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Rent Seeking and Industrial Growth in Africa: The Case of Dangote's Cement Industry

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ABSTRACT

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Over the years, Africa has been noted for its socio-economic turmoil, and one of the decisive factors responsible for its dwindling economic fortune has been the lack of industrialization or de-industrialization experienced in the region. Africa is not lacking in both human and natural resources required for the attainment of socio-economic greatness; however, the lack of will-power and necessary policies to spur industrial growth have been evident. Although, Africa had recorded economic growth indicators decades ago, but the lack of its industrial prowess to sustain such has had a debilitating effect on its economy. This has made it imperative to acknowledge the policy-gaps in the industrialization question and explore the factors responsible for the lull in its industrial growth. Western scholarship holds that corruption and rent seeking hurts Africa's quest for industrialization, but I contend with ascribing the same understanding to the two concepts and argue that rent seeking is required to drive the industrial agenda of African states. Through the case study of Dangote's investment in the Cement industry in Africa, and unstructured interview of key players in the industrialization project, the article examines the place of rent-seeking in Africa's industrial growth. Rents is essential in developing economies to spur the development of infant industries; thus, the implementation of 'conditional' rents-friendly policy remains the answer towards achieving industrial growth and development in Africa.

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Introduction

Western and African scholarship continue to reinforce the link between industrialization and socio-economic development. Under the new international economy order, industrialization has become one of the strong determinants of economic growth and development (Rajah, McFarlane and Kuruvilla 2015). Africa has lagged behind in the global order and industrialization project. Thus, the continent has become the dumping ground for all forms of by-products of both inferior and slightly superior quality (Whitby 2010). Lack of industrial prowess has further deepened the dependency syndrome. Therefore, post-colonial Africa has had to view industrialization as a means to attain economic growth, balance of payment stability, self-reliance and reduce Africa's dependence on the advanced industrial economies (Isiksal and Chimezie 2016).

Decades after independence, African states have failed in their quests to attain appreciable levels of industrial growth. Evidently, Africa has experienced a shift from manufacturing to the exploration of natural resources. One major reason for the dwindling industrial fortune of the continent has been its adherence to liberal ideology which edifies limited government and opposes the intervention of the state, through incentives (rents and rent seeking), in the economy. Rent seeking "is the idea that transfers are converted into social costs when individuals expend real resources and efforts to capture them" (Tollison, 2012: 73). It is the allocation of resources to what Tollison (2012: 74) called "higher valued user". Absence of these relations in Africa has a negative effect on industrialization.

Aside from the absence of adequate rents, lack of industrial growth was attributed to the following: shift from agro-economy to the exploration of crude oil and mining activities, inadequate skills and technical manpower, lack of policy implementation, poor entrepreneurial skills. In the 1970s and 1980s, Africa's industrial sector contributed 6% to the economy, while manufacturing sector accounted for 4% of the Gross Domestic Product (GDP), and in 1999, the industrial sector contributed less than 1% of Gross Domestic Product (Isiksal and Chimezie, 2016: 329, 332). Between 2011 and 2012, the petroleum sector accounted for more than 95 per cent of export earnings, while the industrial sector contributed about 14.8% and 13.8% to GDP in 2011 and 2012, respectively (Chete et al., 2016). Africa has relied on natural resources and foreign investment for decades and many countries still relied on these sources to meet domestic demands for industrial products like cement. The availability of natural resources and associated wealth creation has scuttled serious attempt at developing the manufacturing sectors of national economies.

Cement is a vital product for housing and infrastructural development (Mbongwe et al., 2014: 3). Also, due to the construction boom in many African countries and the importance of cement to developmental initiatives like constructions, the demand for cement continues to rise in Africa. Until the entry of the Dangote Group, the continent had relied heavily on the industrial powers as major sources of cement. Indeed, developing states require large supply of cement for infrastructural development like housing and schools. Therefore, “development of basic infrastructure from roads, rails and ports to hospitals, schools, shops and housing all require cement as a primary input, making it a key indicator of performance and the trajectory of an economy – especially those coming off a low base” (White, 2015: 124).

The founder of Dangote Cement, Aliko Dangote, became a global business icon in 2008. and invested hugely in several sectors, but the cement industry remains his major source of income. Dangote's cement operates in two ways: “cement producers usually have a physical presence in the countries in which they operate, but they also serve external export markets. There are also imports, by either independent trading companies or large-scale consumers who import cement for their projects” (Mbongwe et al., 2014: 4).

Apart from Nigeria, Dangote cement has physical presence and investments in Tanzania, South Africa (Sephaku cement which started production in 2014) and Zambia. Dangote Cement, which accounts for about 90 percent of Aliko Dangote's personal wealth has risen to become the biggest company quoted on the Nigerian Stock Exchange (Akinyoade and Chibuike, 2016). The Dangote Group, which is categorised among the top 40 African companies in terms of size, income and global spread is the parent company of the cement industries operating across Africa (Zambia Development Agency, 2015). Dangote's growing success in the manufacturing sector is attributed to the enormous rents and incentives he receives from African governments, especially the Federal Government of Nigeria.

The article acknowledges the policy-gaps in the African industrialization question and explores the factors responsible for the lull in its industrial growth. Western scholarship holds that corruption and rent seeking hurts Africa's quest for industrialization and development (Coolidge and Rose-Ackerman, 1999); however, this article contends with the case against rent seeking, and argues that rent seeking is required to drive the industrial agenda of African states. This was achievable through an unstructured interview with five (5) purposively selected actors in Africa's industrial project in Lagos (Nigeria), Addis Ababa (Ethiopia), and Johannesburg (South Africa) in 2016. The status of the respondents are as follows: high official of a UN-affiliated organization in Africa, a major player in Nigerian manufacturing sector, two members of a think-tanks on industrial policy in Africa, and a lecturer, who was Nigerian government's consultant on industrial policy. The personal communication was guided by the principle of anonymity; thus, respondents were represented by the following titles: Industrialist, Lecturer, Scholar, Resource-person, and Resource-person 2. Through the case study of Dangote's investment in the African cement industry, the article explores the place of rent-seeking in Africa's industrial growth. Aside from the introduction, the article provides an understanding of rent seeking, followed by a presentation of the reality of industrialization in Africa. The subsequent section focuses on the need for rents, followed by an examination of the place of rents in the growth of Dangote's cement industry, and the last section concludes.

Conceptualising Rent Seeking

There is exhaustive literature that conceive rent seeking as destructive to economies, especially that of the developing countries. This school of thoughts is grounded in liberal ideology, and argues that rent seeking breeds corruption, wastage, inefficiency and is antithetical to the workings of the market. This perspective frequently used corruption interchangeably with rent seeking (Gumede 2015). Indeed, there is an area of overlap between rent seeking and corruption, but there is expansive degree of divergence. Therefore,

“While corruption involves the misuse of public power for private gain, rent seeking derives from the economic concept of “rent” -- earnings in excess of all relevant costs (including a market rate of

return on invested assets). Rent is equivalent to what most non-economists think of as monopoly profits. Rent seeking is then the effort to acquire access to or control over opportunities for earning rents. These efforts are not necessarily illegal, or even immoral. They include much lobbying and some forms of advertising" (Jacqueline and Rose-Ackerman, 2000: 2-3).

Rent seeking is conceived as part of the decentralized system for private accumulation by private individuals and average level public officials. This is achievable through "vague and restrictive laws, high tax and customs rates, and controls on domestic prices and foreign exchange that produce opportunities for private gain" (Jacqueline and Rose-Ackerman, 2000: 3). In developing countries, the ruler often controls other organs and layers of powers, and in positions where manipulation of power is easily attainable for personal gain. Thus, the idiosyncrasy of the ruler and its intent is very vital for the success of rent seeking.

Rent seeking, a broader concept than corruption, captures both the legal and illegal attempts to obtain and create monopoly rents, while corruption relates to the class of transactions that are completely illegal (Jacqueline and Rose-Ackerman, 2000). Rent-seeking does not automatically translate to corruption, it could be legal policy and legitimate option (Jacqueline and Rose-Ackerman, 1999: 5). Mbaku (1992: 197) locates the rents-corruption nexus in context thus,

Although the conversion of public resources by a civil servant to his own private use is bureaucratic corruption, it is not rent-seeking behaviour. If, on the other hand, civil servants lobby legislators in an effort to secure legislation raising bureaucratic compensation levels, such behaviour is rent-seeking, but it is generally not considered a form of corruption.

Advancing the ills of rent seeking, Jagdish Bhagwati holds that rent seeking could result in 'directly unproductive' activities, which could contribute to resource wastage and economic inefficiency (cited in Jacqueline and Rose-Ackerman, 2000: 3). Deacon and Rode (2012: 1) maintain that,

"While the precise mechanisms vary, several postulate that rent-seeking diverts activity or resources away from productive employment, e.g., private capital may be shifted to a less productive but secure sector, potential entrepreneurs may be attracted into rent-seeking rather than wealth creation, labor may be diverted away from producing output and toward competing for a resource rent prize."

Abundance of natural resources increase rent seeking, and reduce the number of those engaged in productive industries (Torvik, 2002). Furthermore, rent seeking explains the existence of resource curse in developing countries (Kolstad and Wiig, 2009).

Economists hold that rent is 'excess incomes,' that is not expected to exist in efficient markets (Khan, 2000: 21). While creation of excess income occurs in all forms of economies, surplus incomes should not be interpreted as wastage. In contrast, Khan (2000: 23) maintains that "rent can sometimes be efficient, and in other cases may be essential, for promoting growth and development". The real question: is there a perfect market or market efficiency in Africa in general, and Nigeria in particular? Adam Smith's thesis of an 'invincible hand' that drives the market can no longer be applicable in an imperfect and inefficient market, distorted, manipulated and controlled by the 'visible hand' of global capital and Multinational Companies (MNCs) (Akinola, 2018). Global capital and MNCs have stunted the growth of local industries and manipulated the local population into ardent consumers of foreign products. For instance, hitherto locally-made 'baskets' made from palm trees have been replaced with the 'modern' plastic containers now found in African markets.

Rent seeking is one of the potent weapons of states in the developing world to address market failures and drive the industrialization schemes of the state. This could take the form of subsidy payments, tax incentives, direct state intervention in pre-determined sectors to induce viability, restrict import duties or export duties, and promote local content. A respondent maintains that in many countries (both advanced democracies and undemocratic countries), specific 'off-budget' assistance is usually offered to targeted individuals, groups, party supporters, industries, or entrepreneurs to build coalitions, empower sets of individuals or achieve particular objectives, which may be political or economic (Lecturer, 2016, personal communication). For instance, allocation of off-budget incentives was used in Indonesia to spur economic growth (MacIntyre, 2000).

Chang (2002), reveals that deep-rooted liberal democracies like Germany, Britain, the United States, and France, adopted interventionist industrial policies through the utility of tariffs (rent) to protect local industries at the infant phase. Many of the companies, like the Royal Niger Company, thereafter, became highly competitive MNCs that captured the markets of developing countries during colonialism. The resulting industrial growth created wealth for the parent countries and induced national economic growth.

Therefore, rents could instigate market efficiency and growth. Rents are important to ensure that well-targeted types of goods or services are provided (Khan, 2000: 24). The Nigerian and Zambian economies regarded the local manufacturing of cement as germane to national industrial growth and development, and made concerted efforts, through rents seeking, to support companies committed to the governments' aspirations.

A review of the industrial and economic policies of developed countries would reveal different versions of rents and rent seeking under different titles: incentives, economic protectionism, subsidies and state economic intervention (Lusztig, 1998; MacIntyre, 2000; Ikpeze et al., 2004). s. Rents are usually attached to definite conditions or operational goals. Rents and rents seeking should not be driven by purely political consideration, but by economic determinants. As pointed out by a respondent, it is important to understand the kind of rent the state is creating and what the beneficiaries want to do with it (Resource-person, 2016, personal communication). Therefore, to be a partaker of the rents administration, the rent-seeker must be productive and adhere to other rules that guide rent seeking and industrialization. Provision should be made for the withdrawal of rents or subsidy, and its re-allocation when the holder of rents shirks from compliance with the rules and conditions of rents.

Indeed, rents and rent seeking was very effective in countries like South Korea, but it may not achieve its desired outcomes in countries that lack government capacity to enforce the set objectives and legal frameworks that guide the policies (Resource-person, 2016, personal communication). Strict responsibilities, obligations and productive targets must be attached to the opportunities of rents. In such ways, rents would become the prizes for infant industries and local entrepreneurs that meet productivity benchmarks or other special conditions of rents. A respondent reported the case of India. The country invited an automobile industry, Suzuki, and granted the company about 85% tariff protection, which was tied to a domestic content condition that was properly managed and enforceable (Resource-person, 2016, personal communication). He pointed out that, "in a little more than five years, Suzuki met the conditions and generated almost 60% local content". India actually excelled in "learning-by-doing".

African states have been too preoccupied with the 'catch up' project to the neglect of the importance of rents to industrialization. Other issues to be considered are: Are the policy instruments appropriate for the political climate of the country concerned? Is there institutional capacity? Is the environment conducive to implement such policies? Is the government capable and empowered to enforce the rules of engagement? Khan (2000: 22) maintains that the "the absence of diligence by policy-makers, changes in political and technological conditions or even unplanned institutional evolution may easily make an efficient system of rents inefficient over time." This is a call for governance capabilities, which is required towards boosting industrialization. As noted by a respondent, state capacity is germane for enforcing rules, including those governing rents and rent-seeking and economic protectionism (Resource-person, 2016, personal communication).

African states have failed in this respect. For instance, Nigeria's industrial policy has not addressed the relationship between the educational system, especially University education, and availability of the human capital base required for industrialization (Ikpeze et al., 2004: 362). This is required for capacity building necessary for skills acquisition and transfer. According to (Ikpeze et. al., 2004: 362), "a larger supply of trained (technical) manpower is a most effective facilitator of the assimilation and diffusion of technology." A strong institution and effective state is essential to enforce the rules governing rents and rent seeking. The absence of such could derail the objectives of rent seeking. African states therefore have the responsibility to reform state institutions before embarking on rent seeking that are aimed at the transformation of Africa's industrial sector into maximum productivity.

Challenges to Industrialization

Scholars and stakeholders have identified many reasons for the dearth of industrialization in Africa. Sandrey and Edinger (2013) note, that, a lack of the characteristics of good governance (transparency, accountability, democratization, and limited government) identified by the west explains Africa's poor industrial growth. This has resulted in weak infrastructure (the high cost of electricity, bad roads, congested ports, and poor communication and transportation amenities) that increases the cost of industrialization (The Economist, 2015). Corruption and lack of accountability increases the cost of doing business in a country and acts as impediments to entrepreneurial development. A democratic state with socio-political and economic stability creates an environment conducive for investment opportunities and industrialization (Akinola 2018). However, Asia has made tremendous industrialization strides without this western prescribed 'good governance', while Africa, in its 'race' to catch the good governance train has stagnated and experienced de-industrialization. Many problems have impacted this continent's skills development, innovation and creativity, as well organizational capability (Resource-person, 2016, personal communication). These include

the legacies of imperialism, colonialism and globalization which have undermined the capacity and sovereignty of African states.

Prevailing African development routes are not innovation driven and economic growth relies on old skills, machines and technology (Resource-person 2, 2016, personal communication). This respondent attributed low productivity to the use of old equipment by largely unskilled and untrained labour. He concluded that this is inevitable in a society where human capacity is lacking. Another respondent felt that a lack of organizational capability was the main issue (Resource-person, 2016, personal communication). He noted that in the 1950s, the Indian automobile industry was manufacturing about 50,000 cars a year of low quality and was not internationally competitive. Through rents, and the development of the country's organizational capacity, by 2009, output rose to about 1.8 million cars for global consumption. India became the 4th largest exporter of cars (Resource-person, 2016, personal communication).

Major constraints on Africa's industrial development include acceptance of the neo-liberal ideologies of free trade and market openness, and the jettisoning of economic protectionism and rents. While "sometimes, there are limited disciplined local entrepreneurs who can meet the conditions for rents payment ... no country can develop without directive credit and rent ... history of over 500 years has validated this" (Resource-person, 2016, personal communication). Liberal commentators continue to regard macroeconomic policies as the panacea for African growth, but Soderbom and Teal (2003) believe such policies alone might not enhance economic growth, other intrinsically and fundamentally complexities in Africa's political economy impedes concerted efforts at industrialization. UNECA posits that Africa's industrial capacity is constrained by low investment; poor infrastructural development, which results in higher production and transaction costs; high sovereign risk, poor governance and weak institutions; inappropriate industrial policies; and generally rigid micro- and macro-economic frameworks (UNECA, 2007).

Africa's monolithic resource-based economy impedes industrialization and economic development. In many cases, resource dependence is accompanied by corruption, institutional inefficiency, and rent-seeking (Sandrey and Edinger, 2011: 9), which lead to the resource curse and attributes of 'Dutch Disease'. The inability of many countries to diversify from primary commodity exports to manufactured products, is one of the stumbling blocks to economic development. Resource endowment and exports is not a curse; a resource curse arises when states fail to convert their resource wealth into socio-economic benefits for the development of the state and its people. Therefore, African countries may have to export their natural resources and use the revenue to fund medium-sized technological industries and empower local entrepreneurs who have the capacity to create a significant number of jobs (Resource-person, 2016, personal communication). China is a ready destination for Africa's resources in exchange for 'cheap' finished products. This in itself hinders the continent's industrialization.

A respondent noted that, "with China, Africa doesn't need any industrialization" (Industrialist, 2016, personal communication). Global industrial powers, like China make it harder for Africa to diversify its natural resource-based export profile due to its imposing posture, expanding export profile, the 'financial gains' thereof and the ready availability of goods and services. China's economic engagement with Africa surpassed that of any other trade bloc (Sandrey and Edinger, 2011) between 1995 and 2008, increasing by 23% per year, more rapidly than exports to Europe, the United States, or ASEAN countries (Sandrey and Edinger, 2011, 15). China's influence extends to the regional supranational organization, the African Union (AU). China "built the seat of African Union: an expansive building in Addis Ababa that houses the Africa supranational organization, AU. How can the AU resist China? Permit me then to say that China has the AU in its pocket" (Scholar, 2016, personal communication).

China has strategically occupied the role of a key financier of the continent's development projects and is a major contributor to Africa's infrastructure stock, with Chinese companies completing construction contracts amounting to \$40.83 billion in 2012, while its cumulative Foreign Direct Investment (FDI) was estimated at \$21 billion, including \$3.43 billion in the manufacturing sector (Sandrey and Edinger, 2013). China has over-run Africa's textile industry, and particularly that of South Africa which is regarded as the gateway to subjugating the continent's manufacturing capacity through the exportation of industrial products via the country (Scholar, 2016, personal communication). In January 2007, the South African government reacted by imposing some quotas on clothing and textile imports from China, aimed at protecting the South African industrial sector that enjoys 40% tariff barriers (Sandrey and Edinger, 2011, 20). The most decisive factor in favour of China is the uncompetitive nature of African industries, whilst African states failure to protect infant industries is another impediment. Given these challenges, can rents and rent-seeking be an effective economic strategy to induce industrialization in Africa? It is imperative to first understand rents, and rent-seeking and their link with industrialization before exploring the utility of rents in the continental industrial project.

The Imperativeness of Rents and Rent Seeking

The appropriateness and inappropriateness of rents and rent seeking is an ideological debate, depending on one's ideological orientation. Certainly, the seeming universality of liberal ideology which is a model of perfectly competitive markets has reinforced the almost universal pessimism surrounding the concept of rents and rent seeking. For instance, despite the staunch opposition of the radical political economists to the imposition of Structural Adjustment Programme (SAP) on Africa, in the form of economic reform; the World Bank believes that the “continuing economic problems in Africa are the result of a failure to carry liberalization far enough” (World Bank, 1993). Contrary to the projection or ideological proposition of liberal thoughts, market efficiency was a delusion in Africa. It never existed, and, with the penetration of global capital into the economy, it may never exist in Africa. Africa was characterised by imperfect market and market inefficiency. This was reinforced by Isiksal and Chimezie (2016: 329) in their argument that “market failures typically occur in the company of externalities and natural monopolies. These market failures prevent the emergence of an efficient market and effective industrial policies which are required to ensure efficient allocation within a free market” (Isiksal and Chimezie, 2016:329).

Within the discourse of development theory, Rodrick maintains that the risk of market failures always engender intervention in the workings of the market (cited in Isiksal and Chimezie, 2016: 329); thus, the need for the intervention in critical or special sectors of the economy like the manufacturing sector. Over the years, Africa has been the recipient of finished products, as its industries continue to wind down operations in different parts of the continent. The case of Nigeria, a country with enormous resource wealth and experiencing ‘Dutch Disease’ is especially a greater concern. Certainly, penetration of global capital to developing countries like Nigeria exposes local industries and economies to aggressive competitive pressures. Many local firms became uncompetitive and gave way under the strength of MNCs, thus, resulting in loss of jobs, deepened inequality and the impoverishment of many. On a broader picture, this gradually explains the depletion of industries in developing countries and the expansion of MNCs and development of industrialization in the advanced countries.

The huge capital required to manufacture cement in Africa and the volatility of the African socio-political and economic spheres has scared off foreign investors from/ has made foreign investors scared of making full commitment to the regional industrial projects. African states had to intervene by motivating (through rents and rent seeking) local firms and entrepreneurs to invest in the cement sector. According to a study, the government of six African countries designated cement as one of the strategic commodities; thus, investors receive preferential treatment like zero-rated import duty and VAT deferment on project capital goods (Mbongwe et al. 2014: 13).

In East, West and Southern Africa, local cement industries were acquired by global manufacturers, especially Lafarge from France. In contemporary Africa, Pretoria Portland Cement (PPC) of South Africa and Dangote Groups of Nigeria have become important players in the cement industry. Despite the persisting imports from non-African countries, and the increased local production by African companies, “cement prices in Africa are still the highest in the world, averaging around 200 percent higher than in any other region” (White, 2015: 125). This could be attributed to inconsistent policies, lack of government influence in price setting, large demands for cement due to expanding infrastructural development across Africa and the limited number of cement producers creating monopoly in the sector.

Post-colonial Africa was pre-occupied with distributive politics of dispensing patronage based on ethnic affiliation, rather than a systematic scheme of wealth creation and provision of a conducive environment for industrial growth. In Nigeria, the Obasanjo-led administration took the bold step to intervene in the manufacturing sector to rescue infant industries and provide diverse motivations to the establishment of new industries. The resulting industrial gap between the global power and non-industrial powers of the developing countries could be bridged “if the productive sector develops the ability to withstand the intense competitive pressures that are associated with globalization” (Kaplinsky, 1998:1). The most probable of way of achieving this is through economic protectionism or rent-seeking, which “requires the ability to identify and appropriate ‘economic rent’, and hence to escape from commodity production” (Kaplinsky, 1998:1).

Nigeria is one of the twenty (20) least industrialized country in the world. Decades of abandonment of the industrial sector, corruption, inept leadership and weak public institutions by previous military and civilian governments have reduced the quest for industrialization in the country (Akinola and Wissink, 2018; Isiksal and Chimezie, 2016). De-industrialization process in the country has seen more than 820 companies shut down, while others went into administration between 2000 and 2008. During the textile boom, the industry attracted close to 700,000 labour, representing the second largest employer after the government, contributed 25 per cent of Nigeria's manufacturing capacity and generated a turnover of about US\$8.95 billion. Between the 1980s and 2004, the sector's fortune dwindled from 175 to a mere 10 effective

companies. Within the same period, employment in the industry drastically fell from 350,000 to 40, 000 direct labour (Chete et al., 2016: 14-15). Table 1 reveals the low production capacity of the Nigerian manufacturing sector.

Table 1. Breakdown of the Outputs of Identifiable Sectors in Nigeria

s/n	Sector	Percentage
1.	Textile	1.40
2.	Garments	22.28
3.	Food	30.17
4.	Wood & Furniture	13.59
5.	Construction	5.29
6.	Other Manufacturing	27.27
	All Sector	100

Source: World Bank 2006.

The collapse of Nigeria's textile industry, which has gone from employing more than 350,000 people to less than a tenth of this, reflects a deeper problem of deindustrialisation in Nigeria and across Africa in general (The Economists, 2015). The textile and fabric industry 'crashed' due to the importation of certain brands of textile ('Ghana Print' and 'London Print'), encouraged by the Obasanjo's administration. There was an insinuation that the license to import had been given 'only' given to the Dangote Group of Companies through the network of patronage. Indeed, other illegal local importers soon crept into the textile market. Government's explanation was to raise revenues, but it was clear that the monopoly the company enjoyed in that area of economy was due to the relationship between the President and Aliko Dangote. This is harmful to the economy and does not capture the motivations for rent seeking. Rent-seeking should not only be to raise government revenue through import duties or appease an investor, but to also enhance human development and create industrial opportunities, which are necessary for economic development. The government must have realized its policy error, and shifted towards empowering the manufacturing sector through rents.

In a renewed effort to resuscitate dilapidated government-owned mineral operations and combat corruption as well as inefficiency, the Obasanjo administration decided to commercialize state-owned enterprises through the National Economic Empowerment Development Strategy (NEEDS) of the early 2000s (Mobbs, 2004). The transfer was managed by the Bureau of Public Enterprises (BPE), which was an integral part of the National Council on Privatisation. This is not an advocacy in support of privatization, as the Nigerian government was already on the privatization-train. Rent-seeking would protect local industry and make many few of them globally competitive. It would also invigorate those that are struggling and act as motivation for the establishment of others. In 2004, domestic consumption of cement was estimated to be around 11 million metric tons per year, while the country's installed cement production capacity was restricted to 6 million metric tons per year (Mobbs, 2004: 1).

Local cement companies' operations had folded up due to many locally-generated socio-economic crisis, among which was the heightened cost of production due to the incessant increase in the price of fuel. The lull in productive capacity prompted the importation of cement to supplement local production. Dangote thus became the leading player in the cement importation scheme and, in quick successions, established five cement terminals for the importation and bagging of bulk cement in the country (Akinyoade and Chibuike, 2016: 17). During the importation era, Dangote accounted for 46 percent of the bulk cement market in the country, and later got a license for local manufacturing capacity in 2001, after the company became the main investor in the Benue Cement Co. Plc. The new investor injected funds into the company by 2004, rehabilitation of the 900,000-t/yr Benue plant at Gboko was completed (Mobbs, 2004: 2). In the same year, the Dangote Group proposed a 4.7-Mt/yr-capacity cement plant in Kogi State (Obajana), a 2.3-Mt/yr cement plant in Ogun State (Ibese), and a 2.3-Mt/yr cement plant in Cross River State (Odukpani) (Mobbs 2004: 3).

Rent seeking and the Cement Industry: From Nigeria to Zambia

To properly establish the connection between rent seeking and industrialization in Africa, it would be important to begin by examining the evolution of The Dangote Group of Companies, owned by a Nigerian, Aliko Dangote, into a regional industrial fortress. Dangote explores the opportunity of rent seeking for industrial growth and operational expansion in Nigeria and across Africa. In 2015, the Dangote Group was

named Africa's "Brand Builder of the Year" (Press Release, 2015). It invests in cement, sugar, salt, pasta, beverages, steel, fertilizer, oil and gas, Polypropylene products, haulage, and packaging with cement as the major investment (Akinyoade and Uche, 2016). Dangote's business engagements started in Nigeria but now operate in other African countries. Sub-Saharan Africa was categorised as an investment risk zone and a dumping ground for cement by MNCs from Asia and the Far East. Local investors like Dangote used this opportunity, and through rents, his company became the largest manufacturer of cement in Africa.

The Dangote Group of Companies, which was established in 1977, has grown into Africa's business empire of the 21st century. Indeed, Dangote has made a mark in Africa's cement industry. For instance, South Africa's major export zones are Mozambique, Angola, Zimbabwe, DRC and Zambia, but Dangote's inroads into the cement economy of Africa has limited the fortune of South Africa's cement industry in these countries. He has 10 industrial plants in eight countries across Africa, namely, Zambia, Tanzania, South Africa, Senegal, Nigeria (Gboko, Ibese and Obajana plants), Ghana, Ethiopia, and Cameroun (African Business 2016). Dangote is not alone in the cement sector in the region, there are other players in the industry: Jidong Cement in South Africa; Mambosa Cement (backed by the largest cement manufacturer in Japan, Taiheiyo Cement Corporation); National Cement and Cemtech Sanghi Group in Kenya; Lake Cement in Tanzania; Lafarge Cement in Zambia; and other smaller companies in the aforementioned countries (Mbongwe et al., 2014: 7). Investors in Southern and Eastern Africa were dominated by European and South African companies. Recently, Dangote Groups and Chinese companies have become new entrants into the regional markets.

The company commenced in Nigeria with zero importation of production and now controls about 65% share of the country's cement market, which puts the company in a position to set the prices for the commodity in Nigeria (Fawehinmi 2017). Dangote ignited his entrepreneurial skills and foresight and increased his invested in the cement industry at the opportune time and evolved from a cement-importer to manufacturer. According to Akinyoade and Chibuike (2016: 6), between 2000 and 2014, the demand for cement rose from 5.62 million to 23 million metric tonnes (a 400% increase). As reported by Akinyoade and Chibuike, after Dangote acquired dominant interests in the Benue Cement Company in 2000, he immediately increased its domestic cement production capacity from 900,000 metric tonnes per annum in 2000 to about 28.2 million metric tonnes in 2016.

The foundation for the success of the cement industry was laid by the Nigerian government. The Nigerian government granted Aliko Dangote a monopoly on the importation and distribution of cement. Despite the huge potential of Nigerian markets, cement imports and MNCs' dominance of the sector impeded the establishment of cement manufacturing plants in Nigeria. Aside the manufacturing sector, Dangote was also granted the license to build a petroleum refinery in Nigeria due to the 'refusal' of the MNCs operating in the oil sector to build one. The government granted him concessions and access to crude oil; consequently, he embarked on the construction of the first private refinery in the country. As noted by Edwin, "the Petroleum Refinery would have a capacity of 650,000 barrels per day in a single train and there is no Refinery with a single train of capacity exceeding 400,000 barrels per day existing in the world today" (Osagie, 2015). This massive investment would generate thousands of jobs, resolve the country's incessant fuel scarcity and eventually 'force' the price of petroleum products in the country to go down.

In order to enhance local production of cement in alignment with the aims of Nigeria's economic and industrial policy instrument, National Economic Empowerment and Development Strategy (NEEDS), the government sold its shares and completed the privatization of government-controlled cement industry, which gave the Dangote Group the opportunity to amass 65% control of Benue Cement Company (Industrialist, per. Comm.). Other private investors also had their share of the opportunities in the sector. For instance, Blue Circle (cement company from Britain) and SCANCERN International (Cement company from Norway) also secured the control of hitherto government-run cement companies (Industrialist, per. Comm.). In its efforts towards the local production of cement and growth of local industry in the sector, the Obasanjo-led administration awarded cement importation licenses only to companies that showed willingness for local production of cement in the country, along with other fringe benefits (rents) which included tax exemption for at least seven years (this was conditional on active investment in the cement industry), waiver of VAT and custom duties. These incentives favoured the Dangote Group, which was bold in its commitment to both cement importation and huge investments in the establishment of cement manufacturing plants across the country.

Apart from Dangote's investment in the cement industry, he invested heavily in the President Obasanjo re-election bid in 2003, he reportedly contributed N3billion (about \$8.6million) worth of cement towards the building of the campaign headquarter of the Obasanjo-led ruling party, the People's Democratic Party (PDP). As noted by Akinyoade and Chibuike (2016: 1), while Aliko Dangote maintains close relationships with

successive Nigerian governments, his entrepreneurial skills and grasp of the Nigerian political and economic environment played a major part in capturing the cement market.

Dangote largely benefited from Nigerian government's nationalistic policy or economic protectionist that encourages the growth of infant firms in specific sectors. There have been insinuations that the Group continues to receive 'preferential treatment' from the Nigerian government due to Aliyu Dangote's closeness with successive Nigerian governments.

Dangote was not among the original beneficiaries of Nigeria's privatization schemes during the SAP era (from the late 1980s and 1990s) but became 'privileged' during the second phase of the privatization programmes under NEEDS. The Nigerian government embarked on the privatization of all cement plants, thereby granting the Dangote Group the opportunity to invest in one, the Benue Cement Industry (Akinyoade and Uche, 2016). Without rents, his business would not have grown to this level of regional competitiveness. Patron-client relations or close links between politicians and investors are not necessarily permanent; rent-seeking behaviour could be temporary, dynamic and directed towards achieving the goal of economic productivity at a particular period in time.

Certainly, Dangote played a decisive role in funding the 1999 and 2003 election campaigns of Former Nigerian President, Olusegun Obasanjo, who believed in the emergence of a handful of 'oligarchs' as central to transforming Nigeria's redundant economy (Wallis 2008). Rowley maintains that rent extraction "occurs when entrepreneurs make payments to politicians, not to seek 'political favour' but to 'avoid political disfavour'" (as cited in Congleton and Hillman 2015: 379). However true as this statement may seem in some situations, it is not obtainable in all cases of rent seeking. The Obasanjo-led government embarked on policy changes (rent payments) such as restricting the importation of cement to only those companies that invested in domestic production (Wallis, 2008). This was specifically implemented to favour Dangote (Industrialist, 2016, personal communication).

During an interview, Former Group Managing Director, Dangote Cement Plc, Devakumar Edwin recalled a meeting with President, Obasanjo who promised that if Dangote and other local investors could meet local manufacturing capacity, the state would protect the industry through anti-dumping duty, to prevent making Nigeria the dumping ground for cement imports from countries where production is subsidised (Osagie, 2015). According to Edwin, this incentive presented by the Nigerian government "made all the cement terminal operators and the existing manufacturers to invest in Cement manufacturing. This started in Nigeria and has now expanded to other African countries like Zambia" (Osagie, 2015). The granting of concessions typifies rents and rent payments.

The Nigerian economy has been driven by oil, since the oil boom. Oil constitutes more than 80% of government earnings. Oil wealth, which is perceived to be a curse, "distorted the incentive system and destroyed the traditional link between industry and government" (Ikpeze et al., 2004: 346). Furthermore,

"Traditional, governments support industrialisation not merely out of altruism, but because industrial growth serves the interests of the government and society. Industry creates, earns foreign exchange through exports, and brings revenue to government through taxes on both corporate profits and personal income. With the oil boom, these links were temporarily severed" (Ikpeze et al., 2004: 346).

The Nigerian government's decision to fully embrace an aspect of economic liberalism (privatization) coincided with the Dangote's business incursion into the country's economic terrain. It seems too high sounding to make the claim that Nigeria embarked on economic liberation to favour Dangote. Indeed, the liberalization train preceded the emergence of Dangote, and many other players – both local and foreign – benefited from Nigeria's privatization policy: a policy that transform Dangote into a regional industrial power in the cement manufacturing sector.

In 2010, the Zambian Government, through the Zambia Development Agency, signed an Investment Promotion and Protection Agreement (IPPA) with Dangote Industries (Zambia Limited) for the establishment of the Dangote Industries Zambia Limited and commencement of other development projects. The government, through IPPA, offers two types of incentives for the Nigerian-owned industry: fiscal and non-fiscal. Fiscal enticements comprise of Zero percent tax rate on dividends, profits, and import duty rate on capital equipment and machinery for five (5) years respectively (Zambia Development Agency 2015). The agency further reports that the non-fiscal incentives offer protection against state nationalization, free facilitation for application of immigration permits, secondary licenses, land acquisition and other important utilities. Furthermore, the Zambian government offers them additional incentives and safeguards their investments in case of changes in Zambian legislative framework.

Dangote has invested about \$400 million in the Zambian cement plant and also constructed a 30-megawatt coal plant to generate electricity for the company and its immediate environment: 20 megawatts for the industry and 10 megawatts for the host community (Nwaoguji, 2015). According to Dangote, “we will end up investing about US\$900 million in the Zambian economy, but it’s worth it because we are all Africans” (Lusaka Times, 2017). Dangote has become a household name in Zambia, especially in the communities where the plants are located. A plant, located in Lamba land, with a workforce capacity of more than 1000, has an installed capacity of 1.5 million tonnes per year (Phiri, 2017). The cement-manufacturing company, the largest ever investment into Zambia by a Nigerian company, has generated about 7,000 jobs for Zambians (Zambia Development Agency, 2015). Since 2015, Dangote has assumed the position of the fastest growing and leading cement manufacturer in the country, and this has in turn led to price stability and drastic fall in the cost of cement (Phiri, 2017). The construction boom in Zambia has made his investment in the cement industry well-timed and highly lucrative. In Zambia, domestic production and exports of cement (83% of Zambia’s cement exports found its way into the DRC) are largely dominated by Lafarge (Fessehaie, 2015). This might have prompted the Dangote Groups to establish a cement manufacturing plant in the country. Aside the attractions of capturing the local markets, the lure of exporting to the Democratic Republic of the Congo was a great motivation.

Conclusion

Across both developed and developing economies, rents and rent seeking have been employed to spur growth and industrialization. What is strikingly different is the nature and degree of its prevalence. The ultimate aim of rent seeking in Africa, particularly in those selected cases and sectors is the growth of the industrial base of a country. As was shown in the article, both the Nigerian and Zambian government conceded many incentives to Dangote. The benefits of industrialization must have blurred other considerations that might be inimical for the economy. Any rent-seeking that results in absolute monopoly might have a debilitating effect on the economy in the long-run. Thus, rent seeking should not be driven by the quest to achieve monopoly of market by a favoured entrepreneur or company. It aimed to promote the local production of goods and services by different investors in the industry in question, who have shown the required discipline, vigour, effectiveness and commitment to the development of their infant industries.

The ultimate goals of rents and rent seeking are: to, fast-track industrialization, combat foreign monopoly and create competitiveness, which are necessary for the economic development of the concerned societies. Rent seeking should be operative within a clearly defined, accountable and transparent policy environment that enhances the development of local firms that are disciplined, efficient and willing to drive the industrial and developmental agenda of the state in question. Companies like the Dangote Group benefit from rents due to their capacity and display of the discipline required to meet certain criteria for rents. Furthermore, the legal frameworks and conditions under which rents operate must be specific and transparent. The operation of rents must also be subjected to effective monitoring and evaluation. Governments well-disposed to rents must display the capacity to enforce the conditions of rents and curtail its excesses. Therefore, the state also has the responsibility to enforce the development of the institutional capacity required to make rents and rent-seeking successful. African states have exhibited institutional weaknesses; however, many – like Nigeria - have also demonstrated the capacity to distribute rents and enforce the rules of rents and rents-seeking.

State-led industrial growth, driven by rents and rent seeking, is operative in countries where patronage webs are strong, expansive and well-regulated. In the case of Nigeria, the rents have not been properly planned, managed or executed. The Dangote Groups of Company have enjoyed tremendous incentives due to the relationship between the owner, Aliko Dangote, and successive Presidency in Nigeria. His investment in Nigerian politics and support for ruling parties during electioneering enhances his closeness to Nigerian Presidents as well as top political office holders. Making Dangote the sole importer of certain goods in Nigeria (when many other companies have shown the capacity to be involved), fell short of the ingredients of rent seeking. Promoting his quest to become a monopoly in some sectors run contrary to the real intent of rent-seeking. However, in the case of cement, the driving force in the rents granted to Dangote was his strong commitment to the industrial project of the state, coupled with his willingness to meet the conditions of rents and reputation for entrepreneurial skills in other sectors of the economy.

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A Specter is Haunting the West (?): The BRICS and the Future of Global Governance

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ABSTRACT

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Western countries are living a period of fragmentation that is (probably) undermining their leadership in dealing with an accountable global governance. Regarding global governance, it has received some criticisms such as the one that identifies it with a theoretical and unclear definition of an illusory enlarged participation to global decision-making, but in practice an attempt to impose Western policies. Furthermore, emerging powers like the BRICS group (Brazil, Russia, India, China and South Africa) may undermine this dominance, and the very meaning of global governance itself, inaugurating initiatives that tend to promote their presence in Global South, the creation of parallel institutions, their soft power and the (apparent?) engagement in global issues, such as climate change. In this article, we first analyze the acquired weight of the BRICS, then we highlight the weaknesses of global governance and finally we try to understand what impacts BRICS may have on it.

Introduction

A specter is haunting the West (?)—the specter of the BRICS (Brazil, Russia, India, China and South Africa), that represent one of the most important threat to a "consolidated" international system, deriving from globalization, under the predominance of Western countries both in an economic way (Stiglitz, 2002) and in global governance (GG) (Friedrichs, 2005). Currently, there are some important issues that are happening in the West world: it seems that Europe is struggling to find some unity, while US policies are creating more isolation and opening way to a more instable world, this is the case, for example, of the so-called "commercial war" and the decision to give up COP21 agreements on climate change previously taken in Paris in 2015.

In the meanwhile, the BRICS are devoting themselves to consolidating their presence (and their power) in much of the so-called Global South, to achieve greater cooperation to change current global governance, giving impetus to the reform of international financial institutions (BRIC, 2009), and give a new shape to their soft power by trying to gain more importance and accountability: it seems that despite the recent crisis that they have gone through, BRICS countries are claiming to improve cooperation in some important fields in order to cover a "gap" regarding their "charm power" (Stuenkel, 2016) backwardness.

Ironically, their strength to achieve more closed cooperation, seems to coincide with the vacuum left by Western countries, "distracted" by the above-mentioned issues, and in particular with the (prospective) "end" of Pax Americana (Layne, 2012). This could bring a number of consequences: 1) the end of US unipolarism and the transition to a multipolar world? 2) The end of Western hegemony and the switch to a Non-western world (Stuenkel, 2016) where the BRICS, led by China, could represent a new hegemony?

These are only few of the several questions that could raise from the current situation. In addition, this paper tries to answer above all these questions. Of course, it has not to be considered an exhaustive analysis, but an

interpretation of the international framework on the light of recent events, and a speculation on a possible scenario for the future. First, it is without doubt that BRICS countries have shaken the international order, and their claim to have a more decisive role in shaping GG (BRIC, 2009), is having its effects. So, more key questions are: is the BRICS an accountable bloc or does it have limits? Are the Western countries really declining and which consequence this could have on the future of GG?

This is a key moment in history that could give a chance to these “emerging powers” to occupy a more central role in the international framework. Of course there are multiple limits, for example we can consider the current situation in Brazil where the recently elected president, Jair Bolsonaro, announced that Brazil will leave Paris Agreements (Goodman, 2018) and will try to find more closeness to US (Spetalnick, 2018); the difference of interests manifested among BRICS (Lo, 2016); their still important dependence by fossil energies and coal that make them still “conservative” players in climate change (Basso and Viola, 2016); the absence of a consistent commonality of interests required to form a lasting coalition (Brutsch and Papa, 2013), and also the rhetoric beyond their discourses (Downie and Williams, 2018).

But there are several signals that indicate that BRICS countries could gain more effective closeness in key fields and that, even if they will not be able to cover leaderships gaps worldwide, they will surely give a different path to global order (Duggan, 2015): in the coming years, world economic and political agenda-setting will also depend on the moods of these countries if they will be really able to give an effective weight to their recent growth. At the same time, if they are able to overpass their limits and the rhetoric beyond their discourse and their internal differences (Ujvari, 2015; Lo, 2016), they could probably be able to challenge the Western hegemony (Stuenkel, 2016).

West vs BRICS?

In any case, the impression is that the “specter” of the BRICS is already hunting the West. In fact, there are several signals that the power of these emerging countries is provoking a certain degree of “scare” in Western countries: for example US tried to stem the growing influence of the BRICS, and China in particular, with specific economic treaties aimed at limiting its economic influence such as the TTP (Trans-Pacific Partnership), a treaty from which US then withdrew (Gracie, 2016) and TTIP (Transatlantic Trade and Investment Partnership). They tried to hit Russia with economic sanctions and by other diplomatic means such as the attempt to create more isolation around it after the “Skripal case”, in which also most of the EU countries aligned themselves with Britain and US (Stone, 2018) against Russia. However, there could be more examples, such as the US endorsement to Bolsonaro’s presidency, which could destabilize more the bloc, and so on. In conclusion, Western answer to BRICS raise seems to reflect the old roman lemma *divide et impera* (divide and conquer), i.e. create diplomatic and economic instability within the BRICS bloc in order to favourite a growing division among the member states, thus decreasing the impact that they could have on the future of global order.

However, behind this apparent homogeneity of intents by the West, there is instead a fragmentation among themselves. For example, there is a huge gap among European countries on the approach to be had with Russia (and with other BRICS countries such as China or India). In fact, after the “Skripal case”, Austria did not expel Russian diplomats, unlike of almost all the rest of other EU countries, while Greece did not want to take a clear line against Russia probably because of their bilateral relations (Coen, 2018). Furthermore, some Eastern European countries are opening to the Chinese market, from where they will probably receive more advantages than the European one, as shown by the warm welcome to the “Belt and Road Initiative” (Makocki, 2017). Moreover, some European countries have decided to be members of the Asian Infrastructure Investment Bank (AIIB), a China-led bank with a huge presence of BRICS members such as India (8.7% of total capital) and Russia (6.8% of total capital). The decision of being part of this financial institution irritated the US (Perlez, 2014). However, there is also an ambiguous situation in trade between EU and US, with the latter trying to approve protectionist policies, and EU divided on the approach to have in regard to US policies (Grunstein, 2019). Thus, it seems that in the West there are few and sometimes-ineffective strengths to find some unity: fragmented EU and US are trying to cope with the current global situation.

Just to summarize, it seems that emerging countries, such as the BRICS bloc, are gaining more decisive importance in the international arena, inaugurating policies aimed at covering those roles that the West seems to be in difficulty to deal with. We wonder what effect this situation will have on GG.

To answer to these questions, we first track the origins and the possible impact of BRICS, and then we analyse “what’s wrong” in GG by mapping, on the basis of theoretical supports by other scholars, the limits and gaps that it has at the moment, and why the BRICS could give a different impetus on it. In a second

moment we will analyse which influence BRICS are gaining in the world by taking as examples the importance of “parallel institutions”, their presence in other “peripheral” countries (i.e. the Global South), and which advantages they could obtain by promoting policies aimed at dealing with global issues, like climate change, in terms of soft power.

The BRICS: Origin and Possible Impact

In the last decade, BRICS countries have had a very significant economic growth (even if recently they are passing through a recession, as in the case of Brazil). The term BRICS (originally BRIC, when South Africa was not yet part of the group) was coined in 2001 by Jim O'Neill in the report, by the Investment Bank Goldman Sachs, entitled “Building Better Global Economics BRICs”, to describe the economies of Brazil, Russia, India and China (BRIC). Subsequently, with the entry of South Africa (2011) the term officially became BRICS. Since then, their growth has caused great concern in the Western world because the BRICS have started to playing an increasingly important role in the international scenario, both from an economic point of view and from a decision-making one, and causing reactions (for example in terms of protectionism) that can be considered also as an attempt to defend Western countries, and US *in primis*, from this now threatening situation. However, this attempt is not only producing a commercial war (and, potentially, not only), but it is also creating a “vacuum of power”, fostering greater possibilities for other parts of the world, such as BRICS, led by China, to occupy those roles that US, and the West in general, is probably leaving. In fact, despite the above-mentioned gaps, BRICS have fostered cooperation in some important areas that will give them a growing importance, if coordinated in a correct way (Downie and Williams, 2018):

Stocktake of multilateral and bilateral meetings between the BRICS since 2015 suggest that there are areas that could be ripe for cooperation. Three areas are identified: energy efficiency, agriculture and development finance. Further, bilateral relationships between BRICS members, such as between China and India, could help to shape global climate governance agendas going forward and over time provide a basis for coordinated BRICS action.

Thus, the surprising growth of the BRICS has allowed themselves to have a more authoritarian voice in the global scenario. Furthermore, their economic weight and the achievement of important development have strengthened their partnerships and claimed a more common line to undertake in cooperation, as often declared during the various annual BRICS summits that have taken place.

Among their cooperative purposes, the BRICS have repeatedly claimed to give a contribution to shaping GG (Xinhua, 2017). Over the years, their voice has been growing more, so much to encourage reactions from Western, which found themselves fragmented also because of the economic crisis that has struck them, and in which the growth of these countries has certainly had certain influence.

In this sense, the European Union, conceived as a civilian power and which represented a model to be imitated (Rifkin, 2004), in recent years has lost a great part of its charm (soft power) and highlighted some important failures such as the way in which to deal with issue like migrants, just to give an example. The same can be said, with due differences, about the US. In the last years some policies decisions, that have their emblematic representation in “America first” doctrine, have created even more accentuated issues.

In addition to the above-mentioned choices, US have taken initiatives that have undermined relations also in regard with their historical allies, the EU itself. It is, for example, the case of the position taken by the US towards the agreement of Vienna (Joint Comprehensive Plan of Action or JCPOA) of 2015 with Iran. This agreement, which had fostered a positive reaction and the Iranian adherence, was aimed at curbing the country's nuclear energy production that would have further destabilized Middle East area. The opening screams of victory for a reached consensus, however, were followed by the opposing decisions by President Trump, who eventually decided to leave the agreement, provoking again a diplomatic reaction and protest from the EU, concerned about the potential consequences that this decision may have in the area, as well about safeguarding its image and its global power, that has appeared weakened (Grunstein, 2018). Thus, it seems that not only within the EU and the US, there is a fragmentation, but it is also appearing between them (Carrel, Nienaber, 2018; Batabyal, 2018, Mansfield, 2018).

This situation, may encourage a greater realignment of BRICS countries that, by making pacts of greater closeness among them (Withnall, 2018), could organize a sort of “resistance” to the Western *modus operandi*, by creating “parallel institutions”, by representing the voice of the Global-South and/or the “rebel” world against the Western policies that have so far ruled, as in the case of Venezuela (Pons and Shepherd, 2018) or in Africa, and finally by trying to cope with global issues, especially climate change, that could further improve their soft power.

We wonder how effective their actions could be, and how much their action will shake GG. But before considering their effective impact on it, it is important to understand the limits of GG.

Global Governance and Its Limits

The term “global governance” has become deeply used in political language in recent years. If, on the one hand, it is used as a means to describe a certain type of international order, on the other hand there are innumerable critics of the use of this concept: it does not clearly describes a specific framework, but it shows a deep lack, in terms of descriptions, of the international context. In fact, there are several definitions given, but actually almost all of them define a process, or a set of international processes, which do not have a precise order. Just to take some of the definitions, Lawrence Finkelstein highlighted, “Since the international system notoriously lacks hierarchy and government, the fuzzier word ‘governance’ is used instead” (Finkelstein, 1995). Of the term “governance” itself, Finkelstein highlights its lack of definition. He states that, “We say governance because we don’t really know what to call what is going on” (Finkelstein, 1995). Thomas Weiss outlines a clearer picture of the term. He states that the word “governance” is employed “to connote a complex set of structures and processes, both public and private” (Weiss, 2000).

Thus, in theory the word denotes an undefined set of processes that lead to decisions, taken by both public and private sectors, related to the international dimension. But it is not clear at all at which level and in which way these decisions are taken, also because within the global governance process are involved different centres of power, and not only one. In this sense, the identification of a clear process of decision-making is unclear. What is clear, is that GG tries to cover decisions that affect the world as a whole, and deals with those “problems without passport” described by Kofi Annan (Annan, 2009). In the global context, these decisions ranging from terrorism to diseases, from climate change to the participation of civil society, from the decisions that affect trade treaties to the initiatives taken during economic crisis. In every area thus far mentioned, and others, the decision-making processes have been carried out with the aim of fostering a more global dimension and involving multiple actors (stakeholders).

Although GG involve, at least in its theoretical path, a form of enlarged participation, there have been several critics that have outlined a number of ambiguities in the decision-making processes. Starting from the whole definition of the term itself and continuing through the institutions and stakeholders involved, they have often tended to consider this set of structures and processes as a different way, from the Western countries, to impose worldwide decisions.

The term “governance” itself, for example, has gained critics related to its English origin (i.e. with a deep English-US influence). In fact, some scholars have outlined how its use, coming from an English vocabulary, leads to more undefined understanding of the term itself. Just as an example, we can mention Jörg Friedrichs (2005):

It is hard to translate “governance” into languages other than English, where the Oxford English Dictionary traces the term back by the well into the 14th century. Thus, the French “gouvernance” is easily discernible as a loan translation. Whereas “governança” and “governança” have conquered a firm place in the Portuguese vocabulary, “gobernanza” still sounds odd to Spanish ears. The Italians have simply assimilated the English term into their domestic vocabularies, and the same is true for the Germanic and probably for the Slavic languages. Given its difficult translatability into languages other than English, it is reasonable to assume that the term “global governance” is culturally not neutral.

The author thus conclude: “it is relatively clear that the conceptual diffusion of global governance into other language areas would be unthinkable if America was not the centre”.

At the same time, other critics of the GG process come from the current functioning of international system, and the related attempt to “give an order to the disorder” in international decision making process. However, despite this good purpose, GG has often been criticized as a means to legitimate Western liberal predominance on the rest of the world (Friedrichs, 2009, Hermet, 2008). Critical scholars state that world order emerged from Bretton Woods, with the created institutions -World Trade Organization (WTO), World Bank (WB), and International Monetary Fund (IMF)- is shaped with the final purpose of applying “Western policies” to global problems. For example, the way globalization has been managed, in the words of Joseph Stiglitz (2002), was determined by the interests of Western powers. Specifically, Stiglitz analyses the failure of the IMF policies where an unfair voting system favouring Western powers, as well as the austerity policies that have created more economic debt in the poorest countries in the world, have developed an imbalanced globalization with “winners and losers” (Baumann, 1998) that undermine the credibility of the current GG.

In short, the overall architecture of GG in recent decades has seen Western powers as the main protagonists, which, using international institutions, have dictated the timing and agenda setting of global development (Weisbrot, 2018).

BRICS Answer to Global Governance Limits

A “Counter Institutionalization”?

Things being like this, some (non-Western) countries have reacted by trying to cope with this situation. One of the consequence in a system shaped mainly by the West, has been the so-called “counter institutionalization” (Zürn, 2018). Given the intolerance regarding the operation of the traditional Bretton Woods institutions, this term precisely describes the reaction to an unbalanced, and western-centric, functioning of institutions such as the IMF and the WB. These institutions for decades have done “good and bad” on the international framework. Over the course of time they have put into practice mechanisms that have ended up attracting the dislike of many part of developing countries, such as the BRICS that are one of the most emblematic examples of this “counter institutionalization” process: the bloc has created some parallel institutions such as the New Development Bank (NDB), the Contingent Reserve Arrangement (CRA) and the above mentioned Asian Infrastructure Investment Bank (AIIB). These financial institutions and framework, are trying to act in a different way from the IMF and the WB, starting from a different (and equal) vote sharing in the case of NDB (Weisbrot and Johnston, 2009), and the way to access to loans and by developing parallel and alternative programs to Bretton Woods ones like the case of the AIIB and CRA (Parizek and Stephen, 2017).

It is clear that this situation is leading to a new paradigm, and in this sense, also the meaning of GG is changing. Now it will have to include a new path, where new emerging powers are playing a more decisive role. What these emerging powers are questioning, is the unfair system created so far, their right to participate to more inclusive decision-making processes, and “to advance the reform of the international financial institutions, so as to reflect changes in the global economy” (BRIC, 2009).

In any case, some questions arise. Are the BRICS willing to create a different financial system? Are they really threatening the current international (Bretton Woods) order?

On these points, there are some different views that basically argue that (1) the BRICS are trying to create a “parallel” or “alternative” system (Wildau, 2015) and/or that (2) the BRICS are trying to create new areas, within the current international liberal order, in which they can have greater decision-making skills, more possibility of effective and practical access to loans and funds available (Morse and Keohane, 2014), and also create new spaces where to develop a different path of economic cooperation from that developed by Western countries. These, in fact, in addition to promoting international institutions in which they practiced as rulers (Kaya, 2018; Weisbrot and Johnston, 2009 and 2016), were promoting a liberal model, under the lemma of “good governance” according to which loans were delivered to developing countries that followed the rules these institutions (i.e. its most influential representative members) decided (Hermet, 2008).

Thus, to give an answer about the real intention of this “counter institutionalization”, we have to point some key features about these institutions created by the BRICS.

Firstly, in the case of the Chinese AIIB, doors were opened up to other countries from the western world. In fact, some historical US allies became AIIB members, US not (Perlez, 2014).

Another point, these institutions are inspired by a principle that provides for non-interference: unlike the Bretton Woods institutions, which by means of their actions wanted to promote the above mentioned good governance, AIIB and NDB are not “interested” in the practice of what happens in each country, but only grants funds based on the validity of a project (Abdenur and Folly, 2015; Peng and Tok, 2016).

At the same time, BRICS have not given up Bretton Woods institutions, but it rather seems that their intent is to seek new ways of projecting their economic power without the limitations that those institutions have (Kaya, 2018).

Things being like this, BRICS financial institutions seems more to be an attempt to escape some form of the dominant ones, especially from a point of view of the restrictions and impediments that had towards them (Parizek and Stephen, 2017), more than a threat to the Western-centric financial governance.

Consequently, the birth of these institutions can not simply be described as a parallel order or opposed to the traditional one, but an attempt to find solutions to problems such as under representation, i.e. the unbalanced vote system (Weisbrot and Johnston, 2009, Kaya, 2018), slow bureaucracy (Parizek and Stephen, 2017), i.e. the slowness and the restrictions tied to Western moods in achieving lends in addition to the respect of parameters related to Western good governance (austerity, human rights protection and so on), etc. In practice, it seems that for the moment, the purpose of the BRICS is not to create international organizations acting as a vehicle for the diffusion of a new hegemonic order. They are opening up glimpses, in which pursue a more active role, within the already existing (liberal) order.

Rather than subverting the current institutional order, and then replacing it with new organizations, the BRICS are trying to model it on the basis of their growth power. As for GG, therefore, it seems that their goal with these institutions is more to create a governance that reflects a multilateralism in place, instead of creating a new one that replaces the “old” Western-led one.

BRICS Presence in the Global South

In recent years, the presence of BRICS countries in the rest of the world has growth exponentially. In this sense, BRICS countries have started to open up new ways to increase their influence, regarding the “Silk and Road initiative”, by improving cooperation among themselves, and above all inaugurating new policies in Africa, and also other areas, where the presence of BRICS countries such as China and India is obscuring the Western “domination” (Evans-Pritchard, 2018). In fact, countries like China have adopted a specific strategy promising also non-repayable loans (Shukla, 2018), and fostering its presence by building infrastructures and improving services. In addition, India and Brazil have increased their presence. Even Russia is projecting towards Africa (Klomegah, 2018; Ross, 2018) and has re-established a certain presence in the Middle East and offers itself as a probable partner for those countries affected by the influence of the Western countries and the US *in primis*, as happened in Venezuela, where also China has deep interests (Pons and Shepherd, 2018).

Thus, in recent years the presence of BRICS in the rest of the world has growth exponentially. This attitude, which certainly hides its personal benefits, however, traces a major change compared to the policies adopted until now. In fact, historically the presence of Western powers in “peripheral” areas like Africa has had the effect of domination and submission (Rodney, 1972), causing in many ways an economic and social backwardness which consequences are still under our eyes.

By establishing important partnerships in Global South, BRICS countries seem (apparently) interested in covering this gap, looking for compromises of growth with less conflicting relationships. By doing so, these emerging powers have potential to configuring themselves as the real voice of the Global South, also promoting South-South cooperation (Thakur, 2014). Their behaviour, together with historical and colonialist motives, could favour a greater rapprochement towards these countries, to the detriment not only of the West, but also of the world balance.

However, other criticisms could come out. For example, the way BRICS are operating their presence in the Global South. According to some scholars, BRICS must pay attention to the model they want to develop. In fact, although they want to represent an alternative to Western countries, and potentially propose themselves as spokesmen, they could actually fall into the trap of creating new forms of imperialism or “sub-imperialism” (Deepak, 2016) inaugurating a new dependency which would not change anything for the “periphery” that would pass from one colonist to another.

It is early to understand what will happen, but the risk is there. In any case, it will depend on how the BRICS will be able to play these cards. If the BRICS will adopt the right path, we wonder if it could actually overturn the centre-periphery dichotomy theorized by Wallerstein (1974), where the West has practically occupied the centre and “the Rest” the periphery: a credible position as a leaders for Global South, could counterbalance the hegemony had from the West so far?

Now, we still not have enough elements to judge what will happen in the near future. However, it is without doubt that BRICS presence (economic, political, in cooperation etc.) is becoming stronger. Depending on the way they will act to effectively shape different ties with the Global South, BRICS will forge the future of global framework. In this case, GG will be shaped too.

BRICS and Soft Power: The “Opportunity” of Leading in Climate Change?

In the last years, the BRICS have started a massive action, both particularly and together, to improve their image perception and strengthen their soft power (Chatin and Gallarotti, 2016; Stuenkel, 2016). This is an important aspect of their growing power, because they presumably feel they have a lack in their “charm power”. Soft power, in his theorist words, namely Joseph Nye (2004), can be explained as the ability to influence others to get the outcomes one wants without the use of coercion. In other words, soft power involves leading by example, without the recurs to economic constraints and/or use of army.

Currently, at an international level, Western countries still have leading positions in soft power, as they have the best education and research centres, cultural hegemony in key sectors as cinema, brands, etc. (Stuenkel, 20016). Although BRICS countries are trying to fill this gap, they “face their most serious shortcomings relative to the West when it comes to serving as role models” (Chatin and Gallarotti, 2016). Therefore, there is still a lot of way to do, in order to compete with the West.

However, it is our opinion that there is a particular field that could be a benchmark for BRICS countries, to improve their image thus giving a positive and accountable impulse to their soft power. This field is climate change.

Climate change is the most pressing problem facing humanity (Sengupta, 2018). Several summits have been hold to try to cope with it: Conferences Of the Parties (COPs) - especially COP 21 in 2015 in Paris - are organized every year by the United Nations Framework Convention on Climate Change (UNFCCC); climate change issues have been included in the Sustainable Development Goals (UN Sustainable Development Goals, 2015); several formal and informal meetings try to pay a special attention to it.

Like other “problems without passports”, climate change seems to play a central role in BRICS policy choices, as they decided to strengthen their cooperation to cope with it (Aurobinda, 2015) and committing with Sustainable Development Goals (Kosolapova, 2017). These efforts seems to coincide with a parallel decline in credibility, especially regarding political choices, by Western countries. In fact, just to give some examples, the US have even abandoned the agreements taken in Paris, while other European countries, despite the proclamations regarding the urgency of taking action, have often an ambivalent attitude, such as the case of France, where the Minister of Ecological and Inclusive Transition resigned after accusing the system of following “policies that favour environmental disorder” (Le Figaro Journal, 2018). Emblematic is also the case of Italy, where a 2016 referendum on the abolition of drills has not reached the *quorum*, and the state instead of encouraging the population to vote, has encouraged voters not to take part in this referendum, thus voluntarily or involuntarily favouring the interests of large oil multinationals (Balmer, 2016). However, the examples could be more, ranging from the critics to EU and US funds to climate (Carrington, 2017; Appelt and Dejgaard, 2018; Meade, 2018) to the declining role that they are having in leading with climate issues (Bäckstrand and Elgström, 2013).

Thus if on the one hand Western countries seem they are moving away from that leading role that they should have covered in climate change, also because of their historical responsibility in this regard, on the other the BRICS claim their accountability in dealing with this issue, at least apparently. For example, they invested a huge amount of funds in renewable energy through the NDB, in 2016, in the form of loans: Brazil US\$ 300 million for wind and solar power; India US\$ 325 million dollars to increase renewable energy, China US\$ 81 million to produce solar panels; South Africa to build new power lines and for generating renewable energy; and Russia US\$ 100 million for construction of hydropower plants (Mattos and Rosa, 2016).

However, is this sufficient to state that BRICS are doing more in climate change? This aspect may hide a more far-reaching goal that of overcoming the (soft) power vacuum of the Western countries in this field. More than giving a real impetus in dealing with this issue, BRICS may claim for more engagement in climate change only in order to build a credible image of themselves. In fact, there are limits in their engagement on climate, and the way in which BRICS will deal with them, will determine their effective capability in gaining more accountability. So, are BRICS really interested in dealing with climate change, or they just want to “use” climate change to build a stronger soft power?

As Downie and Williams (2018) state:

In China, India and South Africa coal is the largest source of energy demand. Indeed, in China and South Africa, coal represents around two thirds of total primary energy demand, and in India, coal represents just under half of total energy demand. However, in Russia and Brazil oil and gas far outweigh coal. For example, in Russia, oil and gas together represent 73 per cent of total primary energy demand, and in Brazil, oil and gas represent 62 per cent. As a result,

significant variations remain in the profile of fossil fuel demand among the BRICS, with coal a major source of demand in China, India and South Africa, compared to oil and gas in Russia and Brazil. Further, these differences are exacerbated by the fact that as large energy consumers, China and India in particular, have an interest in reducing their dependence on imported fossil fuels, whereas Russia and Brazil, as large producers of oil and gas, have a very different interest, namely in increasing exports and higher prices.

If we take a look on Climate Action Tracker (2019) web page, we can see how low are results obtained by BRICS countries to reduce their emissions and have a decisive swift towards alternative energies in order to fill with COP21 purposes, with the extreme case of Russia that has not yet ratified the Paris Agreement, and its contribution to reduce emissions is considered “critically insufficient”.

This means that there is still a lot to do, to fulfil with COP21 commitment. However, there are significant signals that BRICS countries could have ways to get more cooperation among them and try to switch leadership in dealing with climate change governance. BRICS could strengthen cooperation in some areas related to climate change: energy efficiency, agriculture and development finance (Downie and Williams, 2018).

It is in this context that BRICS can increase their credibility. In fact, the BRICS in the field of renewable energy should try to play in unison to create a kind of credible partnership (Mahapatra, 2015). This partnership can really make a decisive contribution to GG and increase their soft power, but only if their commitment and their effective effort will be more concrete in the near future.

Conclusions

The influence of the BRICS is therefore decisive in several areas ranging from the creation of new institutions to their intent to cover gaps in soft power and by inaugurating a more expansive policy through their presence in Global South. Coinciding with a parallel crisis in Western countries, this situation gives rise to some remarks.

First, what consequences will bring to GG? As we have seen, GG, with all its various nuances and criticisms (Lederer and Muller, 2005), seems more to be a guided and forged governor of Western countries, which so far could count with a clear supremacy over the rest of the world, than a real claim for more enlarged participation in global policy making. The emergence of the BRICS countries, however, is questioning this paradigm, and is transforming the meaning of governance itself, which will inevitably change. Their growing presence in Global South, the creation of parallel institutions and the claim for a more accountable soft power, with a particular focus on the developing of climate change policies, are key fields in which BRICS could play an important role.

However, in all this fields there are important limits. First of all, regarding their interest in being spokesman for Global South, their cooperation and development policies developed could fall in the mistake of creating a new form of imperialism or “sub-imperialism” (Deepak, 2016). Although that would not be the initial purpose, BRICS should pay attention on their future policies towards “peripheral” countries. Secondly, the creation of other financial institutions has actually the aim to create new paths within the international liberal order, and not to subvert it. In addition, in this case, the way in which they will direct future loans, will have significant repercussion on GG. Finally, their willingness to achieve a more accountable soft power. Despite they have still lot of way to do to cover their gap, they could probably reach an important result by really involving in global issues such as climate change, beyond their rhetoric discourses. In climate change policies, they should really be accountable leaders to try to cope with this deal. In any case, there are several commonalities that could push on this sense (Downie and Williams, 2018), but it will depend on BRICS strength to effectively achieve their goal and acting in unison.

However, there are also other important limits to their compactness, such as the continues struggles and rivalry between India and China (Basile and Cecchi, 2018), their divergence in interests (Lo, 2016), and some populist drifts that could create fragmentation among the BRICS themselves, like the election of Bolsonaro in Brazil. Regarding this point, we want to outline how Bolsonaro declarations to give up Paris agreements (Agencia Brazil, 2018), avoid that China gains more power in Brazil economy management (Casarões, 2018), and move closer to the US (Spetalnick, 2018) seem far to be realistic. In fact, Bolsonaro has already begun to retract, after being elected, some of his previous statements (The BRICS post, 2018). Furthermore, Brazil is strongly dependent on the relationship with China since it is the country's first commercial partner (Casarões, 2018). Moreover the BRICS group is the only forum in which Brazil has two partners residing as permanent members in the UN, without counting the privilege, from a point of view of voting system and

economic capacity, to be part of the NDB, where practically Brazil has more say than in Bretton Woods institutions.

As a result, despite the populist drift, and despite the potential and further fragmentation of the BRICS, there is sufficient reason to believe that Brazil's decision to move away from the BRICS may be counterproductive for Brazil itself. In any case, we reserve to await the developments and the next moves by the Brazilian government.

Therefore, in the light of these last considerations, we have to wonder which effective influence will the BRICS have in GG. Despite their limits, their manifested intention is to give a shape to GG, to reflect the current world (BRIC, 2009). Now, although they have still gaps to cover, they are on their way to give a major influence on it.

Will Western countries agree to accept a multilateralism underway? There are countless voices that rise to warn against potential wars (not just commercial ones) that could take place. However, we hope that the answers are of a different kind, tending to recognize the decisive weight that the BRICS are having at a global level, looking for diplomatic, rational solutions, and aimed at reaching a global human governance (Falk, 1995). Otherwise, the world will start a phase of a new bipolarity, which will reach potential risks. On the one hand the Western countries, stubborn to a type of policy that is proving increasingly inadequate, on the other the BRICS that can exploit this situation to fill this role of leadership, trying to reverse, or at least change, that center-periphery paradigm, described by Wallerstein (Wallerstein, 1974), and to occupy those central positions in the world, building a new global architecture, modelling GG in a different way, and leading to consequences that give space to multiple interpretations, but that without no doubt could trace an unstable future.

Even if is not (still) a real and concrete treat, the specter of BRICS is haunting the West.

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Indonesian Political Economy: A Historical Analysis

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ABSTRACT

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Indonesia is one of the largest countries in the world in demographic, geographical and economic terms. Rich in natural resources, it is a member of the G20 and one of the fastest-growing economies in the world. From its independence in 1949, Indonesia lived dramatic changes in its political and economic system, moving from being an authoritarian state with a quasi-planned economy to being a (albeit flawed) democracy with a free market system. This paper is aimed to analyse briefly the most important phases of the post-colonial development path of the country, trying to highlight the events which mainly changed Indonesian economy and from this understand which are its sources of strength and weakness. The paper is therefore divided into three main parts. The first covers the most salient events that occurred in the country from its independence till mid-1990s, with a particular emphasis on Suharto's "New Order" regime. The second part mainly focuses on the Asian Financial Crisis, explaining its causes and its political and economic effects on Indonesia. Finally, the last part deals with Indonesia in XXI century, focusing on the similarities and differences with the previous period and on the effects of the Global Financial Crisis on Indonesia.

Indonesian economy from independence to the "Asian Tigers" phase

Indonesia declared its independence from the Netherlands on August 17th, 1949, even if the Dutch had no real control on the archipelago at least from 1942, when it was occupied by Japan. Japanese occupation first, and the subsequent liberation war between Indonesian and Dutch forces left the country's economy in extremely bad conditions. By 1950, Indonesian national income was far below the level of 1940 (Lindblad, 2006). In the first years of independence, Indonesian economy did well in comparison with other Third World countries; however, this did not happen because of a process of modernization of the country, but it was made possible by the colonial economic structure inherited by the Dutch rule. These first years were marked by severe political instability in Indonesia, with 17 cabinets between 1945 and 1958. These cabinets were mainly led by non-Communist parties, which, looking for popular support following the strengthening of the PKI (Communist Party of Indonesia), adopted populist policies, failing to achieve an economic development based on indigenous wealth (Rosser, 2007).

In 1956, Sukarno proclaimed the beginning of the "Guided Democracy" system, a non-democratic form of government in which the interests of the most important social groups (namely, the army, the Islamic groups and the communists) were represented. Despite the consensus working method adopted during the Guided Democracy years, Indonesia witnessed a strong shift to leftist radical policies (Legge, 1972), the most important of which were the nationalisation of British and American assets and the new agrarian laws. Different explanations were given to explain the radicalisation of Indonesian economic policies; according to Emil Salim, for example, "the desire to guide economy and eliminate liberalism in the Indonesian economy is

a desire which emerges naturally if it is remembered how greatly the Indonesian have suffered from economic liberalism in colonial times.” (VV.AA, 1978). These transformations caused mediocre GDP growth rates during the 1960s, which did not match the increase of population, leading to a contraction of GDP per capita, as it can be seen in Table 1. The lower personal incomes, together with the high inflation (which, according to the World Bank data, was about 1000% in 1965), had a tremendous impact on the overall status of economy.

Major political developments took place at the end of the 1960s. Unhappy with the economic performance of the country and with the increasing importance of the communists (who attempted to organise a coup in 1965), the army took the power in 1967, and in 1968 general Suharto was appointed president. Suharto's period in power, which lasted until 1998, is generally known as “New Order” (*Orde Baru* in Indonesian) and, in contrast with the previous decade, it was marked by economic pragmatism, financial stability and reforms aimed to attract foreign capital. This was obtained through the appointment of the so-called “Berkley Mafia”, a group of economic technocrats who formed in the United States. During the 1970s, Indonesia experienced incredible economic growth, as can be seen in Table 2. But New Order economic policies were just one of the factors that led to this incredible development. An important role was played by the shock in oil prices after 1973 (see Figure 1). As Lewis noted, “Indonesia (...) shifted virtually overnight from predominantly agriculture economies to hydrocarbon exporters” (Lewis, 2007). Moreover, an important role was played by the external geopolitical events, and in particular by the war in Viet Nam: in accordance with the the so-called “domino theory”, the U.S. feared that the victory of Hanoi in the war in Indochina would have led to the expansion of communism in South East Asian countries. Because of that, the United States strongly supported the anti-communist regimes in the area with large sums of development aids; during the 1970s, Indonesia was among the top 10 recipients for development assistance (Rosser, 2007). The economic growth continued during the 1980s, even if it slowed down, mainly because of the drop of oil prices in 1982 and in 1985. This was possible thanks to the important reforms that the government carried out in the wake of the world recession that took place in the early 1980s. Suharto's economists pushed for a devaluation of the rupiah, for the cut of food and fuel subsidies, for a tax reform and for a liberalization of the financial system (Lewis, 2007). Other similar policies of liberalization were undertaken also in 1986, after the second fall of oil prices. Moreover, the proximity to Japan and the other Asian “dragons” was fundamental. In general, it can be said that Indonesia reacted effectively to the exogenous shocks of the 1980s, keeping growth rates usually higher than world average, but at the same time controlling inflation. Due to the remarkable development experienced during the first two decades of the New Order, in 1993 the World Bank listed Indonesia among the so-called “Asian Tigers”, a group of 8 high-performing Asian economies (namely, Indonesia, Taiwan, the Republic of Korea, Hong Kong, Malaysia, Japan, Singapore and Thailand) which “stabilized their economies with sound development policies that led to fast growth. They were committed to sharing the new prosperity by making income distribution more equitable. Their public policies promoted rapid capital accumulation by making banks more reliable and encouraging high levels of domestic savings. They increased the skilled labour force by providing universal primary schooling and better primary and secondary education” (World Bank, 1993). The first half of the last decade of the XX century marked another period of growth for Indonesia. This was initially made possible by a new increase in world oil prices following the invasion of Kuwait by Iraq. But this time, thanks to the more accommodating policies initiated in the previous decade and to the fact that oil revenues were mainly used for the modernization of the infrastructures, Indonesia started attracting a huge amount of foreign capital: the direct foreign investment, according to the World Bank, jumped from 1.03% of GDP in 1990 to 2.74% of GDP in 1996. Moreover, Indonesia found itself better integrated with the world market, which, in a period of growing international trade, made Indonesian non-oil export soar.

Summing up, the New Order decades proved to be a period of robust transformation for Indonesia under every aspect. In 1984, according to World Bank data, 70.3% of the population lived with less than \$1.90 a day (2011, PPP). In 1996, 45.9% lived in the same conditions. As can be noted in Figure 2, Indonesia, between 1970 and 1996, outperformed every region in the world in terms of growth. But serious socio-economic problems were still present: corruption was high; the popular requests for more social justice were rising; infrastructures, despite the great developments, were still insufficient; the flow of foreign capital generated strong nationalistic feelings among the population; inefficient State-owned were still too powerful; banking system was weak; and others. All of these problems will play a central role in the following years, when the Asian Financial Crisis hit Indonesia.

The Asian Financial Crisis

Only four years after the famous report by the World Bank in which South-East Asian economic growth was defined “a miracle”, the region was hit by its most dramatic financial crisis. The trigger of the crisis came

from Japan, which depreciated the Yen against the US dollar as a policy of monetary expansion, needed to deal with the country's banking difficulties and its stagnating economy (Tyers, 2012). This had a strong impact on Thailand and Indonesia, which, since the 1980s, received extensive foreign direct investment from Japan (Tyers & Azwar, 2015). The Japanese move, moreover, made Indonesian and Thai goods towards Japan less competitive; this directed the attention on the problems with Bangkok and Jakarta's US dollar pegs. These pegs were unsustainable; Thailand first, and Indonesia later, eventually devalued their currencies. This led to high inflation and the public debt surged. Five main economic policies were adopted as a response to the crises (Basri, 2013):

- Strict monetary policy, with very high interest rate levels;
- Large budget deficit;
- Closure of 16 banks;
- Weak prudential banking regulations;
- Economic liberalization, in particular getting rid of monopolies.

These policies, together with the strong export contraction, made the GDP drop and the unemployment soar. The most important macroeconomic data during the Asian Financial Crisis (AFC) can be seen in Table 3. Indonesia was finally rescued by the International Monetary Fund. In October 1997, Suharto and the IMF signed a 43 billion dollars deal which required strict monetary policies and, more importantly, extensive sectoral and institutional changes that targeted the avenues of patronage favoured by the regime (Lewis, 2007). These reforms proved to be extremely unpopular, in particular within the elites closer to the President. In the face of growing discontent, including significant popular protests in the capital and the loss of traditional sources of support, including the Indonesian Armed Forces, on May 21st, 1998, he resigned (Harris & Foresti, 2010). His departure was followed by a fast process of democratization and liberalization in the cultural and political field; in June 1999 the first elections in years were held, and Suharto's party, *Golkar*, came second, preceded by the Indonesian Democratic Party of Struggle (PDI-P), led by Sukarno's daughter; Abdurrahman Wahid was elected president by the Parliament, and Indonesia moved towards a new page of its history.

Suharto's regime had contrasting effects on Indonesian economy. As it has been noted earlier, under his rule Indonesia experienced remarkable economic growth, with beneficial effect for the majority of the population. According to World Bank data, in 1967, when Suharto's got to power, Indonesia ranked 32nd in terms of GDP; three decades later, before the Asian Financial Crisis, Indonesia ranked 21st. This incredible transformation was possible because of exogenous factors – namely, the rising oil prices, the growth of Japan and the geopolitical environment in South East Asia – but an important role was played by the skilful economic management carried out by the technocrats employed by the regime. On the other hand, Suharto authoritarian rule suffered of the typical problems of other similar systems: rent-seeking behaviour, institutional weakness, inability to change, resource dependence, clientelism, corruption and patrimonialism. The legacy left to the subsequent democratic governments was, therefore, particularly hard to manage.

Indonesia in the XXI century: democracy and transformations

The years following Suharto's regime were marked by radical transformations in Indonesia. After the Asian Financial Crisis, economy started recovering quite quickly, albeit at slower rates than under Suharto. The country was marked by an initial period of high political instability: it had five presidents in six years, it saw its territorial integrity threatened (with the eventual independence of East Timor) and it was victim of a series of terroristic attacks and riots (Hill, et al., 2012). The transition from authoritarianism to democracy had a profound impact on the process of policymaking, including the economic one. Indonesian political system, through the so-called *Reformasi* era, went from “a highly centralised political and policy decision system with a powerful and dominant president, who held power for 32 years, to a more pluralistic, diffused and evolving system with an increasingly active parliament” (Datta, et al., 2011). For the first time in decades, the Parliament emerged more and more as an independent institution, making political negotiation fundamental; the judiciary power became autonomous, even if the process for its transformation was slow and in many occasion ineffective; civil society sprung to life; a “big bang” decentralization was carried out. In the economic field, the first governments proved to be ineffective in developing an autonomous agenda; the guidelines for economic policy were set out by the IMF, the World Bank, the United States and other bilateral donors (Lewis, 2007), but the government was not able in implementing the required reforms. However, in the economic sphere, there were some continuities with the New Order era; Hill (Hill, et al., 2012) identifies four of them:

- prudent macroeconomic management
- a broadly open economy
- slow administrative reform
- equity outcomes

Following the rupiah depreciation and the bank crisis, also the Bank of Indonesia was reformed. In 1999, an act was passed, making the bank independent and giving it the authority to formulate and implement monetary policy (whose aim has to be the stability of the rupiah) considering the inflation target set by the bank (Kinkyu, et al., 2012).

An important consequence of the Asian Financial Crisis was the strengthening of the economic regional initiative in Eastern and South-eastern Asia. The first project launched went under the name of “Manila Framework Group”, created in 1997. Fourteen states took part to the initiative aimed at establish mechanisms of regional economic surveillance, crisis management and financial stability (Das, 2005). The second initiative was the creation of the ASEAN Surveillance Process, intended to improve macroeconomic and financial surveillance among the organization’s member States. Finally, in October 1998 Japan Ministry of Finance launched the so-called “New Miyazawa Initiative”, consisting in a series of bilateral support mechanisms offered from Japan to other Asian countries. Other ambitious projects were proposed, like the Asian counterpart of the IMF, the Asian Monetary Fund, but these have never been practically realized. These initiatives played a fundamental role in allowing Indonesian recovery, as they provided huge amount of capital and aids.

The situation of chaos in Indonesia started to improve during Megawati Sukarnoputri’s term (2001-2004). Despite the rising security problems Indonesia lived under her presidency (in particular, separatist challenges and religious violence), Megawati was able to enhance different progresses in the economic field. Firstly, she replaced the previous economic team with technocrats (going back to the “Berkley Mafia” tradition); moreover, she had a more conciliatory position with Indonesia international creditor: following more closely the requests coming from the IMF and the World Bank, Megawati was able to restore market confidence in Jakarta, and in December 2003 Indonesia stopped borrowing from the IMF Extended Fund Facility. Finally, she restarted the privatization process, in particular with regard to PT Telkom and Indosat. As can be noted in Table 4, under her term GDP growth rate accelerated, also thanks to the rising oil prices. In 2004 presidential elections, the first free direct elections for the president, Megawati Sukarnoputri was defeated by Susilo Bambang Yudhoyono, from the Democratic Party. In spite of the political change, the macroeconomic lines remained the same: reduction of the deficit, recapitalization of the banking system, appreciation of the rupiah and lowering of the interest rates (Hill, et al., 2012).

In 2008, exactly ten years after the most acute moment of the Asian Financial Crisis, another crisis hit the world, with effects much more dramatic than the 1997 depression. On September 15, 2008, the investment bank Lehman Brothers collapsed, marking the beginning of the Global Financial Crisis, which dragged the world into the Great Recession. But for Indonesia, the years from 2008 to 2012 will not be critical; in fact, its economy will even grow. While world GDP growth, according to the World Bank, dramatically slowed down from 4.3% in 2007 to -1.7% in 2009, Indonesian growth rates, as can be noted in Table 4, were slightly reduced, coming back to the pre-crisis levels already in 2010. Since then, Indonesian economy has always done well compared to the the rest of the world, maintaining its rates on average 2% point over world values. How could have been possible that Indonesia, which a decade earlier was completely crushed by a much smaller recession, reacted so well to the Global Financial Crisis? Basri (Basri, 2013) identifies four main differences between the Indonesian approach and relation to the two crisis:

1. In 1998, the financial system of Indonesia was particularly weak, with a ratio of Non-Performing Loans (NPL) around 27%. In 2008, Indonesian banks were in healthier conditions (also thanks to the Asian Financial Crisis), and their NPL ratio was less than 4%;
2. In 1998, Indonesia was applying a managed floating exchange system, which collapsed on the wake of the Asian Financial Crisis. The transition to a free floating system caught economic players unprepared. In 2008, they got used to this exchange rate system and they learned how to diversify their risks;
3. In 1998, the policy responses to the crises, as noted above, proved to be ineffective. In 2008 Indonesia adopted a different approach, incrementing liquidity, lowering taxes and providing a social safety net, thus mitigating the impact of the crisis on the poorest segment of society;
4. Finally, the last difference regards the different economic structure of Indonesia. In 1998, according to the World Bank, exports accounted for over 50% of Indonesian GDP; in 2008, it accounted only for 29%. Due to this, Global Recession had a smaller impact on the country, in

particular compared to the other G20 countries. Also thanks to a flourishing domestic market, Indonesia was able to maintain high growth rates even during 2008.

According to Tyers and Azwar (Tyers & Azwar, 2015), there is also another difference to keep on mind: the different political situation. In 1998, the coincidence of the Asian Financial Crisis and of political upheaval led to the collapse of the country's economy. In 2008, although different problems in the State stability were still present, the political context was radically different.

After the Global Financial Crisis, Indonesia's growth has been high and steady, in particular if compared to the other big economies. Since 2008, it has always been among the five best performing States among the G20 countries; in 2012, it came second, just behind China; in 2016, it came third, behind China and India. In 2017, according to the IMF, Indonesia shared 2.56% of world GDP (PPP); in 2008, the share was roughly 2% (in comparison, in the same years the United States fell from 18.2 to 15.3%). In the same period of time, Indonesia went from being the 21st economy in terms of GDP PPP to being the 16th. To conclude, in these last years, Indonesian economic growth has been remarkable, even more if it seen in comparison with the current global situation. Political and economic problems, as it will be noted in the next part, still persist, but at the current state of affairs, Indonesia is on the right path to become a more and more important player in world economy.

Conclusions

Indonesia has experienced radical transformations since its independence. Its economy, as can be noted in Table 5, deeply changed its structure, going from being a predominantly rural economy to being one more oriented towards the secondary and tertiary sectors. As van Leeuwen and Földári (Leeuwen & Földvári, 2016) noted, this, together with technological and scientific development, caused an increase in labour productivity in agriculture, and thus a decrease in rural-urban inequality. Inequality is a fundamental factor to consider when analysing Indonesian economic system: despite the rapid economic growth, the strong regional differences and the fact that Indonesia is rich in hydrocarbon (which in many countries is associated with high inequality rates), the country has always managed to have a GINI coefficient way lower than the world average (in 2013, its GINI coefficient was 39.5, while the American one was 41.0). In its developmental path, Indonesia was able to maintain comparatively low levels of inequality and drag a huge amount of people out of poverty. Basri and Hill (Basri & Hill, 2011) identify five main challenges that will define Indonesia's future:

1. Demography: Indonesia has a youthful population, and the situation will not change for at least 10 years. Thanks to this, it will see its economy keep growing, due to the expected increment in consumption rates. This will help Indonesia in closing the gap with developed economies. However, after this period the country will face a rapid aging population; because of this, it needs to create a sustainable economy for the decades to come.
2. Government-party relations: after the Asian Financial Crisis, Indonesia faced a transition from authoritarianism to democracy, improving the quality of the policy making process. However, huge political problems are still present, the most important of which is the fact that, so far, the President has never enjoyed a stable majority in the Parliament, thus leading to tensions between the Executive and the legislature. To experience sustainable growth, Indonesia needs to improve its good governance.
3. Corruption: like in many other authoritarian and personalised regime, Indonesia under Suharto's rule was characterized by widespread and endemic corruption. Progresses have been made in this sector, but much has yet to be done.
4. Decentralization: despite the many benefits of the decentralization reform carried out in 2001, many problems arose from it. In particular, central government policies are becoming less and less effective because of the principal-agent issue.
5. Infrastructures: in a huge archipelago like Indonesia, infrastructures are fundamentally important. The low quality of the current system erodes Indonesian competitiveness, as transition costs are higher than in other similar economies.

To conclude, Indonesia has radically changed its position in the international economic system, going from being at the periphery of it to getting closer to the centre. As the focus of international economy and politics moves towards Asia, if the country addresses in the right way the problems and challenges ahead, it will probably become one of the most important actors of this century.

Appendix: tables and figures**Table 1: Indonesian macro-economic performance during Sukarno's Guided Democracy (source: World Bank)**

	1961	1962	1963	1964	1965	1966	1967
GDP variation (%)	5.7	1.8	-2.2	3.5	1.1	2.8	1.4
GDP per capita variation (%)	2.9	-0.8	-4.8	0.7	-1.6	0.1	-1.3
Inflation (%)	13.7	131.4	145.9	108.9	306.8	1,136.2	106.0

Table 2: Indonesian macro-economic performance, 1973-1980 (source: World Bank)

	1973	1974	1975	1976	1977	1978	1979	1980
GDP variation (%)	8.1	7.6	5.0	6.9	8.8	6.8	7.3	9.9
GDP per capita variation (%)	5.3	4.9	2.3	4.3	6.1	4.2	4.8	7.3
Inflation (%)	31.0	40.6	19.0	19.9	11.0	8.1	16.2	18.0

Table 3: macroeconomic data during the Asian Financial Crisis, 1996-1999 (Source: World Bank, International Monetary Fund)

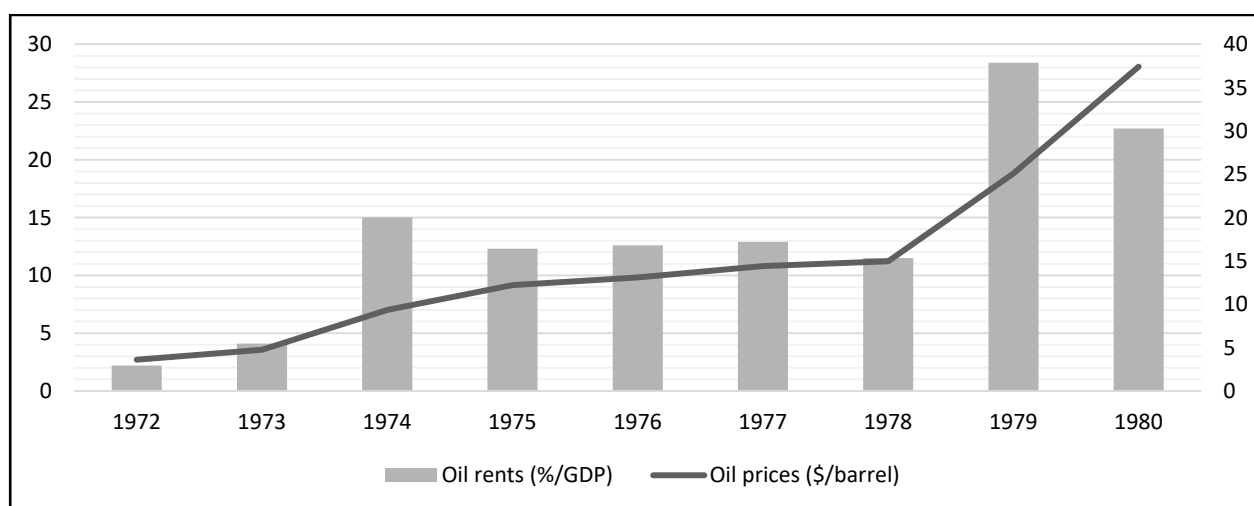
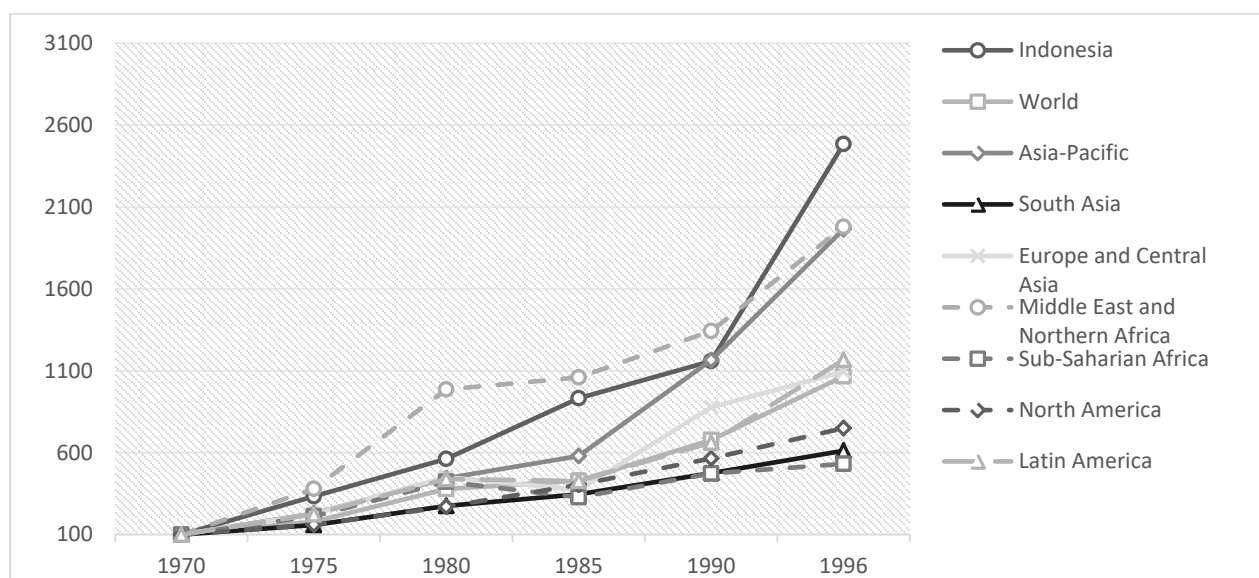
	1996	1997	1998	1999
GDP (Billion, current \$)	227.37	215.75	95.46	140.00
GDP variation (%)	7.8	4.7	-13.1	0.8
GDP per capita variation (%)	6.2	3.2	-14.4	-0.7
Inflation (%)	8.0	6.2	58.4	20.5
Official rupiah exchange rate (per US\$)	2,342.30	2,909.38	10,013.62	7,855.15
Unemployment rate (%)	4.4	4.7	5.5	6.3
Poverty headcount ratio at \$1.90 a day (%)	45.9	N/A	65.3	40
Public debt (% of GDP)	27.5	26.4	72.5	95.9

Table 4: Indonesian macro-economic performance during XXI century, 2000-2017 (source: World Bank, International Monetary Fund)

Public debt (% of GDP)	headcount ratio at \$1.90 a day (%)	Unemployment rate (%)	Inflation (%)	GDP per capita variation (%)	GDP variation (%)	GDP current \$ (Billion)	
87.4	39.8	6.1	3.7	3.5	4.9	165.02	2000
73.7	36	8.1	11.5	2.2	3.6	160.45	2001
62.3	23.4	9.1	11.9	3.1	4.5	195.66	2002
55.6	23.3	9.5	6.7	3.3	4.8	234.77	2003
51.3	24.4	9.9	6.2	3.6	5.0	256.84	2004
42.6	21.6	11.3	10.5	4.3	5.7	285.87	2005
35.9	28	10.3	13.1	4.1	5.5	364.57	2006
32.3	22.8	9.1	6.4	4.9	6.4	432.21	2007
30.3	21.6	8.4	9.8	4.6	6.0	510.23	2008
26.5	18.4	7.9	4.8	3.3	4.6	539.58	2009
24.5	15.9	7.1	5.1	4.8	6.2	755.10	2010
23.1	13.6	6.6	5.4	4.8	6.2	892.97	2011
23.0	11.8	6.1	4.3	4.7	6.0	917.87	2012
24.9	9.8	6.2	6.4	4.3	5.6	912.54	2013
24.7	8.3	5.9	6.4	3.7	5.0	890.82	2014
27.3	7.5	6.2	6.4	3.7	4.9	861.26	2015
27.9	6.8	5.6	3.5	3.8	5.0	932.26	2016
28.3	5.7	4.2	3.8	3.9	5.1	1016.00	2017

Table 5: average sectoral share of GDP in Indonesia (Source: Hayashi, 2005)

	Agriculture (%)	Industry (%)	Service (%)
1966-1970	42.4	17.6	40.0
1970-1981	34.5	23.7	41.8
1981-1986	27.8	26.6	45.6
1986-1996	21.8	32.8	45.4
1996-2000	17.9	38.9	43.2
2000-2016	14.1	44.4	41.5

Figure 1: Oil prices and Indonesian oil rents (sources: World Bank, Plains All Americans Pipeline)**Figure 2: GDP variations in Indonesia and in the world macro-regions, 1970-1996, base year 1970 (Source: personal elaboration on World Bank data)**

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RESEARCH ARTICLE

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Not Our War: Iraq, Iran and Syria's Approaches towards the PKK

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ABSTRACT

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Terrorist violence led by the Kurdistan Workers' Party (PKK) is one of the major issues of Turkey since the 1980s. This violence is based upon Kurdish ethnic identity aimed towards establishing an independent Kurdish state in Turkey's southeast, northern Iraq, northern Syria and north-western Iran. Despite this aim, the terrorist campaign of the PKK predominantly targets security forces and civilians in Turkey. However, the existence of a terrorist group such a long time raises a question of the impact of external support on the formation and maintenance of the PKK. While Turkey has criticised constantly its southern neighbours on the PKK's activities and tactics, the regional approaches have been largely neglected in the existing scholarly literature. This article aims to close this gap by focusing on the role played by Iraq, Iran and Syria in the PKK terrorism and Turkey's counter-terrorism policies. The article argues that the major reasons for the unsuccessful result of Turkey's effort to destroy the PKK were the approaches of ignorance of the PKK activities and the use of the group as a trump card by the three neighbours and insufficient policies to keep under control the regional dimension of the conflict. The article critically analyses historical relationships between these three states and Turkey to explore how the regional dimension has affected the resolution of this conflict.

Introduction

The effects of external factors on violent conflicts between sub-state armed groups and security forces of states have always been critical through direct or indirect intervention. These conflicts can be more complicated when the factors or actors affecting them are neighbouring countries. This article analyses a comprehensive case of a violent conflict in which a process of regional perspectives and actions played a critical role to determine the nature of a terrorist threat. Iraq, Iran and Syria's positions towards Turkey's fight against the PKK terrorism have affected the outcome of counter-terrorism policies of the Turkish state.

Terrorism has many forms, which are shaped with the goals of groups. It is argued that sub-state armed groups can organise terrorist attacks by indiscriminating civilians instead of attacking only military and political leaders or targets (Laqueur, 2004, p.13). In addition, terrorism might emerge as a weak way of waging fights by asymmetrical assault to harm and try to defeat an apparently superior power. This type might be used by ethno-nationalists, racist militias, religious fundamentalists and other minorities, such as, the Irish Republican Army (IRA) against the UK, Basque Homeland Freedom (*Euskadi Ta Askatasuna*, ETA) against Spain and the PKK against Turkey. Terrorism is a tactical tool to reach a new order by intentionally devastating the current system (Arquilla et al., 1999, pp.39-40). The PKK embodies these characteristics which is officially called a terrorist organisation as it is on the list of terrorist organisations of the EU, Canada, the US, Turkey, Iran, Iraq, Syria and New Zealand (EGM, 2011; Europe, 2002; Kronin et al., 2004; Public Safety Canada, 2010). Therefore, this paper assesses the PKK as a terrorist organisation. This also makes clear that the official approach of Iraq, Iran and Syria towards the PKK is similar with Turkey's perception, as the PKK is on the list of banned terrorist organisations of these states.

When a terrorist group claims to represent an ethnic community in society, it intends to use these claims in international arena in order to legitimise its violent campaign. The ethno-nationalist conflict in Turkey has a similar characteristic as the PKK claims to represent the Kurdish community in Turkey, which in return received limited support for its violent campaign. Although the societal support is an important dimension for its existence, this is not the topic of this paper since it focuses on an overlooked security issue containing the three neighbours' approaches towards the PKK in order to reveal how this conflict affects regional security and politics in the Middle East. While the PKK's claim is to defend the Kurdish people's rights, the PKK's ultimate goal is to establish an independent Kurdish state in south-eastern Turkey, northern Iraq, northern Syria and north-western Iran (Aydınlı and Özcan, 2011, p.449). However, the majority of the targets of the PKK have been security forces and civilians in Turkey (Crenshaw, 2011; Guelke, 1995). The Kurdish question therefore has been investigated as Turkey's internal affair with regards to counter-terrorism issues, identity and ethnicity disputes, constitutional rights, and external support in the existing literature. However, little attention has been paid on the regional aspects regarding the perception of these three states towards the PKK and whether changing trends of this conflict in Turkey have been affected by the approaches of these three states (Barkey and Fuller, 1997; Çiçek, 2011). In order to fill this gap, the article asks the following question: To what extent have Iraq, Iran and Syria affected the PKK terrorism in Turkey?

This research is predominantly a historical analysis due to the nature of the major question. However, in order to assess the influence of Iraq, Iran and Syria on the PKK's actions, it also utilises data from official and NGOs reports. The official reports of the TBMM is complemented by the reports published by NGOs and think-tanks such as The Economic and Policy Research Foundation of Turkey (TEPAV), Turkish Economic and Social Studies Foundation (TESEV) and the International Crisis Group (ICG). The policy briefs and press releases of political actors of Turkey, Iraq, Iran and Syria are also used to understand the official view of these states towards the PKK. For example, the official view of the Syrian government put forward through Syrian Foreign Minister's speeches on the PKK. The research therefore uses data from several sources to comprehend the role played by these three states towards the long-standing terrorist threat in Turkey.

This article is organised as follows. The first section discusses the theoretical analysis in regard to how and why external support is provided by sponsoring states to a terrorist group. The second section explains the background of the conflict from the emergence of the PKK. Instead of a chronological analysis, this section examines the history of the conflict by focusing on major events, which have affected the progress of the Turkey-PKK conflict. The third section assesses the approaches of Iraq, Iran and Syria towards the PKK through four major determinants: safe haven, bargaining strategy, diplomatic pressure and external circumstances. The fourth section investigates other circumstances, which were determined by external issues in the territory of these three states. The last section compares the disregard and deliberative policies of these states to the violent attacks of the PKK in Turkey.

How to Evaluate External Support

External support is vital for terrorist organisations for both formation and maintenance of these groups. As Oots (1898, p.147) argues, few groups are able to develop adequate resources to survive without any outside help. The sources of outside support are generally provided from either other terrorist organisations or states. This article focuses on the support provided by foreign states. The reasons for states to support terrorist groups differ, but the main reason is the sympathisation with the ideology and political aims of terrorists (Collins, 2004, p.2). This phenomenon is called 'state-sponsored' terrorism, which is the active and secret aid, assistance, and enforcement to a terrorist organisation by a foreign state (Hoffman, 2006, p.14).

External support has several different types including financial, training, ammunition, operational and organisational support. While the first three types are the first resort as they provide quick help for a terrorist group to survive, the last two types are more complex since organisational support provides propaganda, and operational support is formed of proxy attacks and joint operations against a state (Alexander and Kilmarx, 1979, pp.40-51). Terrorist groups aim to have a great budget for their violent attacks, which is mostly funded by drug trade. For example, a reliable revenue stream near the source of the drug is aimed by the Revolutionary Armed Forces of Colombia and Taliban, and located along the trafficking route by the PKK (Freeman, 2011, p.464). Therefore, financial support is not directly related to the approaches of the three neighbours of Turkey. However, safe territories to accommodate terrorist groups and for training camps have been crucial for the PKK militants to survive since its formation. The term 'safe haven' describes secure areas provided by a sponsoring state to an armed group within the territory of this state. It is argued that if a state provides a secure territorial base to a terrorist group, this group's capability to organise violent attacks to the target country is enormously facilitated (Carter, 2012, p.130). The PKK had a safe haven in Syria between 1980 and 1998 (Carter, 2012, p.139). It was evident through the fact that the Syrian government provided bases for PKK camps during this period of time (Marcus, 2007). This time-period will be assessed by examining the PKK's use of territories of the three states.

While states sponsoring terrorism enjoy risk-free means of anonymously attacking designated enemy states and the threat of revenge or punishment, terrorist organisations develop their operational capacity and capability which helped easily facilitate planning and intelligence thanks to supporting state's diplomatic support (Hoffman, 2006, pp.258-9). Therefore, it is not possible to fight effectively with terrorism unless the tie between terrorist groups and sponsoring state is cut (Ganor, 2002, p.301). This raises the importance of diplomatic relations between the targeted and sponsoring states especially if a sub-state armed group aims to establish an independent state over more than one country's territory and/or is supported by foreign states. As Saleyhan (2011, p.719) suggests, although many ethno-nationalist groups have domestic targets, their international links and affiliations are mostly the root causes of their survival. Hence, what is the outcome of Turkey's diplomatic pressure on the three neighbours is a significant question to understand their approach towards the PKK.

The diplomatic and territorial relationships are based on interests of both states. In addition, if a foreign state aims to weaken a competing state, a terrorist organisation can be used as a trump card to reach its goals (Ross, 1993). Thus, states supporting terrorist groups aim to reach their foreign policy objectives by gaining bargaining power against their rivals (Byman et al, 2001). As a bargaining strategy, sponsorship reduces the possibility of the repression of target states. On the one hand, if a state which sponsors terrorism has the same goal with the terrorist group, this state increases its support for this group. On the other hand, when the group reaches a greater portion of its goals thanks to its sponsor, it is more likely to claim more concessions to end the conflict (Bapat, 2012, p.18).

Regional politics is an important dimension to determine external support. As Stewart-Ingersoll and Frazier (2012) argue, a regional power not only defines the structure of its regional system, but also drives the order of this mechanism. Therefore, states may have an intention to use illegal force to surpass its rivals in the region. The support for terrorist groups can be used as a strategy for weakening their rival (Ergil, 1992, p.141). This is because regional powers have an opportunity to reach their national interests when they have an advantage in relative power comparing to their regional rivals (Stewart-Ingersoll and Frazier, 2012, p.6). While Turkey and Iran are assumed to be regional powers, Iraq and Syria aim to pursue opportunities to strengthen their power in the Middle East by weakening their rivals. Therefore, this is a significant assumption to be assessed.

These assumptions are investigated in this paper whether the regional outlook towards the PKK formed a bargaining strategy by Iraq, Iran, and Syria against Turkey. Thus, this paper aims to understand the impact of bargaining strategy on the external support in the PKK terrorism through the analysis of three dimensions: safe haven, bargaining strategy and diplomatic pressure. In addition, the article contributes to the existing scholarly literature illustrating the necessity to consider the influence of external circumstances in strengthening a terrorist group. Before discussing the major issues between Turkey and its three neighbours whether they have affected Turkey's fight against the PKK, the next section discusses the background and evolution of the conflict in detail.

The Background of the Conflict

The PKK was founded by Abdullah Öcalan and his sixteen colleagues in 1978. The first attack organised by the PKK on July 30, 1979 caused the death of one child which was directed to the leader of Bucak tribe, Celal Bucak, who was against the PKK (Milliyet, 2011). The situation was similar with other Kurdish tribes since they were against the PKK and its separatist aims (van Bruinessen, 2010, p.316). Before the military *coup* in 1980, the Turkish Armed Forces (*Türk Silahlı Kuvvetleri*, TSK) began to use force in the south-eastern part of Turkey to banish the PKK which resulted in the leading members of the terrorist organisation (Apo and his colleagues) escape Syria in July 1979. This escape caused growing tensions between the Syrian and Turkish governments on counter-terrorism issues (Mango, 2005, p.34). Turkey's concerns were on the city of Damascus where the PKK militants had been training in the Bekaa Valley of northern Lebanon, which was under the control of Syria. The camp Bekaa Valley had been used as an ideological and military training base until the TSK threatened the Syrian government that Turkey had a right to destroy the PKK camps if Syria did not expel Öcalan and the PKK members.

The subsequent attack of the PKK on 15 August 1984 caused the deaths of a soldier and three civilians, and three injuries, which was then followed by one of the most dreadful attacks of the terrorist group, causing the loss of twenty nine people's lives in 1987. The terrorist violence had its peak between 1987 and 1991. Thirty-three villages exposed to violent attacks that caused many civilians and members of security forces to be killed by militants of the PKK (Mango, 2005, p.38).

The PKK had contact with not only the Syrian government, but also various Kurdish organisations in northern Iraq during the turmoil of Turkish *coup*. Two of these contacts were significant as they were very influential in northern Iraq: First, the PKK built contact with the Kurdistan Democratic Party (KDP) of

Mesut Barzani. This contact resulted in the KDP to give permission the PKK to build camps in northern Iraq in 1982 (Bruinessen, 1988, p.44). Although this party declared an end to co-operation with the PKK four years later, this help was critical for the PKK to build its military capacity. Second, Jalal Talabani's Patriotic Union of Kurdistan (PUK) had been in a good relationship with the PKK and the Syrian government, which helped the terrorist group to use both territories and survive in the region in the early 1980s (Mango, 2005, p.37). The PKK's use of the Iraqi and Syrian territories to train thousands of militants both militarily and ideologically provided a unique opportunity to learn guerrilla tactics to the members of the terrorist group, which was unfamiliar for Turkish security forces.

After the PKK increased the number of lethal attacks, the Turkish state applied a new strategy by forming the paramilitary village guard system under the military service's control through the Village Act to hire and organise village protectors known the 'Temporary and Voluntary Village Guards' in 1985. This was followed by the declaration of the State of Emergency Rule (*Olağanüstü Hal*, OHAL) by the Grand National Assembly of Turkey (TBMM) in 1987 in the southeast of the country for the sake of the immediate use of martial law and the response of the PKK's attacks immediately (Barkey, 2007, p.357). After the government introduced martial law and state of emergency in Kurdish populated cities, political liberalisation of the region was made impossible, as a governor-general was responsible for the entire southeast region whose authority was extended after the conflict had been de-escalated (Taspinar, 2011, p.100). The violent attacks of the PKK deteriorated in the 1990s. Therefore, the TSK organised a cross-border operation in 1995 (Culcasi, 2006, p.698).

Another fundamental issue was the Iraq-Iran War between 1980 and 1988, which has had two effects with regards to the Kurdish issue. The first factor is to create an authority gap in the region, which resulted in strengthening of the PKK. During the war, the Iraqi government could not pay attention its northern borders. Therefore, the PKK militants were easily accommodated in northern Iraq. Besides, a 'hot pursuit agreement' between Iraq and Turkey that allowed Turkish security forces to cross the Iraqi-Turkish border if PKK militants took refugees. In return, Baghdad turned a blind eye to Turkey's cross-border operations in the border (Özdağ, 1999, p.82). The second factor is related to the perception of the Iraqi and Iranian leaders. Firstly, President of Iraq Saddam Hussein attacked his Iraqi Kurdish citizens with deadly gas attack as part of his Anfal campaign. Subsequently, thousands of Kurds sought asylum from Turkey, escaping from the tyranny of Hussein (Barkey and Fuller, 1997, p.66). Consequently, the population of Turkish citizens of Kurdish origin dramatically increased in the south-eastern region of Turkey which caused Turkey's Kurdish issue to deteriorate. Secondly, Turkish officials claimed that the Iranian government aimed to use the PKK as a policy to weaken Turkey's military power in the Middle East (Barkey, 2007). While Iranian officials rejected the existence of the PKK militants within their border, the PKK's lethal attacks by using Turkey's southern neighbours claimed thousands of people's lives and jeopardised Turkey's economy.

In the 1990s, the high-intense conflict resulted in the change of the opinion of political actors towards the resolution of the Kurdish question. Süleyman Demirel, then President of Turkey, was the first politician to recognise the existence of Kurds in Turkey as he said that 'we should admit Kurdish reality' (Cumhuriyet, 1991). However, this historical speech did not change the perception of Turkish army as the violent conflict remained. This was followed by Atilla Ateş, then commander of the Turkish Army General, since he threatened Syria to attack if they did not deport Öcalan and brought its support for the PKK to an end through the following speech on September 16, 1998:

Some of our neighbours, especially Syria, are misinterpreting our efforts and goodwill for having good ties. By supporting the bandit Apo they have helped plunge Turkey into the trouble of terrorism... Our patience is exhausted (Ateş, 1998, quoted in Yavuz, 2001, pp.14-15).

After a confrontation from Turkey, Syria was obliged to banish Öcalan from Damascus and began to close the PKK camps in its region in 1998 (Nicoll and Delaney, 2008, p.1). Afterwards, Öcalan stayed in Russia for a while and then landed in Italy for a short time on 12 November 1998 where he thought he would obtain the political asylum of the EU (Gunter, 2000, p.850). However, the US, as a NATO ally, put pressure on Italy for rejection of Öcalan's application on political asylum. Following the rejection, he moved to Greece at the beginning of February 1999 before his last stop, Kenya. The United States gave information to Turkish officials of where and how to capture him. On the 15th of February, when he was brought to Nairobi airport, he was captured by Turkish Special Forces and was brought to Turkey forthwith (Bodansky, 2006, p.180).

Although the leader of the terrorist group was captured, the fatal attacks did not stop; and before and after his capture, the PKK's separatist terrorism cost many people's lives. Thousands of people lost their lives from the beginning of the conflict until 2012, the initiation of the peace process, including 6,053 security forces (TSK and police officers), 5,557 civilians and 3,474 unresolved crimes. In addition, 22,101 PKK members were killed until 2012 (TBMM, 2013). Besides, armed forces spent almost 15 billion dollars to win the war on

terror against the PKK (Mango, 2005, p.46). Additionally, according to Minister of Defence, İsmet Yılmaz, Turkey has lost 35,300 people until 2011 (Sardan, 2012).

The US's invasion of Iraq in 2003 affected the future of the conflict completely. When the US administration decided to attack Iraq in order to overthrow Saddam Hussein, they demanded Turkey's support by using its airspace and airbases for the invasion of Iraq. However, the TBMM rejected to open its airbases which had an immediate effect on Turkey-US relations negatively. While Turkey was aiming to prevent potential attacks by Hussein's army, it was a missed opportunity to intervene in northern Iraq to destroy the PKK camps (Mango, 2005, p.48). As the former Chief of Staff of the TSK, İlker Başbuğ argued that the Iraq War was the most fundamental chance to destroy the PKK camps and so, its existence in northern Iraq (Başbuğ, cited in Birand, 2011).

The level of violence has decreased when conflict resolution methods have been applied by the Turkish government. Although the communication was built before the 2000s, the most comprehensive contact has been established between 2006 and 2011 between the National Intelligence Organisation of Turkey and the PKK, which is called the Oslo talks (Bezci, 2015; Kadioğlu, 2018a). Along with the support of society and peace organisations, the peace process maintained until the end of the PKK ceasefire and then violence returned in 2015 (Kadioğlu, 2018b; Köse, 2017). Then, the conflict again turned into an endless war together with the Syrian civil war and the PKK/PYD's enormous gain in northern Syria (Dag, 2018).

The history of the conflict illustrates several breakpoints, which have been affected by not only national political and security agents of Turkey and the PKK, but also international and regional actors. The next section investigates the influence of international and regional dimension of the Kurdish question to comprehend the insights of the conflict.

Understanding the Approaches of Iraq, Iran and Syria towards the PKK

Safe Haven

For a terrorist group, having a safe haven is the most critical condition to survive and strengthen its capacity to fight against a state's security forces. The PKK was aware of this importance, particularly on allowing the use of their territory for the support of training, material and bases. This demand has been responded differently by Iraqi, Iranian and Syrian governments and local authorities in these three states.

The PKK gained support from the Syrian government by providing safe territories shortly after its foundation. When the PKK's leader Öcalan escaped Syria immediately after the *coup* in 1980, the Syrian government allowed the PKK to build training camps and headquarters in northern Syria and the Bekaa Valley of Lebanon via the Syrian border (FAS, 2008). As Van Bruinessen (1988, p.44) indicates, the relationship between Turkey and Syria has been mostly determined by this issue since the mid-1980s. Öcalan noted that '15,000 guerrillas were trained in the camps provided by the Syrian government' (Öcalan, quoted in Pirim and Ortulu, 1999, p.248). Hence, it can be said that the Syrian government's support for the PKK was the biggest help for the group to survive in its foundation process. This help was evident also through the moral support of Syrian officials. For example, Syrian Foreign Minister Faruk-Al Shara called the PKK a 'resistance movement' instead of a terrorist group, even though the PKK was on the list of terrorist groups compiled by Syria (Al-Shara, cited in Phillips, 2015, p.52). Even though the Syrian government had to deport Öcalan and close the PKK camps in Syria after 1998, Shara's view has been Syria's long-standing approach on the PKK.

Syria's position towards the PKK re-emerged as the PKK was allowed to build safe territories thirteen years later through three camp areas: Idlib, ayn-el Arab and Kamışlı which camps accommodate around 1,000 PKK militants as of 2012 (Hürriyet, 2012). The nature of the conflict has completely changed after the Syrian civil war since a majority of the PKK militants moved Syria due to the territorial ambitions in northern Syria. While the Democratic Union Party (PYD), the PKK's Syrian branch, has been founded in 2004, it has been very effective among other Kurdish organisations (TESEV, 2011, p.46). On the one hand, the PYD aims to take northern Syria under its control through the war against not only the Islamic State of Iraq and Syria (ISIS), but also all opponent groups in the region as part of their great Kurdistan project after the civil war (ICG, 2017). On the other hand, the Turkish government has seen no difference between the ISIS and PYD, which determined the state policy towards the war in Syria (Hashimoto and Bezci, 2016). Besides, the US-led western coalition facilitated the PYD's plan because of choosing the PYD as a tactical ally in their war against the ISIS. This proxy warfare campaign provided the PYD great ammunition and training support, which affected the nature of the conflict. Although it is not the main question of this research this is a significant point to strengthen the PKK/PYD in Syria.

The situation was not very different in Iraq as the dispute between Turkey and Iraq over the PKK started immediately after its first lethal attack in 1984. Afterwards, the TSK's operations in the rural areas of

southern Turkey obliged the PKK terrorists to escape not only northern Syria, but also northern Iraq (Kirisci, 2004, pp.283-4). It can be said that two reasons were effective for the use of Iraqi territory at the early stage of the conflict: attrition tactic and the aim to establish bases. Firstly, the mountainous terrain between Turkey's Eastern and South-eastern Regions helped the PKK to adapt hit-and-hide tactics, and so to apply the attrition tactics easily. This method helped the PKK to attack Turkish forces without giving many casualties. Secondly, the authority gap in northern Iraq provided a unique advantage for the PKK to locate its major base in the Qandil Mountains, which is a mountainous area over the border between Iraq and Iran. Thanks to this and other camps in Iraq, the PKK increased the numbers of its members and trained them against Turkish security forces, which was possible through the Kurdish population's support for the PKK in northern Iraq (Daloglu, 2007).

The lack of control of the Iraqi government over northern Iraq is one of the major reasons for the PKK to accommodate in the Qandil Mountains and its periphery. The camps are located in three main camp areas in Iraq: Qandil, Sincar and Makhmour. According to the Turkish government, there are more than thirteen different regions embodies several camps in the Qandil Mountains in 2018 (CNNTürk, 2018). The camps include Dole Koge, Şehit Ayhan, Hınere, Zeli, Kanicenge, Kalatukan, Surede, Belekati, Asus and Mahsum Korkmaz (Milliyet, 2018). Sincar is another camp area in northern Iraq, which has been an important base of the PKK after the ISIS attacks in Iraq. The PKK again took the advantage of the authority gap in the region. Makhmour Camp is one of the largest UN-assisted camp in the region, which has been declared by President Erdoğan that 'the Makhmour camp had become "a breeding ground" for the PKK' (Hürriyet, 2018). The camp consists of 13,000 people as of June 2018 according to the Turkish government. Since the camp has been established for those who have been forced to move northern Iraq by the PKK, the importance of this camp for the PKK can be clearly understood. As it was mentioned in the previous section, after Saddam Hussein regime's use of chemical weapons, many Kurdish people had to move to the Makhmour camp, which later became a great militant source of the PKK. As the district governor of Makhmour Rızgar Muhammed İsmail said, 'The Makhmour camp is under the control of the PKK. The militants are being recruited and trained by the PKK' (CNNTÜRK, 2017). In total, there are 17,000 force of the PKK in northern Iraq, which seems a great threat by the Turkish government (Hürriyet, 2018). This is in line with the assumption that Iraq's help for safe territories facilitated the PKK's violent attacks against Turkish security forces.

Furthermore, the eastern hillsides of the Qandil mountains have been the headquarter of the PKK and largest militant camp which is in the border of Iran. Despite the use of Iranian territory, the PKK did not organise violent attacks in Iran until the 2000s as opposed to the PKK's mortal attacks against security forces and civilians in Turkey. After the September 11 attacks in the US, the PKK changed the name of its affiliated groups in Syria and Iran by keeping its Kurdistan dream on the territories of four countries (Cagaptay and Eroglu, 2007). The PKK's Iranian wing was named the Party of Free Life of Kurdistan (PJAK). The shared problems of Turkey and Iran emerged, primarily the fact that the PJAK and PKK both have their training camps and headquarters in Qandil Mountain in northern Iraq (Nicoll and Delaney, 2008). Although both states have exposed similar threat, The PJAK is much smaller and so has limited capacity as opposed to the PKK. Iran's position towards the PKK was in question during the early years of the PKK attacks.

The Turkish government blamed Iran for backing the PKK and hence, the group was able to survive like many other insurgent groups in north-western Iran, using hit-and-run tactics against Turkish security forces and civilians (Aras, 2001). Although the Turkish-Iranian officials made a security agreement against the PKK in 1984, the aim to prevent the mortal attacks of the group could not help to make progress in the fight against terrorism (Bölükbaşı, 1992, p.29). Thus, Turkish officials blamed their Iranian counterparts for not taking actions against the PKK to prevent establishing camps (Gunter, 1998).

The most obvious indicator of Iran's support was seen through the PKK offices in Iran. In 1989, Osman Öcalan (brother of Abdullah Öcalan) opened a liaison office in Iran. In addition, he negotiated to open twenty operational bases within the border of Iran to target Turkish cities in 1990 (Mango, 2005, p.37). As Barkey (2007) indicates, Iran's covert support was evident through the permission given the PKK to use its territory. This territory was mostly used for escaping from Turkish security forces. Therefore, it provided an opportunity to the PKK to survive against Turkey's counter-terrorism operations including air strikes. Similarly, Turkish officials constantly accused Iran for allowing the PKK to use its territory. For example, former Defence Minister Turhan Tayan stated that 'Iran provides support to the PKK and our security services have confirmed this on many occasions' (FBIS, 1997). In this context, the reason for Iran's unwillingness to dissolve the PJAK/PKK's existence is significant. Although there is no concrete information, arguably, it can be said that this is a result of being a regional power in the Middle East. Undoubtedly, Turkey's fight against terrorism has caused it to spend billions of dollars to security investment and expenditures, which affected the development of the country negatively. Therefore, as Iran and Turkey are the two major powers in the region, their aim to restrict each other's role in the region can be a result of this situation. The PKK has three bases in the border of Iran: Şehit Harun, Kuran ve Piran bases in the Qandil

region of Iran. These camps have an estimated 5,000 and 7,000 PKK members as of 2016 (Yenişafak, 2016). These numbers were evidence of providing safe havens for the PKK in Iran, which has several different reasons that will be assessed in the next section.

Bargaining Strategy

The use of a terrorist group as a bargaining strategy by sponsoring state is a well-known tactic, which is used for the sake of weakening the target state due to a historical problem, reach a specific goal, regional competition or change of the regime (Hoffman, 2006). These three states have had different approaches towards the existence and actions of the PKK. While the Iraqi government emphasised on the lack of control of the region, the Iranian government has consistently denied their help of the PKK. Although these approaches were an outcome of a strategy, they did not emerge through a visible bargaining strategy. This is clearly an outcome of 'not our war' approach since the PKK did not target their security forces or civilians. However, the Syrian government's historical disputes with the Turkish state had a peak because of the use of the PKK as a trump card against Turkey.

Syria used the PKK for gaining political power as part of its regional ambitions (Tejel, 2009, p.71). By allowing the PKK's establishment of bases in Syria, Hafiz al-As'ad, the then president of Syria, gave permission implicitly the PKK to launch attacks against Turkish security forces (Tejel, 2009, p.75). However, it did not result in the Syrian government to admit enrolment in the PKK 'in lieu of compulsory military service, or alternatively, that it was informed by the PKK of Syrian Kurds casualties' (McDowall, 1998, p.65). Moreover, six candidates from Kurd Dag, who declared that they were the representatives of the PKK, ran in the Syrian national election for office in 1990. Ismet Sharif Vanly claimed that the relationship between the Syrian government and the PKK was mutually beneficial, while the PKK had military bases in Syria, the latter provided a bargaining advantage to Syria against its enemies in the region, most importantly against Turkey (Vanly, 1992, p.169). This emerged through different historical issues between Syria and Turkey.

The first historical issue between the two states is the Hatay case. Hatay was part of Syria under the French mandate until joined Turkey on 30 June 1939 as a result of the plebiscite in the city (Mango, 2005, p.35). This initiated hatred of Syria against Turkey. While the Syrian government officially denied their support for the terrorist group, their support for rebellious actions against Turkey was evident (Altunisik and Tür, 2005). It was attested by a captured PKK member, Emine Gerger, she argued that Syria's support for the PKK was due to the 'dispute about Hatay whereby Syria hopes to benefit from the confusion and take Hatay back' (Gerger, quoted in FSA, 2008). This was evidence of the underlying reason of the Syrian support for the PKK to obtain safe havens in the region. In addition, the PKK attacks in Hatay by using the Syrian mainland resulted in the escalation of the conflict as Öcalan threatened Turkish officials that 'Hatay must be turned into a bloody lake' (Hürriyet, 1995).

The second issue is the water problem, which is related to the question of how to obtain more water from the Euphrates River that resulted in an escalation of tensions in the relationship.¹ This river is of vital significance to both states for several reasons including drinking water, hydropower stations for producing electricity, agricultural purposes and transportation. Hence, it has been used as a balancing policy by the Syrian government. As Van Bruinessen (1988, p.44) argues, President Besar Asad used the PKK as a trump card to use more of the Euphrates. However, the Turkish government did not allow this to happen because of the Southeastern Anatolia Project (GAP) in the region.² However, the PKK aimed to prevent this project to be successful due to the aim of establishing a Kurdish state in eastern Turkey. The Syrian government's purpose to use the PKK as a policy tool against Turkey was evident through the statement of Samir al-Taqi, Head of Orient Centre for International Studies in Damascus. He stated that Syria used the Kurdish question as a proxy-war tactic through the PKK to push Turkey to sit at the negotiating table on the water issues (al-Taqi, cited in Hinnebusch and Tür, 2013, p.18).³ This bargaining tactic against Turkey was used to put pressure on Turkey until the capture of Öcalan (Hinnebusch and Tür, 2013, p.4).

Furthermore, after the Iraqi government had controlled northern Iraq completely, it did not allow Turkey to organise military attacks in this region in order to destroy the PKK (Taspinar, 2011, p.173). According to a detailed research of Umit Ozdag, the Iraqi government had a secret deal with the PKK for the sake of putting

¹ The Euphrates originates in eastern Turkey, and it flows through Syria and Iraq to join the Tigris in the Shatt al-Arab river. It finally discharges into the Persian Gulf.

² The GAP is a multi-sector project to provide regional development by using the rivers in the region for agriculture, hydroelectric stations and economic purposes to eliminate regional disparity between western and eastern Turkey (Kolars and Mitchell, 1991).

³ The proxy war, instigated by a state against another state by using a sub-state armed group, caused to affect security concerns in south-eastern Turkey (Mumford, 2013).

pressure on Turkey with regards to water policy (Ozdag, 1999). Therefore, it can be said that Iraq is used the PKK as a bargaining tool against Turkey in order to obtain more water from Euphrates and Tigris rivers.

Diplomatic Pressure

The first decade of the conflict between the Turkish state and PKK was dominated by terrorist attacks of the PKK and the TSK's traditional counter-terrorism tactics. However, hard-line policies are not always successful in eliminating the act of terrorism or terrorist threat. In line with this argument, the PKK kept its existence thanks to the application of solely military methods and the lack of cooperation between neighbouring countries in the Middle East.

After fifteen years of violent conflict with the PKK, the Turkish state began to increase its force on Syria to extradite Öcalan and the PKK terrorists in the late-1990s. The increasing attacks of the PKK by infiltrating Turkey from Syria, and thousands of casualties because of deadly conflict resulted in the TSK's declaration, which referred the UN Charter's 51st Article:

Nothing in the present Charter shall impair the inherent right of individual or collective self-defence if an armed attack occurs against a Member of the United Nations, until the Security Council has taken measures necessary to maintain international peace and security (UN, 1945).

This declaration was followed by the Turkish state's diplomatic pressure in international arena on Syria regarding the Syrian government's support for a terrorist group. As a result, Syria had to deport Öcalan and the PKK's many of the training camps were closed in 1998 (Nicoll and Delaney, 2008, p.1). Turkey's relationship with Syria stabilised after the capture of Öcalan and at the beginning of the 2000s Turkey was exposed relatively fewer terrorist attacks by the PKK coming from the Syrian territory. However, the tension increased after the beginning of the Syrian civil war as the PKK's Syrian wings the PYD and People's Protection Unit (YPG) are backed up by global powers including the US and Russia in the fight against the ISIS (Al Jazeera, 2017). The situation in 2017 has deteriorated as the Kurdish insurgent groups in northern Syria aim to establish a Kurdish state. While the literature on diplomatic pressure predominantly focuses on the international help to terrorist groups, this article argues that diplomatic channels can also be used by the target state against state-sponsored terrorism, which helps to cut the link between terrorist groups and their sponsors. This condition emerged through Turkey's use of diplomatic pressure against Syria, which resulted in the deportation of Öcalan and closure of PKK bases.

Moreover, the Iranian government's unwillingness with regards to the fight against the PKK terrorism was evident through its reluctance to declare the PKK as a terrorist organisation. While Iran did not add the PKK to their terrorist groups list until the 2000s, Iran's point of view changed after the Justice and Development Party (*Adalet ve Kalkınma Partisi*, AKP) government's initiatives. As the AKP government developed strong ties with Iran in the mid-2000s, the two states began to cooperate regarding counter-terrorism policies. Correspondingly, as Mango (2005, p.79) notes, the change in Iran's stance towards the PKK became clear when Prime Minister Tayyip Erdoğan visited Iran in July 2004. He thanked the Iranian officials for fighting against terrorism. As a result, Iran declared the PKK and its splinter groups (KADEK and KONGRA-GEL) as terrorist organisations. In return, Turkey announced the Mojahidin-e Khalq (People's Fighters) in Iran as a terrorist organisation, and declared that it could not use Turkish soil for its extremist actions.

Distribution of terrorists according to their country of which they joined the PKK proves that it is also crucial to respond mutually against the PKK's activities in the future. TEPAV research indicates that distribution of terrorists have been provided until 2011 from several countries: Turkey (57,13%), Iraq (12,70%), Iran (7,75%), Syria (12,28%), EU countries (8,90%) and others (1,24%) (TEPAV, 2012). These data show that 89,86% of the human source of the PKK has been distributed by these four countries. Therefore, it is vital to resolve the problem by establishing diplomatic relationship between these states.

Diplomatic pressure, bargaining strategy and safe haven provide a comprehensive analysis of bilateral relationships between the three neighbours and Turkey on the one hand, and between these states and the PKK. However, there are some other circumstances, which facilitated the PKK to survive and strengthen its military capacity in the territory of these states. These issues can be assessed as external circumstances in the region.

External Circumstances

The existence of a terrorist group is not always related to the intensity and fatality of its attacks, or the support provided by other states. The external circumstances have been another facilitator for the PKK to maintain its existence in the Middle East. During the early 1990s, there was a wider conflict between the two Kurdish movements in northern Iraq. While the fight between Barzani's KDP and Talabani's PUK caused hundreds of casualties, this dispute created a suitable place for the PKK to maintain its existence in Iraq without any opposition (Gunter, 1996). As Kirisci (1996) notes, in response to the PKK's tactical advances to

expand its armed and militant capacity, Turkey organised a cross-border operation with 35,000 troops for six months in northern Iraq in March 1995. The reasons for organising such a large ground operation are twofold: It was not only to destroy the PKK's Makhmour Camp and headquarters in the Qandil Mountains, but also to prevent the establishment of a Kurdish state in northern Iraq. The dispute between the major two Kurdish movements demonstrated that a Kurdish federation could have been established in the north. Arguably, it can be said that Turkish officials believed that the partition of Iraq would deteriorate the terrorism problem in Turkey.

Moreover, the PKK declared a unilateral ceasefire in 1999 after Ocalan's capture, which lasted in 2005. While the ceasefire was not fully complied with, it helped decrease the level of violence, which made it possible to implement political reforms towards ending the conflict.

The Iraq War of 2003 raised the question of the partition of Iraq again. The catastrophic effect of the war and the efforts of Kurdish political parties to establish a Kurdistan federation in northern Iraq caused angry reaction of Turkish officials:

Turkish frustration at not being able to strike at the PKK in northern Iraq was exacerbated by a fear that the Iraqi Kurds would use US protection to proclaim their own independent state- a move that, Turkey has long believed, would further fuel separatist sentiments among its own Kurds (Nicoll and Delaney, 2008, p.1).

Therefore, Turkey was worrying about that an authority gap in the region would possibly lead to encourage separatist groups to strengthen. After the invasion of Iraq, Turkey criticised the US's failure for establishing a rapprochement between the central government and Iraqi Kurds against the PKK. Arguably, this criticism was due to the fear of Turkish officials for Iraq's partition and the potential loss of control of northern Iraq. Five years after the beginning of the Iraq War, the Iraqi Kurdish authorities attested that their forces were inadequate to fight against the PKK (Nicoll and Delaney, 2008).

During and after the invasion of Iraq, the PKK raised its mortal attacks and became even more lethal than before in the region. As Efegil (2008, p.54) indicates, the high-intensity conflict conducted by the PKK changed the nature of Turkey's borderland in 2007. This led Turkish political agents and military officials to discuss another cross-border operation to the PKK's headquarter in Qandil. They had two major aims just like the cross-border operation in 1995. Their first aim was to destroy all PKK camps in the region. The other aim was to inhibit the legal formation of an independent Kurdish state. Although the EU, Iraqi government and the US were opposed to a cross-border operation, after long debates and bargaining, Turkish officials had a consensus to organise several air and land operations to destroy the PKK camps. This operation interrupted the PKK's guerrilla tactics. However, Turkey could not prevent the establishment of the regional Kurdistan government in northern Iraq due to the authority gap after the Iraq War.

Northern Iraq has always been a major focus point for Turkey as the main trainee camps and headquarters of the PKK were located in this region. The Kurdistan Regional Government (KRG) of Iraq spokesperson Jalal Abdullah states that Iraq cannot declare that the PKK is a terrorist group, because they do not have the right to say this (Abdullah, cited in Daloglu, 2007). In contrast, the US State Department spokesperson Sean McCormack argues that the major and positive issue is the starting engagement between Turkey and Iraq in the PKK case (McCormack, cited in Daloglu, 2007). In this context, it can be argued that Turkey's fight against terrorism became more complicated with the Iraq War and the foundation of Kurdistan region. While there is no official link between the KRG and PKK, Turkey constantly claimed the reluctance of the KRG to end the existence of the PKK in northern Iraq.

Not Our War: The Unbearable Lightness of Disregard

The historical analysis of Syria, Iraq and Iran's relationships with the PKK has demonstrated that the approach of these states has not always been against the PKK's presence within their borders. In contrast, their actions are more complicated because of the use the PKK as a trump card against Turkey (Syria), the reluctance to fight against the PKK due to the invasion of their land and the existence of several regional actors (Iraq), and making balance with Turkey in the international arena (Iran). These approaches brought out a common point of view of the three states towards the conflict between Turkey and the PKK: 'It is not our war'.

To isolate themselves from Turkey's fight against terrorism resulted in the lack of cooperation between the three states and Turkey, and limited shared information, which caused the PKK to strengthen in the Middle East. As the three states do not see the PKK as a security threat, this has not prevented them to provide safe havens in their territory. While all three countries provided designated areas for training camps and accommodation of the PKK militants, the analysis has illustrated that the most effective factor that strengthened the PKK was its main camps in Makhmour and Qandil Mountains of Iraq and Iran.

Particularly, as the Turkish-Iraqi border is the closest line from the PKK camps to Turkish residential areas, the PKK militants do not struggle to use this route. The existence of the PKK camps in the region has been one of the most important reasons for not to exterminate the PKK's militant sources.

The external circumstances also supported the belief that Turkey's war against terrorism is not a concern of the three states and global powers. Instead of opposing the violent attacks of the PKK, the neighbours and great powers disregarded this threat. This disregard policy was evident through the ignorance of the PKK terrorism in the Middle East even if the group strengthen its military and logistic capabilities due to the decisions of these actors. The US invasion was an indicator of this condition that resulted in the survival of the group due to the authority gap in northern Iraq. This gap created a unique opportunity for the PKK to maintain its attacks against civilians and security forces despite the TSK's intensive counter-terrorism measures. Undoubtedly, the invasion and war in Iraq caused several problems in the country from unity question and ethnic claims to sectarian disputes between different sects in society. These complicated issues resulted in an inevitable disregard of the PKK's existence in northern Iraq. The Iraq War was also seen as a missed opportunity by Turkish security forces to destroy the PKK. The former Chief of General Staff of the TSK, İlker Başbuğ argued that the Iraq War could have been a great chance to destroy the PKK camps in northern Iraq (Başbuğ, cited in Birand, 2011). This opportunity was missed after the resolution to open its land and airspace to the US had been refused in the Turkish Parliament.

The reluctance to fight against terrorism was an indicator of the 'not our war' approach. This reluctance stemmed from both casualties as a result of the PKK and its Iranian wing PJAK, and the disregard of the PKK's existence by Iran as the group did not target Iranian territory. This disregard resulted in the lack of cooperation between Turkey and Iran to take a mutual position against the PKK. For example, the refusal to acknowledge the Iranian government helped the PKK to operate more than fifty camps for training and accommodation purposes, and liaison offices in six different cities of Iran, which resulted in the confrontation between the two states (Hürriyet, 1999). While there is no clear evidence for the support of the Iranian government for the PKK, the reluctance to destroy the PKK camps in Iran has clearly resulted in strengthening the PKK's military and personnel capacity. Therefore, Turkey had to focus more on counter-terrorism instead of economic development in the southeast, which affected its influence on the Middle East negatively as a regional power. This is in line with Iran's expansionist policies towards the region. Although the perception of Iran on Turkey's fight against PKK terrorism has changed after the AKP government contacted to Iranian officials, this occurred after de-escalation of the conflict. Thus, it did not play a great change in terrorism threat deployed by the PKK.

The intention to use of the PKK as a bargaining strategy is part of a proxy war campaign, which demonstrates the approach of Syria towards the PKK. As discussed in the previous section, two historical disputes between Turkey and Syria resulted in the use of a proxy war strategy by Syria, with the aim of obstructing Turkey's development projects on the Euphrates and initiatives in the Middle East. While this indirect use of violence caused an escalation of the violent conflict in Turkey, this situation led to Turkey's diplomatic and military pressure on Syria. Particularly, the use of diplomatic language by referring to the UN Charter and the threat of cross-border operation of the TSK resulted in the Syrian government to deport Öcalan. It can be argued that Turkey's decisive policy was influential in the late 1990s.

Conclusion

This article has critically analysed the role played by Turkey's three neighbours on the country's war against PKK terrorism. Despite the limited support of the Kurdish community for the PKK in Turkey, the lack of cooperation between Turkey and these three neighbours for the PKK caused the deaths of thousands of people and hit Turkey's economic development. The article has argued that the three neighbours took a benefit of this situation through logistical support, the use of the PKK as a proxy war campaign and the disregard of the PKK activities in their territory as these aspects indirectly support the power of these states against Turkey.

The regional dimension of the terrorist threat has been of vital importance in Turkey. This is in line with Newland's (1993, p.149) argument as he states that if ethnic tensions emerge mostly in the borders of states, one neighbour's help or support to this group might cause the problem to get worsen. This causes state-sponsored terrorism, which needs to be eliminated to bring the PKK terrorism to an end. When Syria, northern Iraq and Iran stop allowing the PKK to use their territories and start cooperation with Turkey through establishing sustainable communication channels instead of confrontation, Turkey's struggle to overcome terrorism is more likely to become less complicated. The analysis has also demonstrated that the aims of states to use the PKK as a tactical tool in order to reach their political goal is the major problem, which is needed to be resolved through diplomatic efforts. It is suggested that Turkey's struggle with the PKK cannot be finished unless domestic pressure is supported by the international society's complete reinforcement.

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BOOK REVIEW

Ian Hurd

How to Do Things with International Law

(Princeton: Princeton University Press, 2017, ISBN: 9780691170114., Pp.187, \$ 29.95.)

Conventional legal scholarship views international rule of law as one ideal in an assemblage of values that governs modern nation-states. They believe that rule of law can transform the chaotic international politics into just, stable and predictable one. Thus legalization of international affairs is viewed as a struggle against the fundamental characteristics of international politics, anarchy and power politics. The past two centuries have witnessed numerous efforts to interpret diplomatic practices into objective and neutral rules. Majority of the conventions and treaties of today are the outcome of such wisdom and the endeavours followed. Ian Hurd's *How to Do things with International Law* is a critique of conventional wisdom that the international rule of law is inherently good and outside politics. The purpose of the book is to understand the power and politics of international law. By dissecting state practices of rules related to war, torture and drones the author uncovers the complex politics engrossed in international law.

The book has put forth two principal arguments. First, the international rule of law is not progressive since politics is inherent in it. However, the political nature of law does not make it worthless. Since states find the law is useful, latter becomes a source of power in which the former invests its energies. The analysis of domestic and international law highlights the political power rule of law. Contrary to the domestic situation where law is set and limited by governments at the international level actors themselves decide what constitute legal and what not. In addition, at the international level rules also need the consent of actors. This not only discards the traditional liberal presumption that rule of law is neutral and non-political but demands a distinct approach, combination of legal realism and practice theory. Use of practice as a unit of analysis enables to understand the

instrumental utility and productive power of the international rule of law.

This reveals how content of international law and interests of actors are mutually reinforcing, the second argument of the book. According to Hurd, international law not only restrains states but also empowers them. The constraining and permissive power of the international rule of law depend upon the importance states put in it. However, the law is powerful since states persistently use it to justify foreign policy conducts. The author argues that international rule of law 'cannot be separated from state practice, and state practice does not exist independent of the legal explanations, justifications and rationalizations that governments give for it' (p.7). Nonetheless, the instrumental utility of international law does not make the law irrelevant. Rather 'state practice invests in law's discursive authority' (p.50). The cases studies of war, torture and drones explain this puzzle, how the rules empower some actors and weaken others.

The legal rules that ban war have both constraining and permissive powers. The principle of self-defence in the United Nations Charter is a case in point. According to Hurd, state practice and interpretative trends have played a significant role in the evolution of laws of war. The 'changing interpretative resources have driven the contemporary content of law away from its black-letter text.' For instance, since the 2003 Iraq War, pre-emption became the central question regarding the use of force in international politics. It replaced the genuine issue of self-defence with preventive and pre-emptive use of force with justifications. Here legality became a function of state interests, and certain categories of wars become legitimate. The evolution of rules related to nuclear weapons and drones is another case which shows the role of practice in the progress of the rule of law. It explains how international law works in situations of legal vacuum and how states

utilize such circumstances. The cases study of torture, United States practice against international human rights law, illustrates how distinctly diverging policies can be defended under a single set of rules. It points towards the political power of legal justification, particularly by strong states to affirm the legitimacy of their choices. It is in this sense the author sees the international rule of law as an empire—a global political arrangement of authority that shapes the possibilities of action for states (p.137).

However, due to the complexity of the subject under concern, this work also has certain inevitable drawbacks. First, it is true that international law not only constrains states but empowers them by providing opportunities to justify their actions. Indeed the use of law by governments grants authority and power to international law. Nonetheless, this argument alone is not enough to counter the realist claim that state power overwhelms international law. Realist would argue, states are intrinsically powerful to do what they desire, and hence the contents of international law reflects the interests of states. Hence, it is not an empire of legalism or

nomos as the author argues, governs the international affairs. But it is a *global state of exception* where sovereign is privileged to decide 'exception.' The principle of self-defence in the UN Charter and its various interpretations by states in practice are cases in point.

Secondly, the cases that Hurd chose to problematize the nexus between state power and international law are appropriate but insufficient. For instance, two cases among three focus on one state, the United States. The US is a hegemonic power in international politics and scrutinising its approach towards international law will not necessarily provide a reliable account of the mutually reinforcing relationship of international law and states power. In other words, to generalize the inferences that the author put forth requires an analysis of more cases, how differently positioned states in international politics practice the law. However, this limitation can be a possibility as well, scope to contribute further research in this field. Therefore, this book is essential reading for everyone who engages with international law and international politics.

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BOOK REVIEW

Muhammad Qasim Zaman

Islam in Pakistan: A History

(Princeton: Princeton University Press, 2018, ISBN: 978-0-691-14922-6, 401pp., N.p.)

Recent terrorist attacks in the name of Islam amid President Trump's approach toward Pakistan highlight the question of the relation between Pakistan and Islamic extremism. Some observers attempt to place all burdens on the shoulder of Pakistani state's policy. Others tend to highlight the religious aspect, condemning Islam. In a very illuminating explanation, Muhammad Qasim Zaman, an expert in Islam in the history of Indian sub-continent, offers a timely, insightful, accessible and comprehensive account, suggesting different vibrations of Islam in both historical background and the current situation in Pakistan.

Consists of seven chapters, *Islam in Pakistan: A History* covers a verity of significant materials like Islamic identities in Colonial India, Modernism, Ulama (traditional scholars of Islam graduated from Madrasas) and state, Islamism, religious minorities, Sufism, and religious violence in Pakistan. As seen in the process of shaping a new nation and country, Modernism is the core motive in forming the evolution of Pakistan. The fundamental argument of the author is demonstrating how modernism relevant to Islam formed the official policy of the Pakistani state contrary to the common idea that sees Modernism as a particular phase in the intellectual and political history of the modern Muslim world, limited to the epoch of European colonialism. Though Modernism has been in gradual decline in Pakistan, Dr. Zaman believes that secular nationalism and Marxism had no much purchase there.

Beginning with the question of identity among Muslims in India, the author articulates main orientations in Islamic circles in four following groups: Deobandis, Berelawi, Ahl-i Hadith, and the Modernists. While the first two are more part of the traditional school of Sunni jurisprudence, namely Hanafi, they are far from each other in

terms of concentrating on Sufi rituals. Ahl-i Hadith and the Modernists are pro new *Ijtihad* (deducing new sharia law) and against *Taqlid* (submitting to overarching jurisprudential authority) but are far from each other in compromising with modern institutions, implications, and worldviews. The book then takes the tracks of the evolution of these orientations relevant to Islamists, from the old Khalifat movement to the new Pakistani Taliban; to the recent emerging concerns with regards to the new state, Pakistan, and this state's religious identity, its regulations and policies. However, great attention is paid to the minorities like Ahmadis and Twelver Shias. This historical examination exposes the reader to fundamental concepts and original works of persuasive intellectuals and scholars from opposing circles. The work includes, Abdul Hakim Khalifa, Muhammad Ali, Moulana Muhammad Ali, Muhammad Hassan Askari, Abul-Kalam Azad, Jawad Ahmad Ghamidi, Muhammad Ali Jinnah, Husayn Ahmad Madani, Sayyid Abul-A'la Mawdudi, Muhammad Hanif Nadwi, Shabli Nu'mani, Fazur Rahman, Mawlana Fazlur Rahman, Mufti Muhammad Shafi', Ashraf Ali Tanawi, Muhammad Taqi Usmani, and Hafiz Muhammad Sa'id, as well as their affiliated organizations. These references not only present an intellectual survey of Islam, modernization, and the politics in Pakistan, but also depict how religious thought shaped Pakistan in the contexts of regional and international policies and developments. It points out that their current religious perspectives cannot be traced back to pre-modern time because they are products of recent cultural concerns.

Dr. Zaman's book offers an appealing and detailed account of identical debates among Muslim scholars, both Ulama and non-madrasa graduates, on the possible harmony being a member of a secular nation and a member of Islamic Ummah—

a separate community vs. separate nation. This echoes the vital question which pitted the Indian National Congress against Muslim League in India; it transformed to the subject “running a state within the state” concerning Islamic minorities like Ahmadis and Shias in newborn Pakistan. Another example is the Aligarh College’s concerns on Islamic teachings within its educational system, in India; it transformed to the establishment of the Committee of Fundamental Conflict in modern Pakistan.

Concerning political and violent Islam in Pakistan, the author strongly argues that it cannot be understood without an appreciation of how Pakistan emerged and grew up in terms of Jihad; the Kashmir war of 1947–48, the wars with India 1965 and 1971, the Afghan war in the 1980s, and the insurgency in Indian Kashmir in the 1990s. All of these events contributed to the core of Pakistan’s identity. Further, Dr. Zaman’s work astutely highlights how these multiple Islamic orientations overlap and how the spread of current Islamization is often the outcome of a modern state attempting to present a modernized Islam. Nonetheless, modernists were successful in both introducing and enacting reform on women issues; for example, the Muslim Family Laws Ordinance of 1961 and the Protection of Women Act of 2006.

Using a vast amount of original materials, including archival sources, published works and unpublished theses and dissertations, in English, Arabic and Urdu, the book is a unique and seminal volume for those who are interested in

diverse interpretations of Islam in Indian sub-continent, particularly Pakistan, modernization in Islamic countries, and political and violent Islam.

Yet, while the author skillfully presents the often overlapping orientations of Islam and their mutual effect as well as those between the state and its rivals, the author barely touches connections between these orientations and the rest of Islamic countries in great detail. When a country defines itself with, and only with, Islam, the author cannot ignore a careful consideration of the other parts of the same productive community called Ummah. Both the status and then the connection of Indian Muslims in unmentioned. When the book discusses Pakistan’s involvement and policy toward Afghanistan’s war, it does not address the issue of the Muslim Brotherhood and the influential figures like Abdullah Yusuf Azzam and other Afghan Arabs involved with the Jihad in Afghanistan both physically and intellectually in Pakistan. Finally, the same treatment is given to al-Afghani’s lecture on 8 November 1872 in Calcutta’s Albert Hall which introduced a very unique perspective about the philosophical grounds of modern science and education: something that Muslims lacked. As well as Sayyid Ahmad Khan’s response to al-Afghani’s criticism of Khan’s commentary on the Quran.

In the final analysis, this book is an absolute must-read for graduate classes on Political Islam, Islamization, Modernization, and Pakistan Politics and history.

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