot more complex and does not allow for the unification of political violence under a single label. The creation of a security continuum between an outside and an internal threat – a new political discourse based on an old phenomenon – enables the State to base its security strategy and policies on the “precautionary principle” defined by Hans Jonas.² Following the shift in the discourse on security, a move can be observed toward a mindset of risk management as a paradigm for government, realizing Ulrich Beck’s prophetic description of the “risk society as a catastrophic society” in which “the exceptional condition threatens to become the norm.”³

Has the “Country of Human Rights” Lost its Way?

On January 7, 2015, an Islamic-extremist terrorist attack was launched against the satirical magazine *Charlie Hebdo*, followed by two other attacks in Paris and its suburbs. 17 people were killed in these shootings, leading to the activation of the *Plan Vigipirate*, France’s national security alert system, which put the Ile-de-France region under “attack alert.” Similar to the U.S. Homeland Security Advisor System, the *Plan Vigipirate* was created in 1978 by President Giscard d’Estaing, and was first activated during the 1991 Gulf War. In addition to the security plan covering more than 300 safety measures, such as the activation of crisis cells in ministries and prefectures or the prohibition of parking near schools, President François Hollande launched *Operation Sentinelle*. In the framework of this operation of the armed forces, 10,400 soldiers were deployed on the French territory, as well as 5,000 police officers answering to the Ministry of the Interior. The number of French soldiers deployed on the national territory is since then greater than those serving in external operations. On April 29, the President decided to perpetuate *Operation Sentinelle* in the face of the evolution of the terrorist threat. The operation was reinforced after the November 13 attacks. The *Plan Vigipirate* relies entirely on existing

legislation, and on the powers of the Prime Minister and the security prerogatives of other administrative actors such as prefects and mayors.

On the contrary, on November 13, President Hollande declared the state of emergency appealing to the law n°55-385 of April 3, 1955. This state of exception is however not mentioned in the Constitution of 1958, which refers to the state of siege in article 36 as well as the “emergency powers” of the President in article 16. The state of emergency remains outside the Constitution because it is not linked to foreign war and does not transfer exceptional police powers to the Armed Forces. Moreover, the state of emergency is declared by the Council of Ministers, chaired by the President, and is therefore not directly submitted to parliamentary control. According to the law of 1955, the state of emergency can last 12 days, after which a law must be voted to set its duration. However, on November 16, the President took the floor before the Parliament convened in Congress to propose a constitutional revision. The state of emergency, according to the constitutional project, would be included in article 36. The *Conseil d’Etat*⁴ declared on December 11 that only the law could state the duration of the state of emergency. Such a law extending the state of emergency to three months was

first voted on by the Parliament on November 21, 2015, with 551 votes in favor, 6 against, and 1 abstention. On February 16, a half-empty Parliament (212 votes in favor, 31 against, and 3 abstentions) voted for an extension of the state of emergency for another three months, until May 26. This law enables the police to conduct house searches without warrants, and place French citizens under house arrest without due process of law if “there are some serious reasons to think [their] behavior is a threat to security and public order.” According to Human Rights Watch, as of February 2, 2016, the government had ordered 3,289 searches and between 350 and 400 house arrests, 303 of which were still in effect. The Paris prosecutor’s office led five investigations into terrorism-related offenses, as a result of the 3,289 searches.⁵

These mixed results were corroborated by complaints about the impingement on civil liberties implied by the state of emergency. The French human rights ombudsman, Jacques Toubon, received 73 complaints about the emergency measures and their abuse, and called the government to “come to its senses” on February 26. Under the European Convention on Human Rights (article 15) and the International Covenant on Civil and Political Rights (article 4), states of emergency justify the restriction of certain rights by the

government “to the extent strictly required by the exigencies of the situation.”⁶ The French ombudsman’s concerns were shared by five UN rights experts, who urged France to protect fundamental freedoms while countering terrorism on January 19. Most experts highlight the lack of clarity and the scope of state of emergency measures, which could lead to severe breaches on freedoms of expression and association, as well as the right to privacy in a context of growing Islamophobia fueled by populist rhetoric.

The scope of these emergency powers is linked to their origins. The last time a nationwide state of emergency was declared by the President was after the Algiers putsch of 1961, an attempt to overthrow President De Gaulle and establish a military junta. However, the question as to whether these powers created during Algeria’s War for Independence, a violent conflict characterized by guerilla warfare and the use of torture, are adapted to combatting 21st century hybrid threats remains. The specter of the war between France and the Algerian National Liberation Front (FLN) has indeed greatly influenced the way France fights against terrorism, through the creation of a justice of exception as well as the establishment of a mindset to comprehend political violence.

A Tradition of Justice of Exception

We can trace the first extraordinary court back to the French Revolution and the Reign of Terror, during which the National Convention established a Revolutionary Tribunal in 1793. Its very broad jurisdiction enabling it to judge any “counter-revolutionary enterprise” as well as “attacks against liberty, equality, unity, indivisible of the republic, internal and external security of the State” was expanded by the Law of 22 Prairial (or law of the Great Terror) to “punish the enemies of the people.”

Under the Fifth Republic the Parliament passed the laws 63-22 and 62-23 of January 15, 1963, which created a new extraordinary court aimed at judging the members of the *Organisation de l'armée secrète* (OAS). This far-right paramilitary organization tried to stop the political process of independence of Algeria by a large-scale terrorist campaign under the motto “Algeria is French and will remain so.” Heavily criticized for its duality (it was composed of three magistrate and two military officers), the lack of transparency of its rulings, and the absence of any provision for appeal, the State Security Court was revoked by the Badinter Reform when the left took power in 1981.⁷ The distinction between “political” and “common” crimes was then erased, as well as the notion of “crimes against state

security,” was replaced by “infringement of the vital interests of the nation” in the 1994 Penal Code. Political justice was de-politicized and exceptional jurisdiction disappeared from the French legal landscape.⁸ Robert Badinter declared in 1982: “there is no way that there will ever be in my mind a circuit court specialized in the repression of terrorism.”⁹

However, the State Security Court legalized extraordinary war measures taken in times of peace and created a precedent for common criminal offences to be judged as offences undermining the State’s authority. Some procedures created by the State Security Court outlived it: specialized judges in counter-terrorism, such as Jean-Louis Bruguière and Marc Trévidic, custodies lasting up to six days while limited to 48 hours by the penal code, etc. Most importantly, from 1981 on the de-politicization of political transgressions was rooted in the French punitive system which had far-reaching consequences on the way terrorism is comprehended by the French legal and political systems.

An interesting evolution of the exception in French law is that no new extraordinary court has been created since 1981. Extraordinary measures have instead been integrated into the criminal legal framework.

Law 86-1020 of September 9,

1986, is the first to specifically target terrorist crimes. However, the law did not define terrorism as an independent crime. It was included in a list of thirty-nine offences defined as terrorist if “linked to an individual or common enterprise with the aim of seriously disrupting public order through intimidation or terror.” This introduces major issues in terms of counter-terrorism. First, the vagueness of the definition of a terrorist crime, and second the condemnation of the intention before the crime itself, both allow for an ever-broader and more political targeting of offences.¹⁰ This leads to a dual, paradoxical dynamic of de-politicization and singling-out of terrorism in French criminal law.¹¹ The 1986 law also centralized all legal procedures for the fight against terrorism to the Trial Court of Paris and its “fourteenth section,” a central department with a national jurisdiction to judge terrorist crimes, and created a new category of specialized magistrates. Another form of exception integrated into criminal law is the *cour d’assises spécialement composée*, a circuit court without a jury to avoid strategies of intimidation of the jurors by terrorist groups.¹² Parliament indeed passed the law after terrorist attacks in 1985-86, the first wave of Islamic-extremist terrorism in France which paralyzed Paris and against which French authorities seemed powerless.

Another powerful evolution of the law was the introduction of a new penal code in 1994 (articles 450-1 to 450-3), which included law 92-1336 of December 16, 1992. The latter has created a new crime – “conspiracy linked to a terrorist enterprise” – that submits the criminal offence of conspiracy to special rules of judicial proceedings, examination of the case, and verdict. Through this new offence, the reformed Penal Code implements a form of preventive justice matching the aforementioned idea of “precautionary principle,” and therefore including the political component of counter-terrorism into French criminal law.

The External Feature of Terrorism and French Foreign Policy

France traditionally perceives terrorism as an internal threat. Throughout the first three waves of terrorism described by David C. Rapoport, the police and internal security forces under the authority of the Ministry of the Interior mainly led the French counter-terrorist effort, in collaboration with the legal system.¹³ In opposition to the American tradition of perceiving terrorism as an external threat initiated by foreigners on American territory, it is comprehended in Europe as a societal problem within the realm of domestic security. The evolution of French justice in judging terrorism as a criminal offence corroborates this idea. The mutation of the ter-

rorist threat in the 1970s toward a non-secular political violence coming from abroad and claiming to be a response to French policy in the Middle East initiated a dynamic influencing French counterterrorism: the blurring of the line between domestic and foreign policy.

If Pierre de Bousquet, head of the French domestic intelligence agency (DST),¹⁴ declared in 2005 that “[the French] answer is judicial and not military,”¹⁵ recent trends in French counterterrorism in addition to political discourse in the past decade bring a new reality to light. In his speech before Congress on November 16 2015, President Hollande declared, “France is at war,” and rapidly linked the attacks to French foreign policy in the Middle East. He then announced that France would intensify its military actions in Syria, before reminding the assembly that France would combat terrorism “wherever States’ survival is threatened,” in Mali, Iraq, Syria. Two days later the aircraft carrier *Charles de Gaulle* cast off for the Eastern Mediterranean, eventually anchoring off the Syrian coastline.

Even though the French interventions worldwide in the fight against terrorism do not affiliate themselves to a belated form of American war on terror, they do convey an idea of French exceptionalism with a *mission ci-*

vilisatrice.¹⁶ This activist foreign policy is answering to a secularist sentiment of duty, as France defends its identity as the “country of freedom, the homeland of Human Rights.”¹⁷ The absence of any reference to providence is an important element of distinction with the United States’ exceptionalism, which refers to the idea of the Manifest Destiny of a people “near to the heart of God.”¹⁸ Despite these differences in the origins of their active foreign policy undertaken as a means to fight terrorism, both France and the U.S. seem to converge toward a similar understanding of security challenges at play.

While war is being waged abroad, however, it seems like French and American authorities alike tend to apply a reversed Clausewitzian dynamic to domestic security policy. If war is a “political instrument, [...] a carrying out of the same by other means,” domestic security policy shows evolution toward an internal and concealed war on the enemy of the interior, the terrorist. “Fourth wave” terrorist organizations are indeed characterized by their moving, de-territorialized features at the age of globalization of (in)security, ISIS being an exception as it displays both the characteristics of a state and of a terrorist nebula.¹⁹ In its attempt to provide security to its citizens and to place itself as a symbol in the fight against

Islamist fanaticism, France is sacrificing civil liberties on the altar of public safety, threatening social cohesion and impinging on the same human rights of which it claims to be an advocate.

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Notes

1 “Global War on Terror”

2 Jonas, H. (1985). *The imperative of responsibility: In search of an ethics for the technological age*. University of Chicago press.

3 Beck, U. (1992). *Risk society: Towards a new modernity* (Vol. 17). Sage.

4 The *Conseil d'Etat* (or Council of State) is the highest administrative jurisdiction in France and one of the principal guarantees of the rule of law in the country. It has the dual function of a legal adviser to the Government and the supreme court for administrative justice.

5 Human Rights Watch, Feb.

3, 2016: “France: Abuses Under State of Emergency:” 2.

6 Le Monde, Feb. 26, 2016: “Etat d’urgence: le Défenseur des droits invite à ‘retrouver la raison.’”

7 Robert Badinter, a French criminal lawyer and activist against the death penalty, was appointed Minister of Justice when François Mitterrand was elected President in 1981. Famous for abolishing the death penalty for all crimes in France in 1981, he also passed several laws that reformed the French legal landscape.

8 Codaccioni, V. (2015). *Justice d’exception: L’Etat face aux crimes politiques et terroristes*. CNRS.

9 Le Monde. Dec. 17, 2015. “Vanessa Codaccioni: ‘une nouvelle forme de justice d’exception.’”

10 Codaccioni, V. (2015). *Justice d’exception: L’Etat face aux crimes politiques et terroristes*. CNRS: 268.

11 Ibid.

12 A main cause for this jurisdictional exception is the cancellation of a trial of Action Directe members, a French revolutionary group operating in the 1980s, after the withdrawal of four out of nine jurors upon death threats in December 1986.

13 Rapoport describes four waves of terrorism. First, the “anarchist wave” from the 1880s to the 1920s; followed by the “anti-colonial wave” until the 1960s and decolonization; third, the “new left wing wave” from the 1960s to the 1990s; and finally the present day “religious wave” that began at the end of the 1970s after the Iranian Revolution and the invasion of Afghanistan by the Soviet Union. Rapoport, D. C. (2004). “The four waves of modern terrorism” in Cronin, A. K., & Ludes, J. M. (2004). *Attacking terrorism: Elements of a grand strategy*. Georgetown University Press.

14 *Direction de la Surveillance du Territoire*, the French domestic intelligence agency. Pierre de Bousquet was its head between 2002 and 2007. The DST merged with the intelligence service of the French police, the RG or *Direction Centrale des Renseignements Généraux*, in 2008 to form the DCRI [*Direction Centrale du Renseignement Intérieur*], called DGSJ [*Direction Générale de la Sécurité Intérieure*] since 2013. This intelligence agency reports directly to the Ministry of the Interior.

15 Garapon, A. (2006). Les dispositifs antiterroristes de la France et des Etats-Unis. *Esprit*, (8), 128.

16 French for “civilizing mission,” an underlying principle of French colonial rule.

17 Speech of French President Hollande before Congress on November 16, 2015.

18 Kohut, A., & Stokes, B. (2006). *America against the world: How we are different and why we are disliked*. Macmillan: 114.

19 Bigo, D. (2006). Globalized (in) security: the field and the ban-opticon. *Illiberal Practices of Liberal Regimes: The (In) Security Games*, *L’Harmattan: Paris*, 5-49.

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When to Choose Human Security

James Nadel

This paper will explore the concept of human security from theoretical, practical, and case study perspectives. It traces the history of human security through academic discourse and practice, and develops a balance sheet of the concept, assessing the motivations, advantages, and problems inherent in pursuing it in peacebuilding. Specifically, statistical evidence of “indirect deaths” and Azar’s seminal Theory of Protracted Social Conflict provide strong support for the idea, and practice in the field has shown its value in addressing certain inconsistencies in peacebuilding—namely, the tension between Western and local views on values and priorities, and the possibility of local traditions reinforcing inequality. On the other hand, there exist potential problems of co-option, obscuring proper analysis of the drivers of conflict, and overpromising. The final section concludes that human security achieves its greatest utility when pursued by apolitical organizations, such as the United Nations, within missions that are a reasonable match for their capabilities.

The evolution of United Nations peace operations throughout the 1990s and early 2000s traces an important development in security thought. The concept of human security, emerging in 2000 from the experiences of the previous decade, established in various policy circles the necessity of expanding “security” from the level of states to the level of individuals in conflict zones. While this idea is sound and appealing in many cases, it merits caution lest it be applied in inappropriate contexts. This discussion paper will commence with an overview of how human security has developed in discourse and in practice. The second section will then argue that the concept of human security draws compelling motivation from both statistics of war-related deaths and the conflict literature, and confers serious advantages upon peacebuilding by helping to address two inconsistencies: the tension between Western and local views, and the possibility that local solutions might reinforce inequality. At the same time, however, the problems of co-option, limited applicability to economically driven conflict, and raised expectations necessitate caution before explicitly pursuing a human security agenda. The final section will use this analysis to discern the conditions under which human security achieves its greatest utility. We will see that, despite the merits that might seem self-ev-

ident in any scenario, a human security approach is most appropriate for multilateral, apolitical organizations such as the United Nations, within lower-risk missions where their capabilities can be most effectively applied.

The History of Human Security

The concept first appeared in a 1994 UN Development Program report seeking to affect a post-Cold War shift in thinking about security.¹ The term subsequently gained prominence in 2000, refocusing UN peace operation discussions on the issues of physical safety, economic needs, human rights, and fundamental dignity of individuals in areas of conflict. While there is no uniform definition, these main themes recur in the seminal UN documents and relevant academic literature that comprise the human security discourse. The UN Millennium Report advocated freedom from fear, freedom from want, and sustainable management of the environment and natural resources as priorities for the organization in the new century. At about the same time, the International Commission on Intervention and State Sovereignty made similar recommendations, and Secretary General Kofi Annan highlighted human security in his statement to the 54th session of the General Assembly.² The famous Brahimi Report on comprehensive peacekeeping reform pointed out that opera-

tions must be capable of making improvements in local people's quality of life early in the mission.³ Finally, the most significant expression of this idea came in the Responsibility to Protect doctrine, introduced in the 2005 World Summit Outcome, which establishes the responsibility of states to protect their populations from mass atrocities (although the final version failed to explicitly endorse a responsibility of the international community to intervene).⁴

There is a further stage of academic discourse in which we can observe the influence of a human security focus. Ramsbotham, Woodhouse, and Miall argue that with the global spread of shared humanistic values, a new generation of *cosmopolitan peace operations* is possible. In this context, and by working heavily at the grassroots level, they envision international actors being able to build peace upon ideas that are seen by local partners as global values, not simply Western ones.⁵

In the realm of practice, human security evolved from the need to reconcile greater robustness in peace operations—owing to failures in the early 1990s—with the need for legitimacy. Especially in peace enforcement contexts, if the UN was to be more than simply the civilian follow-up to a military coalition, it needed to be seen as both an authorizer and an implementer. Human security was seen

as the globally meaningful norm that would underpin this.⁶ Additionally, an increasing focus on the needs of individuals in conflict zones is evident in the evolution from second-generation peacekeeping to the third-generation, whose missions are more appropriately termed peace operations. These operations, beginning in the mid-1990s, saw more flexible rules of engagement for the protection of civilians along with the rise of statebuilding—the devotion of mission resources to establishing local institutions that can provide for the needs of the population.⁷ The relationship of statebuilding to other elements further demonstrates the human security underpinnings of third-generation peace operations, as populations' basic needs cannot be put on hold for the conclusion of one phase of a mission. Ramsbotham, Woodhouse, and Miall point out that the three main phases in such peace operations—delivering stability, statebuilding, and long-term peacebuilding—must be as closely “nested” as possible, rather than undertaken in sequence.⁸

Developments in the peacebuilding phase itself attest to human security's influence. The concept of *peacebuilding from below*, prioritizing the empowerment of grassroots approaches to conflict resolution, gained prominence through experience in Bosnia where outside methods

proved unappealing to local aspirations.⁹¹⁰ Additionally, the establishment in 2005 of the UN Peacebuilding Commission further enshrined human security concepts in the practitioner's realm. The commission was given a wide mandate for integrating post-war peacebuilding across UN agencies and NGOs, and marshaling resources for these endeavors.¹¹ Jentlesen, however, is not enthusiastic about the amount of practical impact this body will have,¹² and Mack acknowledges that the Peacebuilding Commission lacks the executive authority to realistically achieve coordination across agencies and outside organizations. Nonetheless, Mack concludes: "Notwithstanding the very real problems it confronts, the creation of the new Peacebuilding Commission is further evidence of an emerging system of global governance that seeks to address human security issues."¹³

The Human Security Balance Sheet

Peacebuilders who pursue a human security approach can draw motivation from both statistics of war-related deaths and the conflict literature. Additionally, this approach confers serious advantages upon peacebuilding by helping to address two inconsistencies: the tension between Western and local views, and the possibility that local solutions might reinforce inequality. We will see, however, that problems of

co-option, limited applicability to economically driven conflict, and raised expectations necessitate caution before explicitly pursuing a human security agenda.

Data gathered since the end of the Cold War highlight an area of comparative advantage for the concept. According to the 2005 Human Security Report, "indirect deaths"—those caused by health and environmental threats exacerbated by the presence of war—account for up to 90 percent of fatalities in war-torn societies.¹⁴ Additionally, 40-50 percent of countries emerging from war relapse into violence within five years.¹⁵ The combination of these two conditions argues for an approach that addresses the basic needs of individuals, within a framework that lowers the risk for peace to unravel.

Foundational academic literature underscores this. In particular, Edward Azar's seminal *Theory of Protracted Social Conflict* contends that basic human needs, as well as the extent to which the state is providing or denying them, are the critical factors in prolonged violent struggles around the world. He identifies four "preconditions" for high levels of conflict: communal discontent, deprivation of human needs, poor governance, and destabilizing international linkages. The extent to which these variables interact with "process dynamics"—communal actions,

state actions, and inherent escalatory mechanisms—determines the extent of conflict and/or violence.¹⁶ It is easy to see how Azar, writing in the 1970s and 1980s, prefigured the concept of human security, particularly with respect to his “precondition” variables of needs and governance. Peacebuilders who value this contribution thus have a strong motivation to approach their work through a human security lens, particularly because, as Ramsbotham et al. argue, establishing good governance and development levels are structural preventers of conflict (and its recurrence). Thus, these objectives address the “preconditions,” while a mission’s operational measures correspond to Azar’s “process dynamics.”¹⁷

Such an approach has a distinct advantage in practice as well, serving as a corrective to certain inherent inconsistencies in peacebuilding. First, we often observe in peace operations a tension between Western and local views on values and priorities, and an overemphasis on top-down solutions has indeed been one of the consistent critiques leveled at peacebuilding interventions since the 1990s.¹⁸ The case of Somalia is instructive here. In response to the overthrow of Somali dictator Siad Barre in 1991 and the resulting humanitarian crisis, the UN deployed a “second generation” peacekeeping force under the au-

thority of Special Envoy Mohamed Sahnoun. Statebuilding models, particularly those of the U.S., often prioritize establishing strong central government authority to control ungoverned spaces and reign in piracy and terrorism. While this is a valid objective, promoting central control and Western governance concepts can be counterproductive in countries such as Somalia that have little natural disposition toward them. Special Envoy Sahnoun creatively sought to make peace through the use of indigenous methods, and some accounts point to the impending success of this approach before it was cut short by the ill-fated American enlargement of the mission. More recently, in the wake of the African Union-led peace operation authorized in 2006, Somaliland and Puntland have experimented with governance forms that combine local and Western traditions, yielding new levels of participation more appropriate to the regions’ societal contexts and autonomous traditions. Additionally, other areas of Somalia have shown great creativity in organizing peacebuilding around combinations of unwritten customary law, local shari’a law, and historical values and codes of conduct, including input from women’s groups.¹⁹ As shown by the efforts of Sahnoun and others focused on indigenous empowerment, taking a humanist view of what best serves local interests can overcome some in-

herent Western-local tensions and lead to effective solutions.

While top-down solutions are a pitfall, the converse—prioritizing the empowerment of local methods, or “peacebuilding from below”—can be taken too far as well. Here we see the advantage of a human security approach as a corrective to the second peacebuilding inconsistency: when local traditions reinforce inequality. The 1999 UN Mission in Sierra Leone illustrates this problem. Efforts at peacebuilding from below, focused on community-driven development, encountered traditional structures that perpetuated power in ruling lineages and reinforced the undemocratic and unfair distribution of labor opportunities to subordinate lineages. This failure of local institutions called for greater creativity in finding a middle way that combined the best of intervention and host-nation resources.²⁰ Ramsbotham et al. expand on this, pointing out that local partners’ ability to serve as reliable resources may be compromised by lack of influence, external criminal groups or militias, or the interests of donors.²¹ A human security approach, therefore, can help not only to avoid the dominance of top-down solutions, but also to help ensure that peacebuilding from below serves all local parties equitably.

Nonetheless, such an approach contains several inherent pitfalls

as well. First among these is the possibility that a human security agenda will unwittingly serve Western over local interests, or be co-opted by a nationally led intervention. The field of international political economy, for example, critiques conflict resolution and development as opportunities for a global security regime to manage threatening spaces and maintain the status quo.²² While this is a good general reminder to think critically about interveners’ motives, it lacks precision. A more urgent warning lies in the UN Assistance Missions in the recent U.S.-led regime change operations in Afghanistan and Iraq, which to some signified that traditional peace operation functions were co-opted into the American global war on terror.²³ While this should not be seen as lowering the intrinsic value of the work of these UN missions, it is important to keep in mind that well-conceived human security projects may have suffered a loss of legitimacy in the eyes of locals resentful of the U.S. presence.

Secondly, it is possible that a human security approach in peacebuilding might obscure proper responses to the type of economically driven conflict described by Paul Collier. From economic analysis of intrastate conflicts, Collier theorizes that perceived grievances and desire for power are found in most societies, and it is the

economic feasibility of pursuing violent means—the “feasibility of predation”—that determines whether armed conflict will occur. He points out that the rebellion in Sierra Leone took advantage of illegal diamond mining, and so its potency cannot be explained solely by the list of grievances it publicized.^{24,25} Collier gives his own policy recommendations for peacebuilding in societies emerging from economically driven wars, mainly focusing on lowering rebellions’ economic incentives (such as by bringing rebel leaders into the legal structure of primary commodity export revenues). Finally, he points out the common emergence of corruption from the breakdown of trust in post-war societies, a problem that calls for the building of new and independent institutions.²⁶ Collier’s contributions identify two challenges to a human security approach: First, focusing solely on the needs of individuals may obscure analysis of the feasibility of predatory behavior; and second, addressing long-term issues like corruption requires great political will from the leading organization.

Raised expectations are the third general problem of the explicit pursuit of human security. Berdal and Ucko point out the limitations of “armed humanitarianism” by the UN, such that civilian protection mandates in peace operations have sometimes created

“unrealistic expectations” among local populations who may seek safety with an under-resourced force that cannot fully provide it. They additionally argue that a viable political strategy for establishing peace is the proper context for such mandates, without which a conflict party may forcefully oppose peacekeepers. However, UN Security Council unity in support of political strategies that address the drivers of conflict has historically been elusive.²⁷ While Berdal and Ucko are describing the single issue of physical security, this is certainly a component of human security, and we should expect that announcements of providing the latter may raise similar expectations in host communities. The point about Security Council unity underscores the other side of this problem—that of insufficient political will to deliver what is necessary—and the case of U.S. leadership in Afghanistan shows that political will is finite in nationally led operations as well.

After coming into office promising to refocus attention on “the good war,” the Obama administration’s 2009 review of Afghanistan priorities focused on counterinsurgency, government and security force capacity building, reducing corruption, and local development (highlighting the development role for the UN).²⁸ In a 2014 assessment, however, the Government Accountability Office

found that, after \$100 billion in allocations by U.S. agencies (apart from military expenditures) between 2002 and 2013, there had been modest improvement in security, but little progress on anti-corruption and increasing the Afghan government's capacity to serve the population.²⁹ As President Obama made clear in his October 2015 statement on the drawn-down but continuing presence of roughly 10,000 U.S. military personnel for training and counterterrorism, the US is strictly in a supporting role not only for security, but also for Afghan government efforts to combat corruption and improve service delivery.³⁰ Even the world's sole superpower has very finite limits on political will. Fourteen years into the war, they will no longer stretch to accommodate explicit American-led efforts at governance reform. Both the UN and U.S. cases demonstrate that politics impose inevitable constraints upon executing long-term humanitarian strategies.

Discerning a Successful Context for Human Security

We can ignore neither the important theoretical and practical contributions of the human security concept, nor the complications that may arise in employing it. Therefore, we must use these constraints to judge the conditions that maximize its positive impact and minimize potential

problems. The previous section demonstrated that co-option by interveners' national interests, inadequate analysis of economic drivers of conflict, and overpromising when political will is insufficient are the biggest pitfalls. This initially calls for analysis that is capable of discerning when conflict arises from economically fueled predation, and when it arises from the deprivation of basic needs. The other, more important, lesson is that human security seems most appropriate for multilateral, apolitical organizations such as the UN, pursued within the missions that are most achievable.

The response of the UN to violence and displacement in East Timor in 1999 is instructive here. While a second crisis emerged in 2006, the UN made notable achievements in stability and building peace in the turbulent first years of East Timor's independence. A 2014 Brookings Institution study highlights the success of the transitional administration's community reconciliation program, which was underpinned by local practices. This program in turn provided peace-building lessons that enabled the safe return of internally displaced persons. The return to conflict in 2006, the report concludes, simply arose from a failure to plan for this success and anticipate the eventual competition over land and jobs resulting from the mass return of

IDPs.³¹ While the second stage of the conflict cannot be ignored, we should see it in the context of a preventable institutional mistake, rather than as a failure of the earlier humanitarian efforts. Thus, the UN transitional administration's peacebuilding after the initial conflict in 1999 demonstrates the successful application of human security principles, but within a specific context—namely, a mission of lower risk, in which the UN could maximize the effectiveness of its capabilities.

Conclusion

This paper has explored the concept of human security from both theoretical and practical perspectives. In Section I, it traced the history of human security through its emergence in official and academic discourse, and in the practice of the recent generation of UN peace operations. Section II developed a balance sheet of the concept, assessing the motivations, advantages, and problems inherent in pursuing human security in peacebuilding. Specifically, statistical evidence of “indirect deaths” and Azar’s seminal *Theory of Protracted Social Conflict* provide strong support for the idea, and its practical application in the field has shown its value in addressing certain inconsistencies in peacebuilding—namely, the tension between Western and local views on values and priorities, and the possibility of local traditions

reinforcing inequality. On the other hand, the section identified the potential problems of co-option by interveners’ national interests, inadequate analysis of economic drivers of conflict, and overpromising amidst insufficient political will as the biggest pitfalls of a human security approach. From the synthesis of these findings, Section III determined that human security achieves greatest utility when pursued by multilateral, apolitical organizations such as the United Nations, within missions that are a reasonable match for their capabilities.

Three implications arise from this discussion. First, governments or multilateral organizations must make an honest appraisal of the cost of delivering human security in a given context, and be equally honest with themselves about the amount of political will they possess for the endeavor. Additionally, conflict analysis must avoid conflating conflicts driven by the deprivation of human needs with those driven by political groups’ predatory economic behavior. Finally, the inherent value of creating security for individuals should encourage intervening organizations to pursue it where possible, but this same value stands as a reminder that when human security is explicitly invoked, it should be done so for its own sake—not as a cover for an intervening national government’s primary interests.

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5 Ramsbotham, Miall and Woodhouse, *Contemporary Conflict Resolution*, 165.

6 *Ibid.*, 163.

7 *Ibid.*, 199.

8 *Ibid.*, 210-211.

9 *Ibid.*, 233-235.

10 While peacebuilding from below speaks to the concern of what is best for host-country groups, there is a possibility that it can be compromised by local traditions that may contain injustice—this will be addressed in Section II.

11 *Ibid.*, 230.

12 Jentleson, “Yet again,” in *Leashing the Dogs of War*, 285.

13 Andrew Mack, “Successes and Challenges in Conflict Management,” in *Leashing the Dogs of War: Conflict Management in a Divided World*, eds. Chester A. Crocker, Fen Osler Hampson and Pamela Aall (Washington, D.C.: United States Institute of Peace Press, 2007), 532.

14 *Ibid.*, 523.

15 *Ibid.*, 528.

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17 *Ibid.*, 131-132.

18 *Ibid.*, 227.

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21 *Ibid.*, 244.

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25 The unequal local structures in Sierra Leone discussed above may have been a secondary cause of the type of conflict Collier describes. If so, this does not mean human security has no explanatory value, but rather reinforces the need for the nuanced use of the concept that will be articulated in Section III.

26 *Ibid.*, 213-216.

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**Book Review:
 Firmin DeBrabander’s “Do Guns Make Us Free?:
 Democracy and the Armed Society”**

Madison Wilcox

Following the disturbing trend of mass shootings in the United States, Do Guns Make Us Free? takes a targeted approach to the issue by attacking the core argument of pro-gun activists: that loosening gun ownership laws increases freedom. In his book, Firmin DeBrabander, a professor of Philosophy at the Maryland Institute College of Art, gives a comprehensive critique of many of the arguments put forward by gun rights proponents in the United States. The author analyzes each argument and provides refutation using data, logic, and many of the same ideological sources gun rights advocates regularly cite. The analysis not only rejects the claim that guns increase freedom but goes as far as to purport that firearms limit freedom by bringing society closer to the state of nature. Though the argument seems, at times, overextended to promote broader liberal opinions, DeBrabander’s work provides a valuable and logical understanding of a loaded issue.

The executive action to increase firearm safety, announced by President Barack Obama in January 2016, represents a climactic point in the gun legislation battle that has been taking place in the United States. The presidential overreach was in response to a debate, which has endured and become increasingly partisan as gun-related violence continues to occur. In contradiction, champions of gun rights, such as the National Rifle Association, purport that gun ownership increases safety and is a basic Constitutional right that is tantamount to the freedom promised by the Founding Fathers. Following the disturbing trend of mass shootings in the United States, *Do Guns Make Us Free?* takes a targeted approach to the issue by directly attacking the core argument of pro-gun activists: that loosening gun ownership laws increases freedom. In his book, Firmin DeBrabander, a professor of Philosophy at the Maryland Institute College of Art, gives a comprehensive and fully reinforced critique of many of the arguments put forward by gun rights proponents in the United States.

Sequentially, DeBrabander analyzes each argument and provides refutation using data, logic, and alternative renderings of many of the ideological sources gun rights advocates regularly draw upon. Throughout the book, DeBraband-

er refers to statistics, which connect higher levels of gun ownership to higher levels of gun-related violence. Additionally, Jefferson and Locke, two of the significant thinkers most regularly cited in support of gun ownership rights, are utilized by the author to show their true ideological arguments that would contradict such assertions. In the end, the analysis not only rejects the claim that guns increase freedom but goes as far as to purport that guns, in fact, limit freedom by compromising rule of law and bringing society closer to the state of nature. Though the argument seems, at times, overextended to promote broader liberal opinions that are not clearly connected to the thesis, DeBrabander's work provides a valuable and logical understanding of a loaded issue.

In the prologue, DeBrabander importantly limits his claims as being philosophically and logically driven by stressing that he is not a policy expert suggesting acute legislative solutions. Importantly, he also refutes the assertion that since he and many of those who do not own guns lack an intimacy and understanding of the weapons, they do not have the expertise to critique gun control laws. In addition to conveniently limiting the pool of experts to those who own guns, the exclusionist claim ignores the fact that all Americans live in a society with high

levels of gun ownership and have to deal with the consequences. As an American with children living in Baltimore, a city which in 2014 had experienced one murder every day, DeBrabander establishes his legitimacy in arguing for limited gun ownership beyond his background in philosophy and simply as an American citizen. This is a stance that is relatable to the general audience the book looks to persuade.

In his first chapter, the author begins by establishing an understanding of the “culture of fear” that he claims was created in order to increase gun ownership by certain interest groups in the United States. Here, he first identifies the National Rifle Association (NRA) as the leader of a counter-productive crusade to improve security in the US through gun ownership. The culture of fear argument is key to what the author is trying to portray in the end. Through speeches from Wayne LaPierre of the NRA and statements from popular figures in the gun advocating community, DeBrabander shows their intention to scare people into believing in a society without rule of law where only guns can save the good people.

The author does well to reference a variety of influential sources and to use colloquialisms such as the “Sheep Dog” fable to strike a tone of familiarity with a general audience. In sum, he shows that

the NRA’s argument represents a vicious cycle that begins with the correlation between guns and further gun violence in society. DeBrabander states, “Guns do not liberate us from fear. They are a symptom of fear’s domination over society.”¹ With more gun violence comes more fear, which is used by the NRA and others to proliferate weapons for protection which, in turn, induces more gun-related violence. The fear cycle brings society closer to Locke’s “State of Nature” which underlines the main argument of the novel on the limitations of freedom brought about by gun ownership.

Additionally, the use of statistics helps ground the author’s argument in quantitative realities. Reference to the success of Australian, British, and Canadian gun control regulation in reducing gun-related deaths, though not the main philosophical point of the book, provides crucial underpinning in critiquing the cycle of fear narrative. With more requirements to purchase firearms such as permits, background checks, and restrictions on ammunition, Australia has lowered its gun related deaths to 1.04 people per 100,000. Conversely, the United States has a rate of 88 guns per 100 people and a rate of gun-related deaths that is the highest among the developed nations and nearly ten times that of Australia. Generally, the data derives from

reliable government sources in the respective countries as well as the Center for Disease Control in the United States. While using the arguments of criminologists and public health officials confirming the correlation between guns and deaths, DeBrabander gives us his own philosophical analysis to provide a more fundamental outlook.

Although most points are well argued, some basic premises are taken for granted. For instance, the author's claim that the public is uncomfortable with the current trajectory of the gun rights movement is largely unsupported by his own research. DeBrabander often cites specific authors who have come to their own conclusions. Their works rely on claims that the percentage of households with guns have fallen since the 1970s, the number of gun stores are dwindling, and hunting as a sport is on the decline. While these arguments may have been convincing in their own context, it would have been beneficial to refer to the source of the statistics that those authors had used in their studies. To be fair, DeBrabander does refer to some surveys showing that, after Sandy Hook, eighty percent of the public thought there needed to be limits to certain loopholes which allow people to get firearms. These statistics came from reputable and non-partisan sources such as Pew Research Center and Gallup. However, for such an

important substructure in framing the trend toward gun friendly legislation as against public opinion, it would have been useful to ground the underlying statements in primary sources.

Another nagging issue with the work is the author's seeming promotion of a broader liberal ideology that does not obviously relate to the thesis. On several occasions, the chapters go into long tangents regarding the problems with government oversight in a Foucauldian/Orwellian discourse on the security state. He also critiques the war on terror with US involvement in the Middle East and prisoners held in Guantanamo Bay. While these points may draw nods from the section of the populace most likely to read his book, they are loosely connected to the gun violence argument and often seem like unnecessary distractions from the main focus of the volume.

A more central theme to the final argument is the definition of freedom. Freedom is important throughout the book as the author utilizes varying interpretations to deal with one of the core difficulties in the movement to push for stricter gun control. The NRA often portrays itself as a protector of freedom by accusing academics like DeBrabander of trying to take guns away from the people. This puts gun control proponents in the unenviable position of arguing to limit a constitutional right.

However, the author does well to confront the disadvantage head on. DeBrabander, first, addresses the claim that the Founding Fathers enshrined in every American the right to own a gun as the underlying principle of their freedom. Gun proponents argue that the second amendment was created so that a well-armed militia could rise up against a tyrannical government. DeBrabander points out that, not only do these militias not effectively exist in relation to most gun ownership, but the idea that a portion of the population, armed with various weapons, could defeat the most advanced military power in history is a concept of the past.

Yet, what makes the author's argument unique and convincing is that it goes beyond common points and uses statements from the Founding Fathers and other influential philosophers in making a deeper case as to how guns reduce freedom. LaPierre, on many occasions, has been quick to quote Thomas Jefferson and his declarations on the rights of men to have the means to revolt against a tyrannical government and protect freedom. DeBrabander shows that Jefferson was unique among the Founders in that he did not believe the right to bear arms should be limited to serving in a militia. Furthermore, although Jefferson was keen on revolution in his early years, through letters

to colleagues it was shown that, as Jefferson grew older, he became skeptical of such common armed revolts. The author also brings to light Jefferson's writings supporting a Constitution that should be improved as a nation becomes wiser, perhaps pointing to a change in circumstance that would necessitate limited gun ownership.

Finally, the author's ability to take John Locke's theories on the rule of law and connect them against the culture of fear promoted by the NRA completes his argument and unites the entire discourse. Reference to Locke's *Treatise on Government* is one of the most commonly utilized supports for gun ownership. Gun rights proponents point to Locke's attention to freedom and his fear that unarmed subjects could be made prey by the ruling party. However, DeBrabander convincingly refers to man's escape from the "state of nature." The author points out that Locke feared vigilantism because it entails a grave threat to public order. Today, there are a plethora of issues with trained police officers who make errors in judgment with firearms. Higher levels of weapon ownership in average citizenry promotes an even greater danger to society. Man only escapes the state of nature by accepting and trusting governance under the rule of law. Paradoxically, he shows that gun proponents are able to tout their firearms in

public not because ownership makes them safe, but because rule of law has created an environment where they are protected from using weapons. Crucially, through a culmination of points regarding the statistics of gun violence and the culture of fear logic, the reader is led to a final conclusion: increased gun ownership limits freedom because it brings citizens to a state of nature where they do not feel protected and secure to live their lives peacefully.

With both gun related violence and gun proliferation on the rise, *Do Guns Make Us Free?* provides a timely addition to the discussion related around this deadly problem. As the partisan divide continues to widen despite the continuation of gun-related deaths, the author attempts to deliver a coldly logical explanation of the issue. In his book, DeBrabander convincingly claims that increased gun ownership limits freedom from a philosophical perspective. First, he logically refutes assertions about the safety promoted by guns by referring to statistics surrounding pro and anti-gun legislation in the US and elsewhere. Finally, the author was courageous in confronting the very argument purported by the NRA, that taking away guns is taking away freedom, and flipping it to make a unique and conclusive case. Moreover, the argument builds in a logical and consistent manner so as

to fully reinforce the final claim. Notwithstanding some political tangents which seemed unconnected to the thesis, DeBrabander provides a thoroughly researched and well-articulated exposition that would be of value to parties of any political affiliation to better understand the issue.

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Calm Down, ISIL Won't Kill You

Alex Nelson

"You're more likely to be fatally crushed by furniture than killed by a terrorist."¹ Despite the undeniable empirical basis of this statement by former Pentagon analyst Andrew Schaver, it does little to soothe many Americans. A well-organized band of terrorists has succeeded in establishing a barely functional proto-state, and maybe more importantly, a fear construct within the American psyche. But the American people have experienced similar fears before. To a student of American history, demagogic claims that subversive radicals threaten the United States sound

familiar. In the early 1950s, Senator Joseph McCarthy was able to exploit Americans' exaggerated fears about domestic subversion by communists and their fellow travelers in the United States government.

While the threat posed by communism during the Cold War was different from that of Islamic terrorism today, there are similarities. George Kennan advocated for a policy of containment through economic and military force, but he also described a Soviet Union that was internally weak and an ideology that needed an enemy to fuel its

expansion and survival. While Soviet containment became the backbone of American foreign policy, Kennan's description of the Soviet Union was largely misunderstood. In place of this complicated narrative, Joseph McCarthy inflamed the American psychic infection that was the Red Scare, providing the Soviet Union with the enemy it needed. America became the star of Soviet internal and external propaganda, leading both sides to portray the Cold War as a clash of good versus evil. In this battle of morality, emotion often triumphed over rationality, resulting in excessive confrontation and escalation. The popularity of Donald Trump and Ted Cruz shows that a similar fear is in danger of defining America's confrontation with Islamic extremism.

Islamic extremism, like Soviet-style communism, is not sustainable. It may be attractive to some as a counter to the perceptions of Western imperialism and Western-imposed socio-economic conditions, but it generally proves not to deliver on its advertised benefits. Those convinced by ISIL propaganda to move to the "Islamic State" to either support the cause or take up arms often have a change of heart. Paul Wood recently reported that "[m]orale is plummeting within ISIS, especially among foreign fighters. Many European foreign fighters in particular are packing it in. Many want to defect. Whole units have just gone away in Iraq... the Islamic State is in

crisis."² Social outcasts looking for acceptance often find a brotherhood constructed out of mutual hatred for others rather than mutual love for each other. Islamic radicalism is in fact radical. It is an ideological anomaly that, when realized for what it really is, simply doesn't resonate with most people. Very few human beings have been created to host such ideas and follow these perversions of Islam.³ While the number of people subscribing to these ideas seems to be growing, this number will inevitably erode back down to its natural and manageable level.

ISIL itself is approaching a more tangible threshold. The further they progress in the process of statebuilding, the more problems they face. ISIL differs from an established state in many ways, but one stands out in particular: They have no idea how to run a country. Liz Sly of the *Washington Post* has quoted a Syrian aid worker in close contact with ISIL officials who claims that "ISIS has become too big to control itself" and that "... they're not smart, and they're not capable. They have no expertise."⁴ They wield an army of misguided militants, not of bureaucrats and technocrats. There are already reports of difficulties in providing basic utilities, and they will only struggle more in providing healthcare, education, and infrastructure management. Economically, ISIL-controlled territory lacks the diversification necessary to sustain itself in isolation from the outside world. Revenue

from black-market sales of captured oil and foreign donations are being both physically destroyed by coalition air strikes and tracked by various intelligence services. In reality, the decline of ISIL started the day it declared itself an Islamic State. More importantly, the U.S. and its allies have the ability to accelerate or decelerate this decline.

Despite considerable criticism, the current U.S. strategy is accelerating their decline. The use of special operation forces and precision-guided air strikes to assist Peshmerga forces has halted ISIL's territorial advances while degrading their already fragile infrastructure. But the misguided, insensitive, and irrational language of certain right-wing conservatives acts as a major decelerating force. Similar to Soviet communism, Islamic extremism requires the West to be an enemy in order to prolong its downfall. Calling for the names of Muslim Americans to be compiled into a list and stating that Syrian refugees are likely to be ISIL sympathizers looking to attack the U.S. from within only reinforces ISIL's narrative. Such rhetoric provides the ISIL propaganda division with more than enough material to successfully paint the U.S. as the grand oppressor of the Islamic faith. ISIL is running on fumes, particularly those emanating from the mouths of America's neo-McCarthyists.

Studies and International Economics. He previously studied at San Diego State University majoring in International Security and Conflict Resolution. He is originally from Danville, California.

Notes

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