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Foreword et Remerciements

We are thrilled to present the Fall 2014 edition of Potentia and share the hard work of our talented authors and editors with our academic community. This year's journal is an excellent addition to the strong tradition of work presented in the first four publications. This year's theme, "The strange worlds we live in: contradictions, paradoxes, and dilemmas" was purposely broad in order to attract students interested in a wide variety of contemporary issues, both domestic and international. We sought research exploring those issues in a way that interrogates the implications of different dilemmas and contradictions that appear within the many fields that constitute public and international affairs. We felt that the theme fit very well within the wider nature of both policy making and academic research. Properly understanding the dilemmas and paradoxes that populate public and international affairs is crucial for improving decision making processes, bridging gaps between theory and practice, and carving out new and innovative solutions to the greater problems of which they are a part and for which they pose major challenges. As we had hoped, this theme has provided us with a breadth of different problems across different disciplines, and a rigorous and methodologically diverse depth of analysis ranging from engaging policy recommendations to compelling theoretical inquiry.

Potentia shared "The strange worlds we live in" with the CIPS/CIPSS 5th Annual Graduate Student Conference and each interpretation of the theme between the conference and our journal has been uniquely fascinating. For Potentia, we chose articles that are distinct across a number of elements. We are pleased to publish articles that explore issues close to home, and those abroad, and are written both in French and English. We are further proud to present articles by authors from across Canada and the UK that examine theoretical challenges of political philosophy and critical security studies as well as articles exploring very tangible dilemmas spanning international finance, Canadian economic challenges, mediation of international disputes, conflict resolution, and Canada's mission in Afghanistan. Our diversity does not only span an interesting array of topics. Potentia features publication of both policy papers and research papers.

Potentia is a unique opportunity for graduate students to both have their work published and to engage in editing and review processes. It has been an exceptional experience for us as editors to be involved in (and learn from) choosing the best papers from a very competitive pool, working with authors and our editorial team, and crafting the overall vision and final publication of this year's edition. This is the first edition since 2012 and we are excited to present seven papers that represent thoughtful and intellectually sound scholarly contributions. We hope that this edition is valued by readers as diverse as our authors and that it satisfies the curiosity of those interested in what graduate students of public and international affairs have to offer.

Lorsque Potentia nous a été remis, on ne voyait que la pointe de l'iceberg. Sans expérience précédente, deux éditrices-en-chef ont parfois eu l'impression d'avancer à tâtons. Nous remercions M. Roland Paris de nous avoir offert l'opportunité de diriger la revue ainsi que pour la confiance et la générosité placée sous le leadership du CÉPI. Ses conseils et son expertise nous ont été plus que précieux avec l'assistance d'Isabelle Kirsch dans ce parcours.

Potentia est un processus créatif qui a besoin de contribution et de diversité. Ce processus ne serait rien sans le travail colossal de l'équipe éditoriale. Ils ont été dévoués, une source d'idées et de résolution qui ont concrétisé la vision de cette revue. Ils se sont consacrés volontairement malgré des horaires personnels chargés et ont notre ample gratitude. Avec leur persévérance, l'expérience s'en est trouvée allégée et dynamique. Mille mercis de nous avoir soutenues par votre volonté et vos efforts.

Au départ, il nous fallait un thème. Nous envoyons un merci spécial pour l'inspiration à l'extraordinaire Monsieur Ferry de Kerckhove. Tantôt professeur, tantôt mentor, mais toujours accommodant. En tant que professionnel en résidence à l'ÉSAPI, vous nous avez rendu un grand service en nous donnant un coup de pouce au décollage.

Sur une note personnelle, je (Éricka) tiens à souligner le rôle de Caroline Dunton, ma coéditrice/confidente qui a bien voulu relever le défi de la progression d'été en mon absence. C'est un privilège et un plaisir de travailler avec une amie aussi débrouillarde, patiente, organisée et perspicace que toi. Aucun doute possible: la revue a été en excellentes mains en te passant le flambeau. Tu nous as épatés!

On ne peut passer à côté de l'essentiel, du corpus de la revue, c'est-à-dire ses auteurs. Nous avons été agréablement surprises et choyées de pouvoir sélectionner parmi un aussi grand nombre de soumissions. Le choix a été difficile et ce, surtout pour nos assistants d'édition. Les auteurs incarnent la raison d'être de Potentia, soit la diffusion d'une idée qui confirme ou conteste l'étrangeté du monde dans lequel nous vivons dans une variété de domaines. Ils se sont montrés à la hauteur du projet en étant originaux, flexibles, engageants et rigoureux.

J'espère que les efforts de notre équipe éditoriale sauront transparaître dans votre lecture de la revue 2013-2014. Notre souhait est que vous en apprécierez davantage le talent des auteurs et, pourquoi pas, vous laisserez surprendre par ce monde surprenant dans ses nuances que sont les affaires publiques et internationales?

C'est ainsi la fin du parcours. Fini la pointe, car dès à présent on voit tout!

Au plaisir de la lecture et avec sincérité,

Éricka Lavoie and Caroline Dunton
Les éditrices-en-chef de Potentia 2013-2014

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Contributors – Auteurs

Andrew Champagne is a Master's student at the University of Ottawa's Graduate School of Public and International Affairs. He can be reached at acham062@uottawa.ca.

Francisco Gómez is an M.A. student in the department of Humanities and Social Science at Athabasca University. He can be reached at fgomez@sfu.ca.

Nathalie Labonté holds a Master's Degree in International Relations from Laval University and a Graduate Certificate in Conflict Resolution from Carleton University. She has extensive experience in the Canadian Public Service including CIDA, TBS, Finance and PCO. She was a Civilian Stabilization Officer in Kandahar in 2009-2010. She can be reached at Nathalie.Labonte@international.gc.ca.

Sébastien Labrecque complète présentement sa maîtrise à l'École supérieure d'affaires publiques et internationales à l'Université d'Ottawa. On peut le rejoindre à l'adresse suivante: slabr059@uottawa.ca.

Christopher Peys is a PhD candidate at the University of St. Andrews in Scotland. He can be reached at cjpp@st-andrews.ac.uk.

Christell Simeon is a Master's student in Public Administration at the Johnson Shoyama Graduate School of Public Policy at the University of Regina. She can be reached at christell_simeon@yahoo.com.

Eric Thomson is a Master's student at the University of Ottawa's Graduate School of Public and International Affairs. He can be reached at ethom070@uottawa.ca.

Research Papers

The Copenhagen School and Securitizations, Macrosecuritizations, and the Formation of a Constellation:
The Tragedy of the Iran-Israel/United States Security Dilemma

Eric Thomson

Introduction

1979 marked a time in history when the political and security dynamics of the Middle East and beyond became upended. The 1979 Islamic Revolution of Iran created a theological government in Tehran that has since had tumultuous relations with several states; however, none have been as strained as those with the United States and Israel (hereafter referred to as the 'binational alliance') with which Iran has no diplomatic relations and a heavily sanctioned economic relationship. These feelings were fomented by antagonistic acts that have been attributed to, or admittedly caused by, Iranian actors against the binational alliance, and vice versa. These acts have included a combination of outright violent attacks as well as non-violent subversive measures to diminish the rival state's influence. These hostile relations have fostered deep-seated feelings of wariness, distrust, and outright disdain. As a result, the binational alliance has often categorically dismissed Iran's policies, including benign ones, as being the product of a malevolent, revisionist, and illegitimate government. Over the years, successive governments in Tehran and their Supreme Leaders have also made it very clear that sentiments of disdain are mutual.

Most recently, it has been Iran's nuclear energy program (which it claims is for peaceful purposes) that has caused the binational alliance to tighten the sanctions regime, continuously condemn the Iranian government, and to threaten it with preventative military strikes if it does not halt uranium enrichment. Israel, led by Prime Minister Benjamin Netanyahu, has taken a more hawkish approach than his American counterpart, President Barack Obama. Netanyahu, in particular, has repeatedly described the development of Iran's nuclear program as an imminent existential threat to Israel. His policy route has been to opt for heavier sanctions with a threat of military action if Iran's level of enrichment crosses a particular threshold. On the other hand, Obama has engaged Iran through diplomatic negotiations along with the other members of the P5+1 (the United States, the United Kingdom, France, Russia, China, and Germany) while keeping "all options on the table." [1] In this case, using this model, one can apply this process to the current Iranian nuclear issue. Within the theoretical framework of the Copenhagen School I argue that the binational alliance has attempted to securitize (meaning the issue is presented as an existential threat, which requires emergency measures that justify actions outside the normal boundsof political procedure (Buzan, et al. 1998:23-24) Iran's nuclear energy program. Upon further examination, this attempt to securitize can also be conceptualized within the encapsulating 'macrosecuritization' of tenets and policies of the Iranian

theological regime. Moreover, Iran has also generated a macrosecuritization which include tenets and policies of the governments United States and Israel that the leadership in Tehran believes are existential threats to its government. These consciously-generated macrosecuritizations subsequently create a self-perpetuating 'constellation' that is in fact, a process-oriented 'security dilemma'. These concepts and their theoretical underpinnings will be discussed in length later on.

First, I will analyze momentous events that have shaped the ethnographic history of Israel and Iran. These events are provided to broaden and deepen the understanding of the cultural context of the behaviours of the Israeli and Iranian governments. I focus on Israel and Iran because it is their recalcitrant nature, which has been cultivated by these events, that reduces the likelihood of these two states to co-operate to pursue peaceful options to resolve the Iranian nuclear issue. Second, I will explain the Copenhagen School's constructivist and process-oriented argument that, "'security' is a self-referential practice (not necessarily because a real existential threat exists but because the issue is presented as such a threat)" (24) and its implications are at the 'middle' (state) level, and the 'macro' (group of securitizations) level. Third, I demonstrate how securitizing actors of the binational alliance and Iran have attempted to securitize each other. Fourth, I explain who the key decision-makers (securitizing actors) of the three nations are; in addition, I analyze the 'speech-acts' of these decision-makers to demonstrate that they are a part of the process of securitizing. Lastly, I examine the structure of the macrosecuritizations and explain how together they form a constellation, and subsequently a security dilemma. Indeed, within the scope and length of this paper it is only possible to effectively evaluate this process and its implications rather than making the argument about whether the threats were successfully securitized. I argue that the process of Netanyahu's attempted securitization of the Iranian nuclear program has generated a political atmosphere that reduces the feasibility of a peaceful resolution. Moreover, the macrosecuritizations constructed by the US, Israel, and Iran subsequently form a constellation that represent and perpetuate a security dilemma which heighten the risk of conflict.

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[1] This is a thinly-veiled reference to a military option as a last resort, if sanctions and diplomacy fail to change the trajectory of the Iranian nuclear program's development.

Historical background and Israeli and Iranian ethnography[2]

In the thirty-four years since the inception of the Islamic regime, the United States and Israel have shared feelings of distrust and disdain for its leadership, and the feelings have been returned in kind. The origin and nature of these feelings can be better understood within an ethnographic context. Israel has been the continuous target of conventional and asymmetrical warfare which has perpetuated a sense of deep-seated insecurity since its establishment in 1948. This sense of insecurity has been heightened and hyper-sensitized by the spectre of the Holocaust. In fact, the Holocaust has become the central event of Jewish history which defines Israeli identity (Oron 1993), replacing the event of the establishment of the State of Israel (Herman 1979).[3] This phenomenon is not exclusive to the latest generation of Israelis either. After the Second World War, many Jewish survivors of the Holocaust arrived in Israel. In the early 1950s, "one out of every three Israelis was a survivor… [which constituted] a total of 350,000" (Resnik 2003:304). Thus, the physical embodiment of the Holocaust has been ever-present in Israeli society and has significantly shaped the state's national identity.

The psychological power that the memory of the Holocaust has over the Jewish state shows itself in instances of national insecurity. As Idith Zertal notes, ***every***[4] war with Israel, from 1948 until the present, has been conceptualized by its leaders in terms of the Holocaust (Zertal 2005:5). Israel's leaders have evoked the memory of the mass extermination of millions of Jews to emphasize self-reliance and the overall importance of protecting and maintaining national security. This emphasis has been the foundation of hyper-sensitivity to national security threats. Strasler (1995) personifies this sensitivity when he states:

> …*In as cynical and power-driven world as ours, Israel should not consider, even for a moment, giving up the nuclear option … [Israel] must not, under any circumstance, put the guarantee for [its] safety in the hands of anyone else, and if there is someone who wants to call it 'a Holocaust complex', let them do so. As far as I am concerned, this is the most important lesson that the six millions [sic] taught us. (b1)*

In this sense, Israel's 'secret' nuclear weapons program is justified to protect the state.

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[2] The author acknowledges that political culture is not universal or uniform. Consequently, Israeli and Iranian political subjectivities are varied, and their political narratives and cultures are diverse. Yet, in official political rhetoric, I argue that the uniformity and exceptionality of the modern Israeli and Iranian experience is stressed to create national unity to rally against an exogenous threat.

[2] See also the survey Yad Vashem (the national museum of the Holocaust in Israel) performed in 1999, which found that 87 per cent of the respondents believed that the Holocaust was a central factor in their identity in: 'The upheaval in the memory of the Holocaust'. Ha'aretz (2 May 2000, in Hebrew).

Therefore, a linkage is formed between the Jewish history of persecution and the necessity to defend itself by any means possible.

On the other hand, despite Iran's own lengthy history (from classical antiquity to present day) of numerous exogenous attempts to subjugate the people and governments of Iran, as well as to exploit its natural resources, any justification for its own nuclear energy program is unreasonable to Israel. The most recent examples of external meddling in Iranian affairs include a coup d'état in 1953 orchestrated in large part by the American Central Intelligence Agency (CIA) to overthrow the democratically-elected Prime Minister of Iran, Mohammad Mossadegh. Upon election in 1951, Mossadegh, a champion of the recently nationalized Iran's oil industry (which had closed the foreign-owned Anglo-Iranian Oil Company's (AIOC) oil refineries in Iran), became a target of the British and American governments. This can be attributed to how Mossadegh had fused the constitutional movement in Iran with that of anti-imperialism; and, as Andreas Etges specifies, "…[He] had been among the founders of the National Front, one of whose main goals was to end the British domination of Iranian oil" (2011:498). After the coup, the US-backed dictator and monarch Mohammad Reza Shah Pavlavi took power. The Shah ended the nationalization program and allowed a consortium of nine foreign oil companies to extract Iranian oil. Gasiorowsky and Byrne summarize how the coup has heavily contributed to the narrative of the American government as a devious, imperialist usurper, espoused by the current theocratic regime:

> The coup was a watershed for Iran …and for the standing of the United States in the region. The joint U.S.-British operation ended Iran's drive to assert sovereign control over its own resources and …put an end to a vibrant chapter in the history of the country's nationalist and democratic movements. These consequences res-onated with dramatic effect in later years. When the Shah finally fell in 1979, memories of the U.S. intervention in 1953, which made possible the monarch's … unpopular 25-year reign, intensified the anti-American character of the revolu-tion. (2004)

The Shah's reign, and its end by popular revolution, has come to symbolize for the Islamic regime the need to confront any perceived American threat to Iranian sovereignty and self-determination. This symbolism is a major component of the regime's identity.

There are dominant, namely relatively more conservative, elements of regime also sees itself as a modern day metaphor for the Constitution of Medina, which the Islamic prophet

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[4] Emphasis is my own.

Muhammad drafted. This constitution formed effectively the first Islamic state (Haggay 1991:38). Former Iranian President Akbar Hashemi Rafsanjani drew parallels between the two revolutions to explain the Islamic government's deep distrust and disdain for meddling foreign powers who condemn the theocracy and question its legitimacy:

> *In the time of the Prophet. . . two superpowers dominated the world: Iran in the East and Byzantium in the West. …Neither friend nor foe expected these revolutions to be victorious, and they were all proven wrong. In both cases the notion of exporting the revolution was first subjected to ridicule and mockery by enemies who thought that it constituted no serious danger to the …exploitative and imperialistic relations of the region. Thus, the Khosrows [the Sasanian kings] and the Reagans [5] of the world labeled the leaders of the two revolutions – the Prophet and [the founding Supreme Leader of Iran, Ayatollah] Khomeini – as "sorcerers," "lunatics," and "deluded," only to witness the world overwhelmed by Islam. (42)*

By comparing the 1979 revolution to the revolution of the Prophet, this symbolism is manifested to further legitimize the 1979 revolution and the subsequent theocratic government in the eyes of the clerical leaders in Tehran and the Iranian people. The American involvement in the coup and its condemnation of the Islamic revolution has therefore reinforced the theocracy's resolve to pursue self-determination as it sees fit. It also provides justification to challenge any act it perceives as foreign powers meddling in Iranian affairs. An even further deepening of Iran's disdain for the United States has been caused by the latter's military, financial, and intelligence support for the Iraqi dictator Saddam Hussein during the 1980-1988 Iran-Iraq War (Lando 2007).

Although there are glaring differences between the histories of the people of Israel and modern-day Iran, insofar as that the Holocaust is incomparable to anything Iranians have faced in modern times [6] , the fact remains that both peoples have been subjected to treatment that has firmly implanted a heightened sensitivity to, and suspicion of, adversarial behaviour. This heightened sensitivity creates a political environment that is hypersensitive, which widens the scope of perceived threats. In this sense, hypersensitivity suggests a potential clouding of clear-eyed judgment by imparting a powerful bias exuded

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[5] The Sasanian Empire was the last Iranian empire before the rise of Islam, ruled by the Sasanian dynasty from 224 CE to 651 CE. (POURSHARIATI, P. (2008) Decline and Fall of the Sasanian Empire: The Sasanian-Parthian Confederacy and the Arab Conquest of Iran. I.B. Tauris:4. Here, 'the Reagans' is a reference to US President Ronald Reagan and other leaders of the Western world who had denounced the Islamic regime.

[6] The author acknowledges the devastating scale and scope of destruction that Iranians endured during the 1980-88 Iran-Iraq War; but, although this war did deeply affect the collective Iranian psyche, I argue this phenomenon does the rival the scale of the effect on Israeli Jews.

through fear and skepticism. In terms of the relationship between Israel and Iran, not only does Israel assert that Iran's nuclear program is for the purpose of weaponization, which is arguable in its assumption, but it asserts that the program will produce nuclear weapons for offensive rather than deterrent capabilities. As presumably the latter is the purpose of Israeli's undeclared nuclear arsenal, there exists a double-standard. It is in part from the hypersensitivity to national security threats that creates this double-standard, but it is the recent history of verbal threats from the Islamic regime that have solidified and reinforced this perception. Indeed, verbal threats to the Islamic regime have also been made by Israel. This hypersensitivity thus roots policy-making deeply in subjectivity, which may hinder clear-eyed decision-making. It is with this in mind that we will explore how securitizations and macrosecuritizations are generated.

The Copenhagen School: Securitization theory, macrosecuritization theory, and the application of securitizations to the US, Israel, and Iran

The Copenhagen School has developed a "new framework for analysis" of security studies (Buzan et al. 1998) that examines "security" [as] a move that takes politics beyond the established rules of the game and frames the issues either as a special kind of politics or above politics (23). This move can be understood as a process driven by certain actors, entities, and acts, most often at the 'middle', or state level. [7] The "securitizing actor" seeks to convince an "audience" through "speech-acts" that a "referent object" faces "existential" danger from a designated "threat", and thereby the actor claims a "right to handle the issue through extraordinary means [e.g., in the form of secrecy, …placing limitations on otherwise inviolable rights, or focusing society's energy and resources on a specific task" (24). Furthermore, "…it is in this practice that the issue becomes a security issue – not necessarily because a real existential threat exists, but because the issue is presented as such a [threat]" (24). This act of securitization can arguably place any issue "on any part of the spectrum" and "will vary greatly across different sectors and levels of analysis; therefore, so will the nature of existential threats" (22). Keeping in mind that this framework has, "its shortcomings in terms of silences, non-verbal securitizations, causal explanations, and the need to refine the understanding of audience(s)" (Buzan and Wæver, 2009:254)[8] , one can still apply this framework effectively to explain the acts of securitization relevant to this paper. This framework will be applied to the current Iranian nuclear issue. Here, this single act of securitization will be the central focus of a group of securitized issues in this paper. Therefore, additional related examples of securitizations will be included, albeit not at the forefront of the analysis.

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[7] 'Middle-level' and 'state-level' are interchangeable terms that will be used according to the context.

Iran maintains that its nuclear program is for peaceful purposes only. Despite repeatedly stating this position, and the fact that Iran has yet to produce any weapons-grade highly-enriched uranium (HEU), Israel has threatened to attack Iranian nuclear facilities before the production of HEU even begins. This, along with Israel's attempted securitization of the Iranian regime, are examples of middle-level securitizations. Again, the focus of this paper will not be on whether the securitization has been successful, but rather on the process of the attempt and its political and security implications. The securitization process and its relevant components are individually illustrated below:

	Securitizing Actor	Audience	Speech-Acts	Referent Objects	Existential Threats
United States	President Bush	Domestic and international	Analyzed later in, 'The three nations" decision-makers'	Regional and international security	Iranian nuclear program; Iranian-backed 'terrorist' organizations
Israel	Prime Minister Netanyahu	Domestic and international		State of Israel; regional and international security	Iranian nuclear program; Islamic theocracy; anti-Israel regime in Tehran
Iran	Supreme Leader Khameini	Domestic		Self-determination; sovereignty; Islamic theocracy; domestic civil policies	US imperialism; Israeli imperialism

When a securitizing actor consciously aggregates several middle-level securitizations, it generates what Buzan and Wæver call a "macrosecuritization" (2009). Thus, macrosecuritization serves as, "an additional concept to cover securitizations that speak to referent objects," and threats, "higher than those at the middle-level (for example religious or political ideologies) and which aim to incorporate and coordinate multiple lower level securitizations" (257). Conceptually, they are an aggregation of multiple securitizations.

In the case of Israel and Iran, Israel seeks to securitize a number of Iranian state-level policies (such as its nuclear program, regardless of an ongoing interim deal with the P5+1; the funding of militant, or "terrorist" [9] groups such as Hamas, the Islamic Jihad Movement of Palestine, and Hezbollah; and domestic human rights violations) which generate a macrosecuritization that encompasses these state-level policies.

This aggregation moves securitization 'above' the state-level to a 'higher' ideological level, where essentially several core policies of the theological regime are deemed existential threats to Israel. In this sense, many of the regime's policies will be considered inherently existential threats because the source of these policies is rooted in ideology that categorically dismisses Israel's right to exist and political legitimacy.

It is possible that an actor who consciously generates a macrosecuritization for another actor, and then acts 'beyond the established rules of the game' to intercept and disable the threat, will act in such a way that solidifies and perpetuates the macrosecuritization imposed upon it by the threat. This creates a social structure called a 'constellation'. [10] Constellations are generated by the interdependent [macro]securitizations of a variety of [actors], but do not require that the actors recognize this larger structure [268]. The logic and pattern of a constellation may be recognized by the analyst, with each individual actor conscious only of its own [macro]securitizations (268). An example of a constellation would be the ideological battle during the Cold War. The United States and the Soviet Union each consciously generated a macrosecuritization of the other's ideology (capitalism/democracy, and Soviet communism, respectively)[11] as an existential threat to the other's own ideology, which in this case is referred to as the referent object. Also, each's ideology produced middle-level policies that were securitized as threats to one another's referent object. This cyclical relationship is the definition of a constellation. Thus, "when two macrosecuritizations are mutually opposed, each construing as the ultimate threat what the other defends, they generate one integrated constellation. This way, the Cold War became a constellation containing two momentous macrosecuritizations and a huge network of [interlinked] identities and policies" (259). It is in this capacity that the binational alliance and Iran have, through mutually opposed macrosecuritizations, developed a perpetuating constellation. However, nuances at the sub-state level must be considered for thorough analysis. Therefore, it is necessary to examine the relevant sub-state securitizing actors, namely politicians in office, and their differentiations in terms of speech-acts and their level of influence in the political decision-making process. This will facilitate deeper analysis and aid in avoiding oversimplifying and misconstruing securitizing actors as black boxes.

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8 See: Lene Hansen, 'The Little Mermaid's Silent Security Dilemma and the Absence of Gender in the Copenhagen School', Millennium, 29:2 (2000), pp. 285–306; Michael C. Williams, 'Words, Images, Enemies: Securitization and International Politics', International Studies Quarterly, 47:4 (2003), pp. 511–29; Claudia Aradau, 'Security and the Democratic Scene: Desecuritization and Emancipation', Journal of International Relations and Development, 7:4 (2004), pp. 388–413; Thierry Balzacq, 'The Three Faces of Securitization: Political Agency, Audience and Context', European Journal of International Relations, 11:2 (2005), pp.171–201; Holger Stritzel, 'Towards a Theory of Securitization: Copenhagen School and Beyond', European Journal of International Relations, 13:3 (2007), pp. 357–83; Matt McDonald, 'Securitisation and the Construction of Security', European Journal of International Relations, 14:4 (2008) pp. 563–87; Juha Vuori, 'Illocutionary Logic and Strands o fSecuritisation', European Journal of International Relations, 14:1 (2008), pp. 65–99.

The three nations' decision-makers: Their attempted securitizations and their speech-acts

The governments of the United States, Israel, and Iran have three very different systems of governance. They are a presidential federal republic, a parliamentary democracy, and a theocratic republic, respectively. Thus, the concentration and distribution of power varies within each government. Structurally, Israel has traditionally formed a coalition government as a product of its proportional representation (PR) system and its variety of political and religious ideologies. Currently, in Netanyahu's Likud Party-led coalition government, there are five other political parties. They are: Yisrael Beiteinu, Shas, The Jewish Home, the United Torah Judaism, and Independence. The first four are self-described nationalist, right-wing, religious, and Zionist (all to varying degrees) parties. (Freilich 2006:637) Along with the centre-right Likud party, the coalition shares common ground in terms of making the defence and preservation of the Israeli state its utmost priority. [12] It is in this sense that a shift in policy regarding the Iranian nuclear program from its current hardline stance would prove to be very difficult, if even desirable.

To make a political shift even more difficult, just maintaining the coalition often, "becomes an end in itself, and is, in any event, a full-time preoccupation. The need for compromise and consensus greatly limits the 'search' for options and leads to a marked decrease in attention to long-range and fundamental issues" (Freilich 2006:646). Moreover, because of the breadth of parties in the coalition government, Netanyahu is, "ostensibly just 'prima inter pares' (first among equals, in this case, among his cabinet of thirty ministers, the largest in Israel's history), as the statutory authority of the Israeli premier is highly circumscribed, and his actual power, even more than in other democracies, is a function of the premier's personality [and] political skills" (Freilich 2012:18). As Charles D. Freilich explains, in addition to this structure, there are causal factors that aid in explaining Israel's national security decision-making processes:

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[9] To be noted, these militant organizations are considered terrorist organizations, in whole or in part, by Israel, the United States, Canada, the Gulf Cooperation Council, and the European Union, among others. However, many states, specifically Arab ones, consider these organizations to be legitimate in one form or another.

[10] In addition to Buzan, Wæver and de Wilde, Security, pp. 201–2, the Copenhagen School origins of the concept of a constellation might be traced back through Egbert Jahn, Pierre Lemaitre, and Ole Wæver, Concepts of Security: Problems of Research on Non-Military Aspects, Copenhagen Papers, 1 (Copenhagen: Centre for Peace and Conflict Research, 1987); Ole Wæver, 'Conflicts of Visions/Visions of Conflict' in O.Wæver, P.Lemaitre and E.Tromer (eds), European Polyphony: Beyond East/West Confrontation, (London: Macmillan 1989), pp. 283–325 – to roots in Norbert Elias's concept of 'figuration', cf. Über den Prozess der Zivilisation. Soziogenetische und psychogenetische Untersuchungen. Vol. 1, Wandlungen des Verhaltens in den weltlichen Oberschichten des Abendlandes and Vol.2, Wandlungen der Gesellschaft. Entwurf einer Theorie der Zivilisation (Basel: Verlag Haus zum Falken 1939; English translation of the two volumes as The Civilizing Process, in 1978 and 1982).

> *[Israel's] national security decision-making processes are shaped largely by three causal factors: first, a uniquely harsh and dangerous external environment, which greatly shapes and circumscribes Israel's national security choices; second, Israel's (PR) system; and finally, the relative weakness of the primary civilian national security organs (the foreign and defence ministries and the National Security Staff) in the national decision-making process compared to the IDF and the intelligence services (639).*

Therefore, the concentration of power may not rest solely in Netanyahu's hands; however, in the case of the Iranian nuclear program, there is widespread consensus within the nationalist, right-wing coalition government to take a hawkish position on the issue. It just so happens that Netanyahu's position on this issue coincides with the other parties in the coalition.[13] This strengthens his power and incurs solidarity over his attempt to securitize Iran's nuclear program; yet, it makes a shift in policy concerning the nuclear program politically very difficult to make.

Netanyahu's power and legitimacy is therefore rooted in his government's current hawkish position. So, analysis of his speech-acts which have been made in the attempt to securitize certain policies of Iran, and to subsequently generate an overarching macrosecuritization, must be provided. This will aid in demonstrating how the process of securitization creates a tense political atmosphere unconducive to pragmatic policy shifts, if necessary. Keeping in mind that I will analyze the speech-acts of all three securitizing actors, it is essential first to establish that phrases and metaphors are used to illustrate, "metonymic concepts that are grounded in experience and, like metaphors, structure not just our language but also our thoughts, attitudes, and actions" (Lakoff and Johnson 2003:39). This weaves a narrative that is essential to moving the threat outside of normal politics. At the annual United Nations General Assembly (UNGA) in 2009, Netanyahu had harsh words for the Iranian government:

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[11] A middle-level referent object of the Soviet Union: socialized labour. This referent object also spurned fear of another period like the 'First Red Scare' (labour-related upheaval) in the United States, which was perceived to threaten its referent object: capitalism.

[12] The Israeli Defence Forces (IDF) website states its mission is, "To defend the existence, territorial integrity and sovereignty of the state of Israel. To protect the inhabitants of Israel and to combat all forms of terrorism which threaten the daily life [sic]. http://www.idfblog.com/about-the-idf/idf-code-of-ethics/

[13] To be noted, there are members, if only a few, of the Israeli intelligence and defence communities who have recently spoken out against Netanyahu's hawkish policy regarding Iran. This occurred in 2011 and 2012, and considerable controversy erupted over reports from former Shin Bet (the Israeli Security Agency) and Mossad (the CIA's counterpart) officials. For more information see: FREILICH, C. (2013) National Security Decision-Making in Israel: Improving the Process. The Middle East Journal 67 (2):257-266.

This Iranian regime is fueled by an extreme fundamentalism that burst onto the world scene three decades ago… In the past thirty years, this fanaticism has swept the globe with a murderous violence and cold-blooded impartiality in its choice of victims. ...The adherents of this unforgiving creed seek to return humanity to medieval times. Wherever they can, they impose a backward regimented society where women, minorities, gays or anyone not deemed to be a true believer is brutally subjugated. (2009)

Here, Netanyahu labels the Islamic government's theological beliefs and policies as imperialist and barbaric, and which spread violence globally and persecute social groups domestically. Netanyahu draws on the memory of the Holocaust to further his point:

But if the most primitive fanaticism can acquire the most deadly weapons, the march of history could be reversed for a time. And like the belated victory over the Nazis, the forces of progress and freedom will prevail only after an [sic] horrific toll of blood and fortune has been exacted from mankind. That is why the greatest threat facing the world today is the marriage between religious fanaticism and the [sic] weapons of mass destruction. The most urgent challenge facing this body is to prevent the tyrants of Tehran from acquiring nuclear weapons. Will the international community stop the terrorist regime of Iran from developing atomic weapons, thereby endangering the peace of the entire world? (2009)

In this excerpt, Netanyahu compares the Islamic government to the one that was responsible for the extermination of millions of Jews in Europe, and as a fanatical, illegitimate regime determined to use nuclear weapons for offensive purposes on a global scale. In a less subtle example, Netanyahu states that Iran with Ahmadinejad as president is like the government responsible for the Holocaust, despite the fact that Iranian Jews are able to practice their religion freely and have representation in the Iranian parliament (Brownfeld 2009:46-47). At the 2006 American Israel Public Action Committee (AIPAC) conference Netanyahu told the audience, "It is 1938. Iran is [Nazi] Germany. And Ahmadinejad is the new Hitler[14]"(Netanyahu: 2006). Netanyahu continued at the UNGA two years later:

Can you imagine that man [Ahmadinejad] who ranted here yesterday …armed with nuclear weapons? The international community must stop Iran before it's too late. If Iran is not stopped, we will all face the specter of nuclear terrorism, and the Arab Spring could soon become an Iranian winter. …But as the prime minister of Israel, I cannot risk the future of the Jewish state on wishful thinking (2011).

In this instance, Netanyahu shifts his speech-act's focus from the threat to the referent object: the Israeli state. Due to his perception of the Iranian nuclear program as an existential threat to Israel and thereby constitutes extreme circumstances, he hints that action must be taken to prevent this from becoming, in his mind, a possibility.

In addition to the national threat, Netanyahu accuses Iran of undermining regional security as well when he states that, "Iran is actively destabilizing Lebanon, Yemen, Bahrain and many other Middle Eastern countries" (2013). The content of these speeches are for the justification of Netanyahu's threat to use extreme actions that take politics outside the normal rules – namely, a preventative military strike on Iranian nuclear facilities. Netanyahu states that, "…at this late hour, there is only one way to peacefully prevent Iran from getting atomic bombs.[15] That's by placing a clear red line on Iran's nuclear weapons program" (2012). The implication here is that if Iran passes the clear red line[16] it will be attacked by Israel. Netanyahu clarifies this threat when he states, "I want there to be no confusion on this point. Israel will not allow Iran to get nuclear weapons. If Israel is forced to stand alone, Israel will stand alone" (Netanyahu 2013). Lastly, Netanyahu has dismissed the option of negotiating with Iran. When Iran recently announced its willingness to negotiate with the P5+1, Netanyahu dismissed that at a ruse and stated that, "the international community should not fall into this trap" (Associated Press 2012). As a preventative and technically unprovoked (since there is no tangible sign of Iranian aggression) military attack against Iran would constitute the breaking of international law[17], this would constitute taking politics outside the normal rules to prevent the existential threat from attacking the referent object.

In the next case study, the American government[18], specifically, the Bush administration's speech-acts will be examined to demonstrate its securitization of the Iranian regime. It has been the most vocal in terms of securitization the Iranian nuclear program and it was arguably the first American government to generate a macrosecuritization of the theological regime, and certainly the first after Iran's nuclear facilities were uncovered. Unlike the Israeli prime minister, the American president is the commander-in-chief of the military and has much more leeway when constructing and implementing foreign policy. Although, the president is somewhat constrained on this issue in particular because there are numerous American lawmakers who are hawkish on Iranian relations issues. Moreover, the president

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[16] Netanyahu elucidates that this red-line is the creation of highly-enriched uranium in Iran's nuclear facilities – not weaponization, or any direct military threat, per se.

[14] To be noted, this comment was received with a standing ovation, which serves as a demonstration of its resonance as a speech-act to this particular audience.

[15] To be noted, urgency and a "way out" are elements of the securitization process (namely, that a shrinking window of opportunity may not be the 'best' way to end the threat (i.e. legally) but it that may be the only way before it is too late.)

must seek approval from Congress to go to war, this is only if the campaign exceeds sixty days. However, to be noted, on at least 125 separate occasions, an American president has deployed the military in some capacity without prior express military authorization from Congress (American Constitutional War Powers 2001).

The most infamous speech-act made by President Bush was when he used the expression "the Axis of Evil" to include Iran: "States like [Iran], and [its] terrorist allies, constitute an Axis of Evil, arming to threaten the peace of the world. By seeking weapons of mass destruction, these regimes pose a grave and growing danger. …Iran aggressively pursues these weapons and exports terror, while an unelected few repress the Iranian people's hope for freedom" (quoted in Heradstveit and Bonham 2007:423). In this 2002 State of the Union Address to Congress, Bush suggests that the Iranian government is analogous to the Axis Powers of the Second World War. Moreover, mention of the term "Axis" evokes the United States' memory of its mortal enemies of the Second World War and resonates even today, so comparison to the Axis Powers stigmatizes the accused. It is employed as a rhetorical device, as, "'Axis' is used as a metonym for fascism and Nazism, and 'evil' as a metonym for Satanic forces that implies Iran… is responsible for evil deeds" (422). Indeed, this speech-act occurred only a year after the terror attacks of September 11th, 2001. At this point, the United States' "War on Terror" was well underway, but the American invasion of Iraq was still a year away. In this sense, the use of the phrase Axis of Evil was a restructuring of the American understanding of the 'War on Terror', and Heradstveit and Bonham explain the administration's rather dubious linkage between the terrorists responsible for 9/11 governments:

> *[A] focus shifted from …al Qa'ida [sic] …to a series of other states [Iran, Iraq, North Korea], whose involvement in [9/11] ranged from minimal to non-existent. The key concepts in this restricting have been firstly "terrorist states," which implies the 'indivisibility of terrorism'[19] and therefore that the collective responsibility for 9/11 is on any state so designated; and secondly, on weapons of mass destruction, because anyone who possesses them may be tempted to sell or give them to terrorists, thus evoking fears of …nuclear attacks on American cities (423).*

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[17] As an Israeli preventative strike would be sudden and without warning to alert the Iranian government, such an attack would be done without the UN Security Council's approval. According to Chapter 1, Article 2; Chapter 6, Article 33, of the United Nations Charter, this deems the act a violation of international law. UNIACKE S. (2007). The False Promise of Preventive War. In Henry Shue; David Rodin, Preemption: military action and moral justification. Oxford University Press:88.

[18] US President Barack Obama has refrained from using vitriolic language to condemn the Iranian government. However, he has led efforts to add additional sanctions to the ones devised during the Bush administration's two terms.

[19] The phrase, "indivisibility of terrorism," was first used by Rupert Cornwell, (2002) How War in the Middle East Roils Transatlantic Relations. European Affairs 3 (2).

This is an insinuation that a state like Iran would not hesitate to replicate the war-like attacks on a major American city itself, or by providing a terrorist group with nuclear weapons that it has not yet attained, is a clear attempt to label the theocratic regime as an existential threat, if not directly to the United States, then to regional or international peace.

Lastly, the Islamic government has not minced words with its own rhetoric regarding the United States, which it regularly describes as the 'Great Satan' and the 'Global Arrogance', and Israel, which it refers to as the 'Little Satan' and the 'Zionist Entity'. The government is an illusionary democracy, as its presidential candidates are pre-approved by the clerical regime. Power is largely concentrated in the Supreme Leader of Iran, a position that is responsible for the appointment of the heads of many powerful posts in the military, civil government, and the judiciary. The Leader is the commander-in-chief of the armed forces and the provisional chief of the three branches of government (the judiciary, the legislature, and the executive) (Sadjapour 2009:6). Thus, there is a clear centralization of power within the office of the Supreme Leader of Iran.

As Karim Sadjapour of the Carnegie Endowment for International Peace states, "[The current Ayatollah Ali] Khamenei's political discourse [is constituted by the following tenets]: Islam embodies justice, independence requires self-sufficiency, and foreign powers are hostile to an independent, Islamic Iran (2009). Also to be noted, most of Khamenei's speech-acts are rooted in the presumption that the United States, and to a lesser extent Israel, have, and will continue to, subvert the theological government through imperialistic means. This defensive stance is in stark contrast to the assertion that Iran is seeking nuclear weapons for offensive purposes, an accusation made in the Netanyahu and Bush speech-acts. Khamenei labels Israel as an enemy of Israel in very harsh terms when he states:

> It is heard sometimes, [from] the enemies of the Iranian nation, like from the mouth of the malevolent, untouchable rabid dog of the region, the Zionist re-gime. They move their chins [saying] that Iran is a threat to the entire world. No. This is a saying of the enemy and exactly the opposite point to an Islamic origin [what is said originally in Islam]. The threat to the entire world are those forces of evil and evil-creators who have shown of themselves nothing but evil, such as this fake regime of Israel [20] (Bronner 2006).

This vitriolic statement demonstrates the viewpoint that the leadership in Tehran has con-cerning Israel: an illegitimate, undermining, and hypocritical threat to the Islamic theocracy. In the case of the United States, Khamenei directly references the CIA-orchestrated coup

when he states that, "The US government has not yet lost its insatiable greed for domination of [Iran]. [The US is] still thinking of restoring their evil domination of Iran, which intensified with the coup [of former Prime Minister Mohammed Mossadegh]… and continued until the victory of the Islamic Revolution in 1989[21]" (16). Khamenei also counters the binational alliance's speech-acts when he states that, "The ridiculous accusations such as human rights violations or seeking weapons or mass destruction are only empty claims aimed at exerting pressure on the Islamic Republic, and if Iran [changes its ideology-rooted policies], the United States will also change its hostile attitude toward the Islamic Republic… We consider [self-determination] one of our major Islamic duties.[22] (20). This effectively demonstrates how the binational alliance/Iranian constellation perpetuates itself. It is in these speech-acts that Khameini makes the linkage between the Islamic Republic's fundamental policies concerning its domestic nuclear program, its sovereignty over its domestic civil rights laws, and its right to, and need for, self-determination as a threat to the United States' national interest. As such, Khameini accuses the United States of coercion to undermine the Islamic republic's foundational principles.

Iran-US/Israel macrosecuritizations and the formation of a constellation and a security dilemma

By labelling the binational alliance's macrosecuritization of the Iranian government (through microsecuritizations of its nuclear program, and domestic laws concerning civil rights and the policies it pursues in the name of self-determination) as empty claims (as mentioned in the speech-act above) meant to coerce the government, one can see how each side's 'threat' is also the other side's referent object. Specifically, the binational alliance's referent object is national security, but more broadly regional (the Middle East) and international security. For Iran, the referent objects are its theological government and its right to self-determination and sovereignty. However, if Iran interprets the binational alliance's quest for international security as a veil for imperialism, and if the binational alliance interprets Iran's objective to defend its government, rights to sovereignty, and self-determination as an offensive nuclear threat, then a self-perpetuating constellation is created. In effect, this also manifests a process-created security dilemma.

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[20] Excerpt from a speech by Iranian Supreme Leader Ayatollah Ali Khamenei to 50,000 Iranian paramilitary militia Basij commanders in Tehran's Grand Prayer site. The speech was broadcast live by Iranian TV and radio.

[21] Address to students at Shahid Beheshti University, May 28, 2003.

[22] Speech at the International Conference in Support of Intifada, April 24, 2001.

According to Booth and Wheeler (2009), a security dilemma, "gets to the very heart of politics among nations: the existential condition of uncertainty in human affairs." (1) Moreover, the, "focus of the [dilemma] is that weapons that states can use for their own *self*-protection, potentially or actually ***threaten harm*** to others" (1). Essentially, the core argument of the security dilemma is that, in the absence of a supranational authority that can enforce binding agreements (this is essentially structural anarchy at the state level), "… efforts to improve national security have the effect of appearing to threaten other states thereby provoking military counter-moves. This is turn can lead to a net decrease in security for all states" (Griffiths and O'Callaghan 2002:292). More specifically, the 'dilemma' portion of the term refers to, "the need to choose (to interpret and to respond) in the existential condition of resolved uncertainty; sometimes, the outcome of these choices is that policies designed only to enhance security bring about mutual insecurity" (Booth and Wheeler 2009).

If it is uncertainty that creates this dilemma, it is Israel's and Iran's deep-seated distrust, anxiety, and fear bred by a history of fulfilled threats and antagonism that firmly roots it. This condition is further destabilized and taken out of rational discourse by cultural hypersensitivity to exogenous threats, as earlier demonstrated by cases in Israel and Iran's ethnographic modern history. Booth and Wheeler state that, "according to most security dilemma theorists, permanent insecurity between nations is the inescapable lot of living in a condition of anarchy" (2). The theorists the authors are referring to view the security dilemma grounded in the same conceptualization of anarchy as put forward by John Herz, the theorist who coined the term 'security dilemma' in 1950. Herz's reflections about the states system led him to believe that, "[there was] apparently no escape from this vicious circle [of the security dilemma]; and [he] believed it a necessary consequence of social life" (1951:3). This entire process (including what was previously outlined in Table 1) is elucidated in diagram 1:

LEGEND

▦	Targeted Speech Act
▦	Securitizing Actor
▦	Referent Object
▦	Relevant Audience
▦	Targeted Macrosecuritization/Aggregation of middle-level attempted securitizations
∞	Indefinite self-perpetuating relationship

DIAGRAM 1 – Iran-US/Israel Macrosecuritizations Forming a Constellation
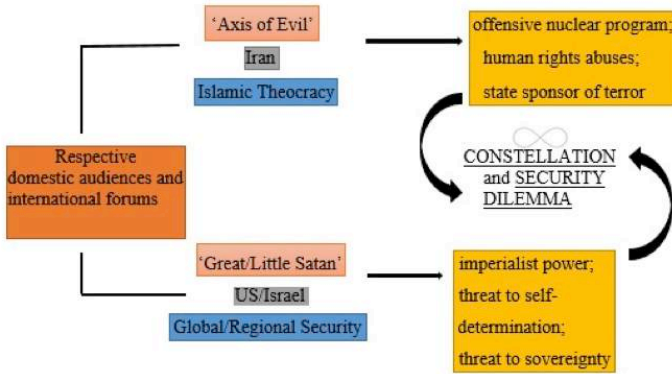
However, this view of anarchic social life as inescapable insecurity and a given in international relations is somewhat short-sighted. As the process[23] of securitization has been demonstrated to be a series of conscious acts by a securitizing actor, the binational alliance-Iranian constellation and security dilemma is therefore not a product of anarchy, but a product of what states make of anarchy.[24] Even with the assumption that the state system is anarchical, Wendt argues that, "self-help is not a logical or contingent feature of anarchy itself. Instead, states act towards other states based on the intersubjective meaning that those states have for them" (1992:397). These intersubjective meanings are socially constructed and which can, by definition, be deconstructed.

In this context, the process-generated security dilemma need not be endlessly self-perpetuating. It is only insofar as that the identity of the macrosecuritizations remain unchanged that the security dilemma can perpetuate. As Wendt illustrates: "When states assess the risk of another state's military capability, it matters how that state is perceived — a nuclear Britain is much less dangerous to the United States than a nuclear North Korea because North Korea is perceived to be aggressive towards the US" (397). It may seem unimaginable

at the moment for Iran to be perceived by the binational alliance as no longer an existential threat, and even an ally of sorts (specifically, one whose identity is not perceived as a 'North Korea', but as a "Britain'), but this deconstruction of consciously generated mutual-macrosecuritizations (which form a constellation and security dilemma) occurred when the Soviet Union's ceased to exist in its ideological form. The identity of the Soviet Union, and how the West perceived it, was deconstructed drastically and very rapidly (beginning with several revolutions in soviet states in 1989 and ending in 1991 with the dissolution of the Soviet Union). Therefore, the mutual antagonism between the binational alliance and Iran is not a given: just as it is a process-generated construct, it can be deconstructed by process as well.

The de-securitization of securitizations can occur, as outlined in **On Security**, by Ronnie D. Lipschutz. This can be done by, "de-securitiz[ing] issues that have been securitized" (Wæver 1995:57-58). Unfortunately, the difficulty of de-securitizing this particular security dilemma cannot be overstated. The macrosecuritizations that have been consciously generated by the three actors are reinforced by speech-acts that serve to demonstrate that the referent object must be protected at all costs. Moreover, with the added dimension of complexity created by the relationship between one side's threat being the other side's referent object, it is difficult to imagine how de-securitization will occur in the binational alliance-Iran case. With Israel's and Iran's modern histories also replete with existential threats, the chances of the security dilemma continuing to perpetuate is much higher than the chances of reaching a mutually-agreed upon peaceful solution.

Conclusions

The Iranian nuclear issue has been a major American and Israeli foreign policy dilemma since previously undeclared Iranian nuclear facilities were uncovered in Natanz and Arak in 2002. Ever since, the issue has been extremely contentious and has brought the Middle East to the brink of another military confrontation. Although the issue came to the forefront in 2002, its contentious nature has been magnified exponentially by ethnographic factors that span three-quarters of a century. By detailing both Israel and Iran's histories of exogenous existential threats to the state and government, respectively, this context allows for a more

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[23] In Diagram 1 is shown how securitization is process-oriented. Components of securitization generate macrosecuritizations that encapsulate these components. A constellation forms as a result of the competing macrosecuritizations.
This constellation perpetuates in the fashion described at the beginning of the section.

[24] This is in reference to Alexander Wendt's influential 1992 article, Anarchy is what States Make of it: The Social Construction of Power Politics. International Organization. (46) 2:391-425.

thorough analysis of the resonance of the securitizing actors speech-acts. In the case of Israel, Netanyahu's ability to frame the need to defend the referent object by any means necessary from what is yet to be a weaponized nuclear program, is effective because of a history of constant threats to the Jewish state and the Jewish people, which is rooted in the memory of the Holocaust.

In Iran's case, the Supreme Leader Khameinei, who has been in power since 1989, has framed the United States as an usurping imperialist threat working in unison with Israel to undermine and overthrow the theological government, to take Iran's abundant oil reserves. This framing has resonated because of the memory of the 1953 CIA-led coup and the American government's consistent disapproval of the Islamic regime's policies, which is viewed by Iran as an attempt to undermine its right to self-determination.

The process of whether these securitizations, which as a group are formed into larger, ideologically-based macrosecuritizations, have been completely successful or not would need to be explored in an entire paper of its own. However, it is the process which has heightened the risk of military conflict. It is the process of Netanyahu's attempted securitization of the Iranian nuclear program which has generated a political atmosphere that reduces the feasibility of a peaceful resolution and heavily favours military action. This is political self-entrapment, as it handcuffs the securitizing actor's ability to make a pragmatic policy shift which could improve the chances of solving the issue peacefully. This self-imposed limitation is demonstrated by Netanyahu's categorical dismissal of the mere idea of negotiating with the Iranians. Although there have been instances in recent history where supposed hardliners took a drastic policy shift with great effect, such as when 'Nixon went to China'[25], the complexities and risks of such an attempt in this case are exponentially higher for Netanyahu's political career.

By delegitimizing and dismissing any attempted negotiations with the Iranian government as a trap through the process of securitization, Netanyahu has effectively removed one of the few policy alternatives to peacefully resolving the issue. By doing so, Netanyahu discounts diplomatic negotiations and leaves only a military strike on Iranian nuclear facilities or for the Iranians to dissolve their nuclear program as acceptable and possible outcomes. Since the leadership in Tehran has stated that its, "guaranteed right to a domestic nuclear energy program is non-negotiable" (Associated Press 2013) by its interpretation of Article IV of the Non-Proliferation Treaty (NPT)[26], Netanyahu's demand for Iran to dismantle its nuclear program is a non-starter. This is especially believable because of the Iranians heightened sensitivity to foreign powers undermining its right to self-determination, as mentioned earlier.

Moreover, the macrosecuritizations constructed by Iran, the US, and Israel subsequently form a constellation that represent and perpetuate a process-formed security dilemma which heighten the risk of conflict. The constellation endangers sound problem-solving as the macrosecuritizations that form this constellation are outside of the realm of regular politics which justify extreme means and disavow conventional problem-solving practices. Its self-perpetuating structure also strengthens and reinforces the relationship between each side's referent objects and the associated threats.

Thus, this constellation hinders pragmatic foreign policy-making and reduces the already few possibilities to resolve the conflict peacefully. It is a paradox that one who seeks to securitize a 'threat' to advance one's own security goals may in the process lessen one's security. This dynamic is dangerous and a 'tragedy of great power politics.'[27] That in a securitizing actor's quest to maximize its referent objects' security it allows its hypersensitivity to threats to justify its behaviour that in turn, heightens the risk to its referent objects, is unfortunately ironic.

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[25] This is a reference to when the ardent anti-Communist US President Richard Nixon visited the Chinese Chairman Mao Zedong in 1972. At the time, China viewed the US as its top enemy, and the US had yet to recognize the Chinese government. As a political metaphor, it refers to the ability of a politician with an unassailable reputation among his supporters for representing and defending their values to take actions that would draw their criticism and even opposition if taken by someone without those credentials. Although Israel has somewhat similar examples of its own (Prime Minister Menachem Begin agreed to give back the Sinai to Egypt, and Prime Minister Ariel Sharon withdrew Israel from of Gaza), the perceived threat of a nuclear attack makes these issues incomparable to the current Iranian dilemma.
See more in: http://www.globalpost.com/dispatch/worldview/090427/hitting-the-reset-button?page=0,1#1

[26] Article IV: Nothing in this Treaty shall be interpreted as affecting the inalienable right of all the Parties to the Treaty to develop research, production and use of nuclear energy for peaceful purposes without discrimination and in conformity with Articles I and II of this Treaty.

[27] A reference to John Mersheimer's 2001 book of the same name.

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Ascending Beyond Atomism and Overcoming "the Paradox of Our Times": An Arendtian Argument for Moral Cosmopolitanism

Christopher Peys

Introduction

"We are citizens of the world. The tragedy of our times is that we do not know this."
– President Woodrow Wilson

Rather than understand the inherent oneness of our world from the macro perspective, as if one were looking down on the planet from space, we, as persons of "the West", operate at a much lower altitude. On the whole, we struggle to conceptualize the world from an elevated perspective where those arbitrary, historically constructed geographic and moral boundary lines fall into oblivion. Instead, our views are confined to those entities/people closest us – our respective nations, immediate communities, streets, families and selves. This limited view is the product of a number of things; however, I suggest that this minimized perspective is largely the result of a radical individualism that has permeated life in the West. As a result of a pervasive individualism, we have failed to fully 'enlarge our thinking' (to borrow Kant's phrase) and to expand our ethical concern to reach all of humanity. In this sense, we have struggled to harbor the cosmopolitan sentiment because our individualistic ways have prevented us from expanding our moral understanding to encompass the *cosmopolis*[1].

This lack of an expanded, cosmopolitan understanding is a moral shortcoming because acting solely according to individual wants/needs is unsustainable and not in the best interest of our planet or its people. As the world rapidly continues to grow more interconnected, interdependent, globalized and cosmopolitanized[2], it is necessary to scrap those ethical understandings with radically narrow constitutions, such as the individualist ideology that have served to cultivate what David Held terms, "the paradox of our times" (Held 2010, 143). Although he does not specifically associate this phrase/problem with individualism and rather focuses particularly on the issues of global governance, I would like to enlarge Held's claim and argue that the individualist ideology is problematic because it sits at the heart of this paradox: "that the collective issues we must grapple with are

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[1] Cosmopolis refers to the Stoic notion of the universal, all-encompassing polis, a global community of all men. Cosmos, or universe, serves as the root for "cosmopolitan," and thus associating "oneself with the cosmos connotes having an affinity with all of life" (Heater 1996, 7). In the following section, I will more closely discuss this Stoic notion and delve more deeply into the political theory of cosmopolitanism that is derived from this ancient Greek understanding.

[2] As defined by the renowned sociologist Ulrich Beck, cosmopolitanization is "the nonlinear, dialectical process in which the universal and the particular, the similar and the dissimilar, the global and the local are to be conceived, not as cultural polarities, but as interconnected and reciprocally interdependent interpenetrating principles … reality itself, i.e. social structures are becoming cosmopolitan" (Beck 2006, 72-73).

increasingly global and, yet, the means for addressing these are national and local, weak and incomplete" (143). In other words, there fails to be a stronger, collective global response to transnational issues – such as climate change, global financial crises resource depletion, the AIDS/HIV epidemic, the War on Terror, human trafficking, etc. – largely because a hegemonic individualism (especially in the West) is a pernicious ideological construct that has impeded the development of cohesive worldwide response to these deep-seated problems. In this sense, it is imperative that we realize that our actions as individuals impact all of humanity, and that we must first cultivate a moral understanding that better reflects the cosmopolitan nature of today's world before we can, as Held argues, have a viable, effective and worthy global program to overcome this paradox.

Despite the fact that individualism has received much attention from academics since the Enlightenment, I would like to re-critique individualism in an attempt to highlight how the individualist ideology atomizes and as a result impedes the development of the moral cosmopolitan sentiment by enshrining the private sphere over the public sphere.[2] Turning to Alexis de Tocqueville to help us understand the atomizing tendencies of radical individualism and relying on Hannah Arendt to comprehend the destructive nature of individualism on the public sphere, I argue that the cosmopolitan sentiment is lost because of how a radical individualism in the western tradition has valorized the individual and thereby enshrined the private sphere over the public. As a result, a rebalancing of individual, private interests and public needs must occur before a greater sense of cosmopolitanism can be cultivated in the West and "the paradox of our times" overcome.

This article is divided as follows: first, I discuss moral cosmopolitanism and stress that we can be citizens of both our nations as well as the cosmopolis; second, I delve more deeply into individualism and use the United States as an example of how the individualist ideology, when radicalized, becomes a pernicious driver of atomistic alienation (it is in this section that Tocqueville enters our discussion); and third, I use an Arendtian lens to show that individualism, in its radical form, is not a virtue, but rather a problem rooted in an improper balance of the public and private spheres. It is in the latter section that I stress the importance of the public sphere to the moral cosmopolitan sentiment by demonstrating that by glorifying the private realm, the individualist ideology has sacrificed the greater public sphere, which in turn has impeded the development of a legitimate concern for the

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[3] I use the term, "private" and "public" in the Arendtian sense. According to Arendt, the private realm is the space away from the public sphere where one is devoted to the most essential needs to sustain life. It is the sphere where one was "primarily concerned with one's own life and survival" (Arendt 1958, 36). Conversely, Arendt understands the public realm to be "a common space of disclosure not only for those who act or actively move within it but for everyone who perceives it … the reality of the world is its 'being common,' its being between, literally its interest (inter esse) for all those who, through their common sense, hold it in common" (Kohn 2000, 125).

concentric circles of humanity that lie outside those closest to the self. It is only by relearning to care for the public realm that we can truly begin conceptualizing the world in the macro – as if orbiting Earth from the International Space Station – and even begin to consider harboring a truly cosmopolitan understanding that is needed to foster the necessary collective response to our world's many problems.

Moral Cosmopolitanism: Caring for Concentric Circles of Humanity

Before continuing, it is important that we more closely discuss cosmopolitanism and differentiate the two primary strands of cosmopolitan theory – political cosmopolitanism and moral cosmopolitanism. With a primary focus on moral cosmopolitanism, I have chosen to rescue Stoicism's notion of the *cosmopolis* from antiquity in order to demonstrate that being a citizen of a given polity does not prevent one from harboring a greater concern for all of humanity. However, assuming one's role as a *kosmou politês* ("citizen of the universe") requires a much better balance of the private and the public realms whereby both spheres are properly cared for.

Cosmopolitanism, at its core, is the theoretical understanding that "maintains that there are moral obligations owed to all human beings based solely on their humanity alone, without reference to race, gender, nationality, ethnicity, culture, religion, political affiliation, state citizenship or other particularities" (Brown & Held 2010, 1). Cosmopolitanism is a normative idea that takes the individual to be the ultimate unit of concern, and it is "traditionally associated with three different sorts of claims. First, it claims that all humans share a common moral identity. Second, it maintains that there are universal (cosmopolitan) standards of normative judgment. And third, it asserts that there should be a cosmopolitan political order" (Hutchings 1999, 35). Cosmopolitan commentators and critics generally accept these claims; however, they also break cosmopolitanism down further into two strands – political cosmopolitanism and moral cosmopolitanism. Political cosmopolitanism is concerned with the third claim, and it is the branch of cosmopolitan theory dedicated to the formation and implementation of global systems of governance. It is affiliated with the framework, procedures, institutions and organizations that represent a world state of some sort" (Tan 2004, 10). On the other hand, moral cosmopolitanism is concerned with the first two claims and it is the strand of theory devoted to respecting the *dignity of man and the universality* of moral norms. These two strands of cosmopolitan theory, although different, are complimentary, and in many ways they are tightly intertwined – especially when one is concerned with political cosmopolitanism. In other words, the belief in global governance

(political cosmopolitanism) oftentimes relies on the moral notion that all humans – no matter their nationality, religion, economic situation, culture, ethnicity or social circumstance – are the ultimate units of concern (moral cosmopolitanism). In this sense, moral cosmopolitanism is generally the foundation upon which arguments for political cosmopolitanism rest.

Since this discussion is not directly concerned with global systems of governance, I will set political cosmopolitanism aside and focus solely upon moral cosmopolitanism. The remainder of this section is devoted to cosmopolitanism as a normative, ethical idea, and Stoicism's support of it.

Moral cosmopolitanism is the form of theory that is "characterized not with institution building, but with assessing the justice of institutions in the existing global system according to how individuals fare in relation to them" (Cabrera 2008, 86). As alluded to above, it is devoted to the first two claims of cosmopolitanism: (1) that all humans share a common moral identity, and (2) that there are universal (cosmopolitan) standards of normative judgment. In other words, moral cosmopolitanism upholds the liberal notions of the *dignity of man, egalitarianism and universalism*. The *dignity of man* is the ethical understanding that the individual is the methodological starting point, and it is the normative principle that upholds Immanuel Kant's notion of the 'categorical imperative,' which is the moral understanding that asserts that we "should never act in such a way that we treat humanity, whether in ourselves or in others, as means only but always as an end in itself"(Johnson 2012). This Kantian understanding is inherently *egalitarian*, for it means that no matter one's religious, cultural, social, economic or political circumstance, one is of equal moral worth as anyone else. And finally, moral cosmopolitanism is *universal* in that the theory is unbounded, and it applies to all people globally without regard for arbitrary factors acquired at birth.

These moral precepts are not new, but rather they are rooted in antiquity with the Stoic philosophers of ancient Greece and Rome. The Stoics maintained that people are in the "first instance, human beings living in a world of human beings and only incidentally as members of polities" (Barry 1999, 41). The Stoics were the earliest philosophers of the western tradition to assert that the "individual belongs to the wider world of humanity and that moral worth cannot be specified by the yardstick of a single political community"(Held 2010, 41). The Stoics believed that the *cosmopolis*, the global community that includes all of humanity, exists as a result of man's ability to think and reason – that is, the "basis for human community is the worth of reason in each and every human being ... male or female, slave or free, king or peasant, all are of boundless moral value, and the dignity of reason is worthy of respect wherever it is found (Nussbaum 2010, 30). Although he was a Stoic

philosopher of the school's later years, Marcus Aurelius provides a simple and logical summary of Stoicism's reasoning for the existence of a universal community of men. In his *Meditations* (Book IV:4), Marcus Aurelius wrote:

> If mind is common to us all, then we have reason also in common – that which makes us rational beings. If so, then common too is the reason which dictates what we should and should not do. If so, then law too is common to us all. If so, then we are citizens. If so, we share in a constitution. If so, the universe is a kind of community (Aurelius 2006, 24).

Identifying the mind, and thus reason, as the entity that brings all men together in the *cosmopolis*, Marcus Aurelius established that global citizenship is inherent to the human condition and that it precedes one's obligations to one's specific local, regional or national community. By positing that the existence of reason renders all men equal before the law of nature, Aurelius, like the Stoics that came before him, established that everyone must be rated as citizens in the global community, or *kosmou politês* (Heater 1996).

By establishing the existence of a global community of men who are all held common by their power to reason, the Stoics determined that man is inherently a *kosmou politês*. However, they also established that man could, and should, be a citizen of both the *polis* and the universe. Seneca, the famous Stoic philosopher of the Roman Imperial Era, claimed that men, as *kosmou politês*, were citizens of the universe as well as their local polis. According to Seneca:

> *Let us grasp the fact that there are two republics, one vast and truly 'public,' which contains alike gods and men, in which we do not take account of this or that nook of land, but make the boundaries of our state reach as far as the rays of the sun: and another to which we have been assigned by the accident of birth (Seneca, 1900, IV)*

Clearly, the Stoics understood that man had a duty in both contexts and that neither the local nor the global were mutually exclusive. Seneca recognized that the affiliations that one inherits at birth are compatible with the great community of the cosmos.

In her book, *Cultivating Humanity: A Classical Defense of Reform in Liberal Education*, Martha Nussbaum builds upon this notion, and she highlights that the Stoics, although thinking globally, greatly valued the local. According to Nussbaum:

> *To be a citizen of the world, one does not, the Stoics stressed, need to give up local affiliations, which can frequently be a source of great richness in life. They suggest that we think of ourselves as surrounded by a series of concentric circles. The first one is drawn around the self; the next takes in one's immediate family; then, in order, one's neighbors or local group, one's fellow city-dwellers formed on the basis of ethnic, religious, linguistic, historical, professional, and gender identities. Beyond all these circles is the largest one, that of humanity as a whole … we need not give up our special affections and identifications, whether national or ethnic or religious; but we should work to make all human beings part of our community of dialogue and concern, showing respect for the human wherever it occurs, and allowing that respect to constrain our national or local politics (Nussbaum 1997, 60).*

Nussbaum's emphasis on Stoicism's conception of humanity's concentric circles is a useful conceptual tool that helps us visualize that the individual, as the smallest unit, is merely a member of many larger circles that all exist within the cosmopolis. Recognizing that the *cosmopolis* is all encompassing and that the circle of one's nation is but one level within another, is an understanding that permits one to be, as Kwame Anthony Appiah suggests, a "cosmopolitan patriot" whose "loyalty to humankind – so vast, so abstract, a unity – does *not* deprive [one] of the capacity to care for lives nearer by" (Appiah 1997, 622). In this sense, national boundary lines do not have to inhibit a greater concern for humanity, for "man is capable, however unequally, of serving both [their state and humanity] because he has a variegated nature capable of manifold interests and activities. Qua citizen he serves the [state]; qua human being he serves the *cosmopolis*" (Heater 1996, 23). Rather than take one's national obligations as the endpoint of one's moral concern, one must establish a balance between acting locally (acting in the smallest spheres of humanity) with those of the *cosmopolis*.

The idea that man is capable of being a "cosmopolitan patriot" is an encouraging thought that allows cosmopolitan theory to function in conjunction with the sovereign state system. However, this notion implies that man has the understanding or desire to take responsibility or harbor a concern for something greater than himself. In other words, the cosmopolitan argument is moot if people remain isolated in themselves, confined to the private sphere where they neglect the greater spaces, especially the public realm, that exist

beyond their individual horizon of responsibility. Thus, the process of turning inwards to the smallest concentric circle of the self – which I largely associate with the individualist ideology – has caused the individual to disregard those circles that lie beyond him. Consequently, we must recognize that cosmopolitanism, as a normative idea, requires a concern for the public sphere, and it demands that the individual does not remain alienated and isolated in his own small world. When one gets too locked in a radical individualist mindset, one cannot properly care for the public realm. In the following section, I discuss individualism, demonstrate how the individualist ideology has created a destructive atomization that has destroyed the public sphere and assert that the dissolution of the public at the hands of the private has prevented us from assuming our roles as *kosmou politês*.

Individualism: An "Iconoclastic" Attitude

Individualism tends to be an overly used buzzword in the Humanities, and as a result, Max Weber was correct to describe this concept as "including the most heterogeneous things imaginable (Weber 1950, 222). In short, there are numerous ways of approaching the topic of individualism. Here, however, I have chosen to conceptualize the individualist ideology by referring to C.B. MacPherson's notion of 'possessive individualism.' In his book, *The Political Theory of Possessive Individualism*, MacPherson argues, "that the difficulties of modern liberal-democratic theory lie … in its possessive quality. Its possessive quality is found in its conception of the individual as essentially the proprietor of his own person or capacities, owing nothing to society for them" (Macpherson 1962, 3). According to possessive individualism, "the individual is seen neither as a moral whole nor as a part of a larger social whole, but as an owner of himself … the individual … is free inasmuch as he is proprietor of his person and capacities. The human essence is freedom from dependence on the wills of others, and freedom is a function of possession."[4] Stated simply, possessive individualism posits that man, as his own possessor, is free.

In conjunction to MacPherson, I would also like to flag up Daniel Shanahan's book, *Toward a Genealogy of Individualism*, in order to further stress how possessive individualism is an inherently 'iconoclastic' attitude. Individualism, according to Shanahan, is the means by which:

> The individual is freed from the constraints of tradition, as a moral
> attitude, it based itself, not just on the self-interest of the individual, but on

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4 Ibid.

> *the vital link that it affirmed between the individual, his or her unique-*
> *ness, and the moral structure of the universe … it allowed the individual*
> *to abandon attachments to external signs and ceremonies and to feel*
> *justifiably at home with whatever truth he or she discovers through his*
> *senses (Shanahan 1992, 19).*

Thus, individualism means that no third party institution, group or person has supreme moral authority over the individual, and that the individual is the 'final arbiter of truth.' It celebrates the individual's uniqueness by placing his individuality [5] at the center of the moral universe. By allowing the individual to have a unique and independent moral, political, religious and economic voice, individualism makes one's individuality the tool for identifying truth and achieving moral worth (21).

Building upon MacPherson and Shanahan's positions, individualism, for our purposes then, is an iconoclastic belief system that endows the individual with moral, political, religious, economic and epistemological authority. As a result, the individual is free from the constraints of arbitrary tradition and obligation, and thus, he views himself (and others) as an autonomous being whose individuality permits him to be an independent moral, political, religious, economic and epistemological agent with the power to control his own fate.

The United States: A Nation Rooted in Individualism

Working from the definition that individualism is an iconoclastic ideology that breaks the individual free of moral, political, social, religious, economic and epistemological entanglements, I would like to turn our gaze to the United States in order to highlight how the individualist ideology, when radicalized, becomes a destructive and alienating force that inhibits the moral cosmopolitan sentiment from taking root. Here, Tocqueville provides us with a powerful commentary on the atomizing effects of individualism. After emphasizing individualism's proclivity towards alienation, I will turn to the work of Arendt to demonstrate how this atomization, by destroying the public sphere, prevents us from harboring a truly cosmopolitan ethical understanding. Although discussing individualism in the United States might compel students of philosophy and political theory to think of a

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5 "Individuality" is not synonymous with "individualism," but rather it is the quality of being original, unique or different. Rousseau captured the essence of individuality perfectly in The Confessions when he wrote, "I am not made like any one I have been acquainted with, perhaps like no one in existence; if not better, I at least claim originality" (Rousseau 2001, 9).

wide variety of figures throughout American history (for example, Henry David Thoreau, Ralph Waldo Emerson, John Dewey, Ayn Rand and George Kateb), I have chosen to carry out a general, if not simplistic, discussion of individualism in the US in order to first describe the process whereby individualism became "the" ideological support structure in the US and second demonstrate how the individualist ideology, as a radicalized entity, cultivates atomization.

Claiming that the United States was founded on a support structure of individualism is a self-conscious generalization that I am willing to make, for the overt subscription to natural rights and contractarian theories that sit at the very core of the United States demonstrate that the American Founding Fathers intentionally built their nation on the individualistic ideas of the Enlightenment. In other words, the individualist ideology in America is a direct result of the intellectual, political, religious, moral, epistemological and methodological changes that took place in the wake of the Reformation and throughout the course of the Enlightenment. By applying John Locke's theories of natural rights, the American founders recast the individual as the 'final arbiter of truth' and freed him of arbitrary constraints of tradition. [6] Within the greater vein of Enlightenment thought, American individualism "emerged out of the struggle against monarchical and aristocratic authority that (now) seemed arbitrary and oppressive" (Bellah et al. 1985, 142). Consequently, the American system broke old anatomies of power by positing that the individual was both the starting and end point of moral and political concern.

This ethico-political re-conception of the individual permitted the construction of America's governing systems in contractarian terms. Locke's ideas gave rise to the social contract theories that posited that the "legitimate authority of government must derive from the consent of the governed, where the form and content of this consent derives from the idea of contract or mutual agreement" (Cudd 2008). Unlike monarchical systems with a centralized and vertical power structure, social contract theories dispersed political authority downwards and outwards so that "the body politic [was] formed by a voluntary association of individuals: it is a social compact, by which the whole people covenants with

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6 Locke was "at the fountain-head of English liberalism," but it is important to recognize that individualism, as a "political and theoretical position, starts as far back as Hobbes" (Macpherson 1962, 262 and 1). Consequently, individualism is the product of the ideas and interplay between Locke's work and many other English thinkers, including Thomas Hobbes and Samuel von Pufendorf. However, one can most clearly recognize Locke's influence on the American founders, and the Declaration of Independence draws upon, almost word for word, from Two Treatises on Government. The Declaration of Independence (1776) states: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their creator with certain unalienable rights, that among these are life, liberty and the pursuit of happiness." This line echoes, almost verbatim, Locke's statement, "the state of nature has a law of nature to govern it, which obliges every one: and reason, which is that law, teaches all mankind, who will but consult it, that being all equal and independent, no one ought to harm another in his life, health, liberty, or possessions" (Locke, 2005: 8).

each citizen, and each citizen with the whole people, that all shall be governed by certain laws for the common good" (*Constitution or Form of Government for the Commonwealth of Massachusetts -1780* 1909, 1889). From the contractarian perspective, individuals became the locus of political power, and the people no longer existed to serve the government; but rather, the government existed to serve the people. In short, the theories of natural rights and contractarianism planted the seeds of democracy in America by supplying the American Founding Fathers with the political concepts that transformed the individual into an autonomous and free agent capable of independent political choice.

Having built its government on the principles of freedom and democratic equality, US founders had "followed the political philosophy of John Locke in a peculiar way. They aimed to approximate as far as possible the civil state to the state of nature" (Arieli 1964, 83). This served to transform Locke's political philosophy into a national "ideology whose heart and center were political individualism: individual man – his life, liberty and pursuit of happiness - became the central concern of the whole political order" (Nelson 1965, 1011). In short, the American ideology valorized individualism and endowed the individual with tremendous authority.

Although this valorization of the individual in the United States became a driver of a democratic government that many political theorists, practitioners and laypersons have loudly lauded for nearly 240 years, it is important that we also recognize the dangers that the individualist ideology can potentially create. That is, we must acknowledge and accept how individualism runs the risk of cultivating a pernicious atomization. Because his text, *Democracy in America* (V1 in 1835 and V2 in 1845), was the original and remains one of the most powerful commentaries on American individualism, Alexis de Tocqueville is the theorist I would like to engage with here.[7] By warning us that democratic equality can cultivate a dangerous state whereby "equality places man side be side without a common bond to hold them together" (Tocqueville 2004, 591). Tocqueville avers that without any common bonds man tends to withdraw into himself. A lack of bonds to tie men together isolates individuals so that they are "virtually stranger[s] to the fate of all others. For him, his children and personal friends comprise the entire human race. As for the remainder of his fellow citizens, he lives alongside them but does not see them. He touches them but does not feel them. He exists only in himself and for himself" (818). Tocqueville's commentary on individualism is particularly important and powerful in the context of this discussion

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7 Although I have chosen to engage aspects of Tocqueville's work, I would like to acknowledge that I do not agree with his conservative, classist position on the whole. Furthermore, I recognize that Tocqueville, is not a cosmopolitan theorist, and that I rely on him here specifically for his work on radical individualism in America.

because it strongly highlights the individualist ideology's tendency toward a pernicious atomization (what Tocqueville refers to as 'egoism') that ultimately harms the interests of the greater sociopolitical whole. According to Tocqueville, a radical individualism "disposes each citizen to cut himself off from the mass of his fellow men and to withdraw into the circle of family and friends" (585). Further developing his position on individualism in his other well-known text, *The Old Regime and the French Revolution* (1856), Tocqueville writes:

> *For in a community in which the ties of family, of caste, of class, and craft fraternities no longer exist, people are far too much disposed to think exclusively of their own interests, to become self-seekers practicing a narrow individualism and caring nothing for the public good … depriving the governed of any sense of solidarity and interdependence, of good-neighborly feelings and a desire to further the welfare of the community at large, [individualism] immures them, so to speak, each in his private life and, taking advantage of the tendency they already have to keep apart, it estranges them still more (xiii).*

Rather than praise individualism for its ability to elevate the individual above society, Tocqueville associates it with atomization, the process that fragments and ultimately destroys civil society. In this sense, democratically equal nations, such as the United States, are not held together by hierarchical power structures or social classes, but rather men are free to do as they please (as they are not institutionally chained to anyone else or fitted into any sociopolitical class at birth). Tocqueville recognized that this type of situation could lead to atomization, which he feared because "it results in a generalized retreat from the public realm and the self-assertion necessary to self-government (Villa 2008, 75). Like Tocqueville, I contend that the American individualist ideology has contributed to a harmful atomization that has caused men to turn inward and act entirely in their own interest.

In the process of dis-embedding and turning inward to the private, the individual is driven to maximize or pursue the objects of his own desire without a true regard for others. In many respects, the individual comes to love no one but himself. Tocqueville maintained that this state of radical self-concern is known as 'egoism,' or the "passionate and exaggerated love of self that impels man to relate everything solely to himself and to prefer himself to everything else" (Tocqueville 2004, 585). Although he clearly delineates the difference between individualism and egoism, Tocqueville stresses that the former slowly evolves into the latter. For him, "egoism shrivels the seed of all the virtues; individualism at first dries up only the source of public virtues, but in the long run it attacks and destroys all others and in the end it will be subsumed in egoism" (585). Having become an egoist, the

individual is completely trapped in his atomized state, and his concern is limited to only those circles that encompass himself and those closest to him. He acts entirely in self-interest, "endlessly hastening after petty and vulgar pleasures with which to fill [his] soul" (818). The egoist is unconcerned with others, and he is "solely preoccupied with the need to make [his own] fortune" (630). He is driven by self-interest and those private pursuits that allow him and his family to survive, prosper and be happy. In short, the egoist lives a private life, not a public one, and he cares for no one but himself and those closest him.

Individualism: Virtue or Global Problem?

Now, the question becomes, what does Tocqueville's commentary on individualism mean for us in today's world – a world in which "modern communities have become societies of laborers and jobholders?" (Arendt 1958, 46) What does viewing individualism as a harmful, atomizing ideology mean for the modern man, an individual whose life has come to revolve around his daily activity as a laborer, an *animal laborans* as coined by Arendt in her book, *The Human Condition?* With this question in mind and with the intent of demonstrating how individualism impedes the development of the moral cosmopolitan sentiment, this section builds upon Tocqueville's notion of egoistic atomization and uses the work of Hannah Arendt in order to demonstrate how a radical individualism, when coupled with the notion of man as an animal laborans, results in a truly debilitating state of alienation. As an egoistic, atomized *animal laborans*, man becomes trapped in the smallest concentric circle of humanity, that of himself and his family. In this state of alienation, he is further inclined to act selfishly and in accordance to self-interest, which in turn causes the public sphere to atrophy and the hope of a greater sense of moral cosmopolitanism to fade.

Despite the fact that much of life in today's West has and is continuing to become more and more 'post-industrial' and 'service-oriented,' the average adult still spends their day working in order to survive – i.e. they work in order to put food on the table, pay the bills and keep a roof over their head. Even a cursory social evaluation of life in the West demonstrates that the majority of adults are working men and women whose lives revolve around their daily activities as laborers. In this sense, the every-day adult is a "laborer who lives only as long as he finds work and who works only so long as his labor increases [the] capital [of his employer]" (Marx and Engels 2003, 21). That is, the individual's survival, as well as his family's, is chained to his activities of labor, and thus, the (atomized) individual must work so that he may earn the wages necessary to perpetuate his very existence. Since it is in his best interest to work and provide for his family, the "free laborer," says Karl Marx, "sells himself, and, indeed, sells himself piecemeal. He sells at auction eight, ten, twelve, fifteen hours of life, day after day, to the highest bidder, to the owner of the raw materials, instruments of labor and

means of subsistence" (Marx 1978, 205). The modern man, an *animal laborans* who labors and works every day merely to survive, has no choice but to act individualistically, for he, and his family, rely on selfish actions in order to survive. For the *animal laborans*, pursuing one's self-interest is synonymous with survival, and "his life-activity is for him only a means to enable him to exist. He works in order to live" (205). Thus, he has no choice but to act as an atomized and self-concerned individual.

Arendt asserts that the rise of *animal laborans* in the modern era has established the understanding that the pursuit of one's private interests – those primary, biologic needs that must be fulfilled in order to sustain life – takes precedence over the public sphere. *Animal laborans*, by placing their individual private interests before those of the public, have caused harm to the world because they have become focused on the activities and pursuits that were "formerly restricted to the private sphere of the household and having to do with the necessities of life. [Arendt's] claim is that, with tremendous expansion of the economy from the eighteenth century, all such activities had overtaken the public realm and transformed it into a sphere for the satisfaction of our material needs. Society has thus invaded and conquered the public realm, turning it into a function of what previously were private needs and concerns, and has thereby destroyed the boundary separating the public and private" (d'Entreves 2008). Arendt believed that the modern world and the rise of mass society signified that the "realm of the social has finally, after several centuries of development reached the point where it embraces and controls all members of a given community equally and with equal strength … society has conquered the public realm" (Arendt 1958, 46). This tragic shift is a problem that both Arendt and I believe the modern world must overcome.

In a system built to enshrine the private over the public, i.e. a capitalistic and consumer-based society, the atomized *animal laborans* spends his days pursuing those things that directly contribute to the survival of himself and his family while largely ignoring anything or anyone that does not lie within his small, concentric circle. This is the predicament of the modern world: society is comprised of a population of atomized *animal laborans* who are serving their best interests by dedicating themselves to their work, and thus, they have not the time, energy, desire or ability to be concerned with the concentric circles of humanity that are not directly related to their own, most especially the public sphere. The modern individual has become, by and large, concerned with providing for himself and those closest him, and he is indifferent to any and all those people, entities and activities that do not directly contribute to the success of his immediate circle.

Arendt was a theorist devoted to the public realm, and "as a motto, 'the recovery of the public sphere' captures, more or less, the primary goal of her political philosophy" (Villa 1992, 712). Since her mission as a philosopher is to "recover the idea of political action in a culture which she thought had lost the practice of it" (Kateb 1977, 143), it is not difficult to see how her work is valuable when discussing the dangers of an individualist society comprised of atomized *animal laborans*. She contends that "while we have become excellent in the laboring we perform in public, our capacity for action and speech has lost much of its former quality since the rise of the social realm banished these into the sphere of the intimate and the private" (Arendt 1958, 49). Because we are egoistic *animal laborans*, we have remained trapped in our own small worlds, and as a result the public sphere, where political speech and action occurs, has been effectively eliminated.

In conjunction with the individualist ideology, the rise of the social has led to the development of a society of men that do not have the capacity for acting in public – that is, people, such as Americans, by being egoistic *animal laborans*, have contributed to the 'loss of the world' because they do not act, speak or exist in the political realm. According to Arendt, worldliness (the opposite of worldlessness, or the "loss of the world") is only possible in the "political realm, which is the public sphere in which everybody can appear and show himself in. To assert one's own opinion belonged to being able to show oneself, to be seen and heard by others" (Arendt 2004, 433). Arendt summarizes her understanding of the " public sphere" in the following excerpt from *The Human Condition*:

> It means, first, that everything that appears in public can be seen and heard by everybody and has the widest possible publicity. For us, appearance constitutes reality … the presence of others who see what we see and hear what we hear assures us of the reality of the world and ourselves … second, it signifies the world itself, insofar as it is common to all of us and distinguished from our privately owned place in it … It is related, to the human artifact, the fabrication of human hands, as well as to affairs which go on among those who inherit the man-made world together … to live together in the world means essentially that a world of things is between those who have it in common, as a table is located between those who sit around it; the world, like every in between, relates and separates men at all times (Arendt 1958, 52).

Worldliness requires this common political space, for the "disclosure not only for those who act or actively move within it but for everyone who perceives it because the reality of the world is its 'being common,' its being between, literally its *interest (inter esse)* for all those who hold it common" (Kohn 2000, 125). In this sense, egoistic *animal laborans* contribute

to worldlessness because they have eliminated the public sphere where men hold action and speech in common. In an egoistic society of **animal laborans**, the phenomena of political action and speech does not occur in the public realm because individual parties remain isolated and atomized in their own worlds; thus, there is no "**inter-est,** which lies between people and therefore can relate and bind them together" (Arendt 1958, 182). People simply do not come to the table, and they have instead devoted their attention and energy inwards to the private sphere. In today's world where laboring is central to daily life, worldlessness is inevitable because "man has abdicated from the world by contenting, as most do in the modern age, with the activities of consumption (which are natural and under necessity, no matter how artificial or refined). In the modern age, the many consume or aspire to consumption, and they are prisoners" (Kateb 1977, 146) in a state of worldlessness where they have proven to be unwilling to enter, unable to function or simply unconcerned with the greater, public sphere.

By closely assessing the negative consequences of modern individualism in conjunction with the "worldlessness" that occurs with the rise of the social, one can better see how a world that has become overly individualistic, such as in the US, easily risks getting the balance of private and public wrong. As a result of grossly favoring the private sphere, we have reached a point where we are not only apolitical but also largely unconcerned with our fellow man. As Arendt demonstrates, this is a consequence of a society where atomization has unbalanced the private/public dichotomy in such a way as to negatively valorize the smallest concentric circles of humanity. Arendt "saw a new, more egalitarian social order in which medieval hierarchy and corporatism had given way to a society of increasingly equal and isolated individuals (or family units), each devoted to the pursuit of well-being … Arendt spoke of it as the rise of 'society." (Jacobitti 1991, 587). For Arendt, atomization, as a result of a "privatized culture, sunk under the weight of a mind-numbing and enervating consumerism, is one possible road to despotism" (Villa 2008, 107).

It is in this state of despotism that the cosmopolitan sentiment is lost. Unlike the forms of despotism as found under a tyrant, modern despotism is much more subtle, and it "does not break men's wills but softens, bends and guides them … rather than tyrannize, it inhibits, represses, saps, stifles and stultifies, and in the end it reduces each nation to nothing but a flock of timid and industrious animals, with the government as its shepherd" (Tocqueville 2004, 819). In a society where each citizen selfishly pushes and pulls his own way, man is not manipulated by a central authority, but rather his isolation from his fellow man allows for an all powerful, invisible and undirected force to coerce him. Today, man has no ability to challenge the despotic state because there is no single source of power nor is there an 'in between' space, an inter esse, where political speech and action take place. Rather, there is worldlessness where man contents himself in his own world and devotes himself to the

private sphere, caring not for anyone else. The modern man is enmeshed in a society where the political, public realm is secondary to one's private needs. As a result, the greater good of humanity is easily ignored or forgotten and the paradox that inhibits a greater sense of global action is maintained.

Because the cosmopolitan sentiment requires people to have an enlarged ethical understanding that extends to all of the *cosmopolis*, one cannot be entirely dedicated to the individualist ideology, for it isolates, atomizes, and thereby alienates the individual in his own world where he cannot truly care about the concentric circles of humanity that are two, three, four and five steps removed from himself. In this sense, the egoistic *animal laborans* is dedicated to the smallest circle of all, the self (and his family), and his moral concern falls short of the *cosmopolis*. With such a confined and limited ethical scope, the atomized *animal laborans* sits in opposition to the cosmopolitan sentiment by positioning the self as the endpoint of moral concern. Individualism, rather than being an ethically correct doctrine, is "the sort of social philosophy that demoralizes us, robs us of our sense of community and destroys our generosity, charity and fellow feeling" (Machan 2000, 229). The individualist ideology, as a radicalized system of beliefs, destroys man's ability to harbor an enlarged ethical understanding; thus, the "individualistic culture devours its own moral capital" (Gray 1993, 44). Consequently, thinkers such as Arendt (although not a cosmopolitan thinker outright) hoped "to change our way of thinking about politics so that individuals will think of themselves as responsible citizens with a stake in preserving a common world" (Jacobitti 1991, 603). Like Arendt, I believe there must be a much greater emphasis on the public, and that we must learn to overcome the aspects of individualism that break the bonds between humans. It is only when we revive our concern for the public that we will have the capacity to be "cosmopolitan patriots" who not only love our respective nations but also harbor a concern for *cosmopolis* in its entirety. Without the ability to exist in public for the greater good and not simply in private for one's self, it is impossible to have a moral understanding that extends to those countless people that go unseen but whom are greatly affected by ones' actions. A concern for the public is central to cosmopolitanism because an enlarged ethical understanding requires that one not be merely concerned with one's self and one's private life. In sum, we must balance the public and private so that they are more capable of thinking beyond their own small worlds.

Conclusion

Working to cultivate humanity and counteract the negative aspects of individualization is not something that will occur overnight, but rather, renewing our ethical understanding is something that will take time. Counter-balancing the individualist ideology with a reinvigorated public sphere will require developing a world of "cosmopolitan patriots" through sustained sacrifice, flexibility, the continued evolution of our communal psyche, and the more full development of a cosmopolitan educational framework. Cultivating the cosmopolitan sentiment is challenging, for it is "hard to live by the Stoic code [of cosmopolitanism] because it involves subordination of personal self-seeking to the common interests of the universe including one's fellow-man and the serene acceptance of one's lot in the universal order" (Heater 1996, 20). Strenuous as it may be, we must grow beyond our egoistic ways, and expand our concern for all the people of the world. Although someone may have been born in Timbuktu, Siberia or Kansas, we must accept the fact that "the accident of where one is born is just that, an accident; any human being might have been born in any nation … we must recognize humanity wherever it occurs and give that community our first allegiance" (Nussbaum 1997, 58-59). People are foremost members of the global community of humanity, and acting accordingly is the only way to live peacefully in a cosmopolitanized world where one's actions have global, cosmopolitan effects.

Living individualistically and as *animal laborans* is inhibiting us from assuming our roles as *kosmou politês*. Instead, a radical individualism has merely served to perpetuate a morally corrupt way of life. One hundred years ago, Woodrow Wilson correctly asserted that "we are citizens of the world; the tragedy of our times is that we don't know this." Sadly this statement remains accurate and the paradox of our times continues to reign supreme. Paradoxically, humanity needs a collaborative effort on a global level, yet, on the whole, the people of the world mindlessly subscribe to and endorse a pernicious individualism that usurps the power of the public sphere; and thus, we have failed to comprehend and embrace our individual places in the *cosmopolis*. We continue to live individualistic, atomized lives that forsake the great community of humanity, and on the whole, we have failed to accept Earth's true "oneness." Instead, we see the world as if our space shuttle remains grounded, perpetually awaiting takeoff; thus, our views remain limited to those things closest us.

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Les agences de notation dans la gouvernance financière internationale: quelle régulation ?

Sébastien Labrecque

Le département de la Justice des États-Unis a déposé en février 2013 une poursuite contre l'agence de notation financière Standard and Poor's. Celle-ci est accusée par le gouvernement américain d'avoir tourné les coins ronds en attribuant de bonnes notations à des titres financiers adossés à des hypothèques qui présentaient pourtant de grands risques et, ainsi, d'avoir contribué au déclenchement de la crise financière de 2008 aux États-Unis (Eaglesham, Neumann et Perez 2013).

Derrière cette poursuite se trouve l'enjeu de la gouvernance de la finance internationale. Celle-ci peut être divisée en deux composantes, à savoir la gouvernance nationale et la gouvernance internationale. Au niveau national, différents acteurs peuvent influencer les pratiques en matière de finance. C'est notamment le cas des gouvernements qui peuvent régir les activités des acteurs économiques à l'aide de politiques publiques. L'encadrement et l'application des lois relatives aux marchés financiers nationaux sont toutefois généralement délégués à des organismes parapublics (comme la *Ontario Securities Commission*). Enfin, les banques centrales ont aussi un rôle en influençant les activités des banques à charte à travers la détermination du taux directeur et des coefficients de réserve obligatoire.

Il existe également une gouvernance globale de la finance internationale qui prend deux formes distinctes, à savoir publique ou privée. La gouvernance internationale publique regroupe une constellation d'organismes entre lesquels il n'existe aucune réelle hiérarchie ni entité centrale en charge des autres (Davies 2010, 185). Le Fonds monétaire international (FMI), l'Organisation de coopération et de développement économique (OCDE) et les G7- G20 sont les figures emblématiques traditionnelles de cette gouvernance. Ces organisations intergouvernementales produisent de nombreux rapports et recommandations en matière d'économie et permettent aux États de se concerter sur les mesures à adopter. La décision d'appliquer ou non ces mesures appartient toutefois aux gouvernements nationaux. S'ajoute à ces institutions la *International Organization of Securities Commissions* (IOSCO) qui regroupe les organismes d'encadrement des marchés de nombreux pays et quelques banques centrales. Sa mission est d'encourager l'élaboration et l'application de standards de régulation en matière de finance, d'augmenter la protection des investisseurs et de faciliter l'échange d'information entre les membres de l'organisme

(The International Organization of Securities Commissions 2013). La ***Bank for International Settlements*** (BIS) regroupe pour sa part environ 60 banques centrales et vise à promouvoir la coopération en matière de stabilité financière et monétaire. L'organisation se veut, dans une certaine mesure, la «banque des banques centrales» (Bank for International Settlements 2013). C'est dans le cadre de la BIS qu'ont été négociés les accords de Bâle portant notamment sur les coefficients de réserve que les banques doivent respecter. Enfin, mentionnons l'existence du Financial Stability Board (FSB) qui a été créé par les chefs d'État du G20 en 2009 (succédait alors au Financial Stability Forum). Cette organisation a un caractère englobant marqué puisqu'elle regroupe des régulateurs nationaux des pays du G20 (plus cinq autres États : Espagne, Hong Kong, Pays-Bas, Singapour et Suisse) en plus d'organisations comme le FMI, l'OCDE, la BIS et l'IOSCO. Le mandat du FSB est de «coordinate at the international level the work of national financial authorities and international standard setting bodies (SSBs) in order to develop and promote the implementation of effective regulatory, supervisory and other financial sector policies» (Financial Stability Board 2012, 2).

Au-delà de cette gouvernance publique, une partie de la gouvernance globale de la finance est désormais assurée par des acteurs privés. Les figures emblématiques de ce phénomène sont les agences de notation. À travers l'attribution de notes de crédit aux banques, aux entreprises privées et aux gouvernements de partout sur la planète, ces agences disposent d'une influence réelle sur les comportements des acteurs économiques en raison des signaux que ces notations envoient aux marchés. Par exemple, un gouvernement qui obtient une mauvaise note de la part d'une agence de notation peut voir les conditions d'emprunt auxquelles il est soumis être resserrées (cela se fait principalement par l'imposition de taux d'intérêt plus élevés).

Or, qui dit influence dit également nécessité d'encadrer afin de prévenir que de mauvais signaux soient envoyés aux marchés et, ultimement, que cela engendre des conséquences négatives sur l'économie. Avec le déclenchement de procédures judiciaires contre Standard and Poor's, il semble pertinent plus que jamais de faire le point sur l'enjeu de l'encadrement de l'industrie de la notation financière au niveau mondial et d'analyser où en est la gouvernance internationale des agences de notation à l'heure actuelle. C'est le projet de ce texte. Pour ce faire, il est impératif d'expliquer d'entrée de jeu comment trois de celles-ci (Standard and Poor's, Moody's et Fitch) se sont imposées comme des acteurs incontournables dans le secteur de la finance. La deuxième section portera plus spécifiquement sur la gouvernance internationale. Il s'agira de présenter deux documents internationaux dans lesquels les agences de notation financière occupent une place centrale, à savoir l'accord de Bâle II élaboré par la BIS et le code de conduite proposé par

l'IOSCO. Les trois grandes pistes de réformes de l'industrie de la notation généralement proposées dans la littérature seront par la suite présentées et analysées.

1. Comment trois agences de notation sont devenues incontournables ?

En 2008, Moody's, Standard and Poor's et Fitch (le *Big Three*) accaparaient environ «94% du chiffre d'affaires mondial de l'industrie de la notation [Fitch étant le plus petit de ces trois joueurs]. Les petites agences qui se partagent les 6% restants […] sont généralement spécialisées sur des niches géographiques et/ou sectorielles» (Gaillard 2010, 11). Cette section présente quelques événements qui ont contribué à consolider la position dominante de ces trois agences

1.1. 1931 et 1936 : apparition des notations dans des lois américaines

Le premier événement d'importance survient aux États-Unis en 1931 avec l'adoption d'une loi prévoyant que les «bank holdings of publicly rated bonds had to be rated BBB or better [par les agences de notation de l'époque] to be carried on bank balance sheets at their face value or book value» (Sinclair 2005, 42). C'était la première fois que les notations des agences étaient intégrées à un cadre réglementaire. En 1936, une autre loi interdit aux banques américaines d'investir dans des «speculative investment securities» tels que définis dans les manuels de notation reconnus produits par Moody's, Poor's, Standard Statistics et Fitch (White 2009, 390-391). Des dispositions des réglementations de 1931 et de 1936 allaient éventuellement être appliquées au sein des États américains et au système fédéral des pensions (Sinclair 2005, 42; White 2009, 391).

1.2. 1975 : création du statut NRSRO

En 1975, une décision majeure de la *Security and Exchange Commission* (SEC) aux États-Unis ouvre encore davantage la porte à une domination quasi-complète du secteur de la notation financière par une poignée d'agences. Souhaitant imposer des conditions minimales en matière de capitaux aux firmes de courtiers financiers, la SEC crée le statut de «nationally recognized statistical rating organization [NRSRO]» (White 2009, 391). Seuls Moody's, Standard and Poor's et Fitch hériteront de ce statut au départ. Les institutions financières américaines se fiant désormais presque uniquement au jugement des NRSRO, il devint très difficile pour d'autres petites agences de percer le marché. Bien que la SEC ait attribué le statut de NRSRO à quatre nouvelles agences entre 1975 et 2000, les États-Unis se sont à nouveau retrouvés avec seulement trois NRSRO (les trois nommées au départ en 1975) à la fin de l'an 2000 suite à des acquisitions (White 2009, 391-392).

1.2.1. L'industrie de la notation, un monopole naturel?

Frank Partnoy de l'école de droit de l'Université de San Diego émet l'hypothèse que le phénomène d'acquisition des petites NRSRO par les trois géants observé entre 1975 et 2000 illustre qu'il existe des pressions de type monopole naturel dans le secteur de la notation financière et que les tentatives d'augmenter (artificiellement?) le nombre de NRSRO sont inévitablement mises en échec par le marché (Partnoy 2006, 90). Partnoy souligne toutefois que des lois sur la concurrence pourraient contribuer à freiner une telle tendance à la concentration (Partnoy 2006, 90). Le directeur du film *Inside Job*, Charles H. Ferguson remarque d'ailleurs dans son livre *Predator Nation* que le degré de concentration atteint dans l'industrie financière aurait été jugé illégal si cela n'avait pas été de la déréglementation menée dans les années 1990 par l'administration Clinton (l'annulation du *Glass-Steagall Act* est bien sûr emblématique de cette période) (Ferguson 2013, 40).

1.3. 2006 : *Credit Rating Agency Reform Act*

Le Congrès américain se penche à nouveau sur le dossier des agences de notation en 2006 en votant le *Credit Rating Agency Reform Act* (CRARA). En attribuant plus de pouvoirs à la SEC, cette loi tente de mettre en place un cadre d'enregistrement objectif et précis pour les agences de notation afin d'ultimement faciliter l'accès au statut NRSRO (Rousseau 2012, 4). En vertu du CRARA, la SEC doit désormais soumettre un rapport annuel à des comités du Congrès dans lequel la commission «identifies applicants for registration as NRSROs [...]; specifies the number of and actions taken on such applications; and specifies the views of the Commission on the state of competition, transparency, and conflicts of interest among NRSROs» (U.S. Securities and Exchange Commission 2013, 1).

Malgré les critiques dont a fait l'objet le CRARA, les législateurs américains semblent néanmoins avoir remporté leur pari de rendre l'accès au statut NRSRO plus facile puisque l'on compte désormais dix agences de notation enregistrées en tant que NRSRO aux États-Unis (U.S. Securities and Exchange Commission 2013, 6). Cependant, en pratique, les sept agences NRSRO qui ne font pas partie du *Big Three* peinent à rivaliser contre Moody's, Standard and Poor's et Fitch en termes de parts de marché.

1.4. Diffusion de l'influence des grandes agences au-delà des États-Unis

Les événements énoncés précédemment semblent *a priori* concerner uniquement les États-Unis. La réalité est évidemment plus complexe. Ainsi, la mondialisation financière et la libre circulation des capitaux ont facilité l'extension du recours aux notes de crédit produites

par les agences de notation. Timothy J. Sinclair de l'Université de Warwick écrit sur la question: «the pressure of globalization led to the desire to tap the deep American financial markets and to a greater appetite for higher returns and thus risk» (Sinclair 2010, 4). Cela a eu pour effet de transformer l'approche américaine en matière de finance en véritable norme globale partagée par de nombreux acteurs au niveau international (Sinclair 2010, 4). Spécifiquement sur les agences de notation, Sinclair affirme que celles-ci font partie de l'environnement financier à un point tel que «even if smart people [qu'ils soient Américains ou non] are not convinced by bond ratings, they must incorporate them to the extent that others do» (Sinclair 2005, 178). Dieter Kerwer de l'Université d'Antwerp en Belgique abonde dans le même en avançant que l'imposante taille du marché américain des capitaux a contribué à renforcer la place centrale des agences puisqu'aucun emprunteur d'importance ne peut ignorer les lois américaines qui obligent le recours aux notations (Kerwer 2005, 464).

Les notations attribuées par les agences de notation (spécialement celles du *Big Three*) permettent aussi d'informer les investisseurs internationaux des risques associés à des produits financiers avec lesquels ils ne sont pas nécessairement familiers (en ce sens, les agences contribuent à réduire l'asymétrie de l'information). À la lumière d'entrevues avec des cadres supérieurs provenant du milieu des affaires, l'anthropologue Alexandra Ouroussoff affirme que cette dépendance des investisseurs étrangers aux agences de notation pousse les entreprises cotées en bourse à demander des notes de crédit afin d'envoyer des signaux à ces investisseurs et ainsi attirer du capital (Ouroussoff 2013, 19).

2. Pourquoi parler de gouvernance des agences de notation ?

Il importe de se pencher sur la gouvernance des agences de notation en raison des nombreuses critiques dont elles font l'objet et de la place centrale de ces acteurs dans la finance internationale d'aujourd'hui. Passons rapidement en revue les critiques traditionnelles adressées aux agences telles qu'identifiées par Norbert Gaillard. La concentration oligopolistique du secteur et l'opacité des méthodes de notation employées sont soulevées par l'auteur. Deux autres critiques sont l'incapacité des agences à prévoir les baisses marquées de solvabilité des emprunteurs et leur tendance à trop réagir lorsqu'une crise est confirmée. La critique la plus commune est toutefois celle du mode de rémunération des agences selon lequel ce sont les émetteurs de dette (les emprunteurs plutôt que les investisseurs) qui paient pour obtenir une notation pour un instrument financier donné (Gaillard 2010, 3-4). Cela pose évidemment la question de l'objectivité des agences dans leurs processus de notation (on comprend ici qu'attribuer des notes élevées est susceptibles d'attirer davantage de client et donc plus de revenus).

Deux autres critiques importantes doivent également être mentionnées. Premièrement, le fait que les agences n'aient pas à répondre légalement de la fiabilité réelle de leurs notations est fortement décrié (ces dernières invoquent à ce propos le premier amendement de la constitution des États-Unis en affirmant que les notes attribuées ne sont que des opinions). Une dernière critique majeure est le fait que les agences de notation agissent également parfois à titre de consultants pour des acteurs développant des produits financiers. Les agences se trouvent alors à collaborer indirectement à l'élaboration de titres financiers qu'elles auront éventuellement à juger en attribuant une note. Timothy J. Sinclair souligne que cela engendre un conflit entre les rôles : les agences se trouvent à être à la fois juges en donnant en bout de ligne une note à ces titres et conseillers en contribuant à l'élaboration des produits financiers (Sinclair 2010).

2.1. Rôle dans la privatisation de la gouvernance économique

Les agences de notation contribuent également au phénomène de privatisation du processus réglementaire dans le secteur financier (Gavras 2012, 35). Au-delà de l'intégration des notations dans certaines lois, les notes attribuées par les agences peuvent influencer les conditions d'emprunt sur les marchés financiers et, ultimement, le comportement de nombreux acteurs. Au niveau de l'entreprise privée, les actionnaires sont, selon l'anthropologue Alexandra Ouroussoff, tout à fait conscients de cela et «ils exercent une pression directe sur les dirigeants afin que ces derniers s'assurent que leur entreprise obéit bien aux critères des agences de notation» (Ouroussoff 2013, 11). L'auteure souligne que cela peut fortement influencer les priorités stratégiques d'une entreprise et pousse même l'analyse plus loin en écrivant : «les critères eux-mêmes [des agences de notation] ont un impact significatif sur la direction du flux des capitaux et, par conséquent, sur l'économie dans son ensemble» (Ouroussoff 2013, 11).

Timothy J. Sinclair abonde sensiblement dans le même sens en avançant que les notes de crédit des agences influencent comment l'argent, les emplois et les opportunités économiques (*economic opportunity*) sont globalement distribués (Sinclair 2005, 63).

3. Les agences de notation au cœur de documents internationaux

Il n'existe à l'heure actuelle aucun accord international formel encadrant précisément les activités des agences de notation. La mise en place de lois dans ce domaine se fait uniquement au niveau national (ou régional comme dans le cas de l'Union européenne). Cela ne signifie pas pour autant que personne ne porte attention à l'industrie de la notation financière au niveau international, bien au contraire. Cette section présente deux

documents internationaux d'importance au cœur desquels se retrouvent les agences de notation.

3.1. Accord de Bâle II

Les accords de Bâle élaborés dans le cadre de la *Bank for International Settlements* établissent les coefficients de réserve minimum que les banques doivent respecter. Remplaçant l'accord de Bâle I qui négligeait trop les risques de crédit de certains actifs, l'accord de Bâle II est élaboré en 2004-2005 et entre en vigueur en 2007 (Gaillard 2010, 106). Bâle II redéfinit les règles en matière de réserves bancaires et propose deux nouvelles approches distinctes aux banques. La première méthode «repose sur les ratings internes des grandes banques, implique le calcul de la probabilité de défaut de l'emprunteur, de la perte en cas de défaut, de l'exposition au moment du défaut et de la corrélation entre actifs pour déterminer les exigences en fonds propres» (Gaillard 2010, 106-107). Les banques souhaitant utiliser cette approche doivent obtenir au préalable la permission des autorités compétentes et se soumettre à des conditions préétablies (notamment au niveau de la divulgation d'informations) (Basel Committee on Banking Supervision 2005, 48).

La deuxième méthode permet aux banques de déterminer les risques de crédit (et donc les niveaux de réserve nécessaires) en utilisant des évaluations provenant de sources externes (Basel Committee on Banking Supervision 2005, 15). Il va sans dire que les trois grandes agences de notation constituent les sources externes par excellence. Il est à ce propos révélateur que le document *International Convergence of Capital Measurement and Capital Standards : a Revised Framework* de la BIS base ses exemples sur le système de notation de Standard and Poor's (bien que le texte précise qu'il ne s'agit pas d'une préférence ou d'un choix devant impérativement être suivi). La logique de cette approche est relativement simple : «[p]lus les notations sont basses, plus la pondération appliquée est élevée et plus l'exigence en capital, c'est-à-dire le coût implicite imposé aux banques, est élevée» (Gaillard 2010, 106). Cette deuxième approche proposée par Bâle II constitue donc une reconnaissance officielle des notations des grandes agences pour le calcul des réserves en capital et renforce l'importance pour les émetteurs de produits financiers d'obtenir de bonnes notes de crédit (Mathis, McAndrews et Rochet 2009, 658). Certains auteurs poussent l'analyse plus loin en parlant de Bâle II comme de la consécration des agences de notation (Gaillard 2010, 106).

3.1.1. Réforme de Bâle II suite à la crise de 2008

L'incapacité du modèle de Bâle II à prévenir la crise de 2008 et l'hécatombe bancaire qui en a découlé a mené des observateurs à remettre en cause la pertinence de cet accord. En réponse aux nombreuses critiques, les membres de la BIS ont décidé de réviser le texte de Bâle II pour en arriver à un nouvel accord plus ambitieux : Bâle III. Le recours aux systèmes de notes de crédit des agences de notation n'était initialement pas remis en cause par Bâle III. Cela pourrait toutefois éventuellement changer : suite à la publication de deux documents de consultation en 2012 et en 2013, le *Basel Committee on Banking Supervision* entend bientôt publier officiellement de nouveaux standards qui mèneront à la modification de certaines dispositions des accords de Bâle pour réduire l'utilisation de notations externes (comme celles provenant des agences) pour évaluer les risques liés à des produits financiers et établir les niveaux de fonds propres minimums (voir Basel Committee on Banking Supervision 2013, 1-5).

3.2. Code de conduite de l'IOSCO

L'IOSCO a proposé en 2003 une liste de quatre principes qui devraient guider les agences de notation dans leurs activités. En détaillant comment respecter ces principes l'année suivante, l'organisation a élaboré un code de conduite pour ces agences.

Regardons brièvement ces quatre grands principes de l'IOSCO. Le premier est l'intégrité et la qualité des processus de notation. Il s'agit ici de s'assurer de la qualité de l'analyse de l'information menant à l'attribution de notations et de même potentiellement autoriser les autorités compétentes à retirer l'enregistrement aux agences de notation qui ne se montreraient pas intègres dans leurs processus (Technical Committee of the International Organization of Securities Commissions 2011, 3). Le deuxième principe porte sur l'indépendance et les conflits d'intérêts. Les agences seraient ainsi tenues d'éliminer dans la mesure du possible leurs sources de conflit d'intérêts (dans certains cas, les agences pourraient plutôt avoir à uniquement révéler aux marchés la nature de ces conflits) (Technical Committee of the International Organization of Securities Commissions 2011, 3-4). Le troisième principe proposé par l'IOSCO s'inscrit dans la même lignée et vise la transparence et l'opportunité de divulguer les notations. Pour ce faire, les agences devraient être obligées de dévoiler leur méthodologie et la performance historique des notes de crédit qu'elles attribuent (Technical Committee of the International Organization of Securities Commissions 2011, 4). Enfin, le quatrième principe porte sur la confidentialité de l'information. Ce dernier implique que les agences doivent garder confidentielle l'information recueillie pour des fins de notation. L'IOSCO observe que l'application de ce

principe peut également prendre la forme d'une obligation de rendre disponible les notations au grand public (gratuitement ou non) plutôt qu'à seulement des acteurs précis et ciblés (Technical Committee of the International Organization of Securities Commissions 2011, 4). Cela s'inscrit, dans une certaine mesure, dans la logique de bien public que nous présentons plus loin dans cette section.

Bien que non-contraignant à la base, les implications de ce code de conduite sont majeures puisqu'il s'agit du premier document international qui détaille ce que devraient être les obligations des agences de notation. Celles-ci ont d'ailleurs bien répondu à ce code de l'IOSCO en annonçant en 2004 qu'elles s'engageaient à respecter les grands principes qui y sont mentionnés (Gaillard 2010, 98). Le déclenchement de la crise des *subprimes* en 2007-2008 et la poursuite du département de la Justice des États-Unis soulèvent toutefois une question-clé : à quel point les grandes agences de notation se sont effectivement conformées d'elles-mêmes à ce code de conduite? Si l'on donne le bénéfice du doute aux agences, alors cela signifierait que la notation est une «science» hautement inexacte et peu capable d'anticiper objectivement des changements de conditions, et ce, peu importe les grands principes appliqués. À ce propos, le fait que 90% des titres *subprimes* qui étaient notés AAA en 2006 et en 2007 étaient notés «junk» (titres très peu sécuritaires) en 2009 est assez révélateur (Ferguson 2013, 107).

En l'espèce, le fait que des États ont légiféré en matière de notation financière dans la période d'après-crise apporte un éclairage différent et remet en doute l'application réelle des principes de l'IOSCO par les agences de façon volontaire. Suivant les mesures recommandées par le G20 en 2009, plusieurs gouvernements ont intégré en droit national certains des éléments proposés par l'IOSCO (Gaillard 2010, 100-101; International Organization of Securities Commissions 2013). Sans être un accord global à proprement parlé, le code de conduite de l'IOSCO constitue un exemple d'application par plusieurs gouvernements à la fois de grands principes et de mesures développés par une organisation internationale.

4. Réformes proposées

Face aux critiques dont font l'objet les agences de notation, de nombreuses propositions de réformes sont avancées dans la littérature. Ces idées de réformes peuvent être regroupées en trois grandes approches.

4.1. Approche du bien public

Dans un contexte où les notes de crédit attribuées par les agences sont utilisées par les différents acteurs du secteur financier et mêmes dans certains cadres réglementaires, des auteurs avancent l'idée que les notations présentent les caractéristiques d'un bien public et qu'elles devraient être traitées de la sorte. Différentes approches sont proposées pour atteindre ce but.

4.1.1. Modèle de la *Credit Research Initiative*

Jin-Chuan Duan et Elisabeth Van Laere de l'Université nationale de Singapour présentent une alternative en se basant sur l'exemple de la **Credit Research Initiative de la Risk Management Institute at the National University of Singapore**. Développé en 2009, ce modèle opte pour une approche de type «Wikipedia» en développant une méthodologie disponible à tous et en diffusant gratuitement les évaluations de crédit d'un certain nombre de produits financiers émis par des entreprises (Duan et Van Laere 2012, 3240-3243). Le pari de cette approche est ambitieux : offrir un contrepoids au modèle des grandes agences de notation et leur faire compétition de manière à ce que l'industrie de la notation ait à se réformer et, ultimement, à améliorer la qualité de ses systèmes de notation (Duan et Van Laere 2012, 3240-3246). Le modèle proposé par Duan et Van Laere est certes intéressant, mais les auteurs surestiment probablement le potentiel réformateur de cette façon de faire (du moins à court terme). Avec 94% du chiffre d'affaire mondial de l'industrie de la notation, il est difficile d'imaginer comment le **Big Three** pourrait se sentir menacés par des initiatives relativement marginales comme celle du **Risk Management Institute**. Ainsi, trois éléments semblent nécessaires pour qu'un tel modèle puisse éventuellement gagner en importance. Tout d'abord, il serait nécessaire que d'autres initiatives de ce genre se développent ailleurs dans le monde (spécialement près des grandes places boursières comme New York et Londres). Ensuite, celles-ci devraient s'inscrire dans des réseaux transnationaux pour collaborer et échanger de l'information afin d'ultimement offrir une couverture la plus exhaustive possible des nombreux produits financiers offerts sur le marché. Enfin, la reconnaissance de ces initiatives par les gouvernements et l'inclusion de leurs systèmes de notation dans des lois nationales et internationales donneraient une impulsion significative à ces initiatives pour effectivement espérer rivaliser avec les gros joueurs de ce secteur.

4.1.2. Instaurer une agence de notation publique nationale

La proposition de mettre en place une agence de notation publique nationale s'inscrit également dans une approche de type bien public (Gavras 2010; Schroeder 2013). Ce projet pourrait prendre deux formes. Le secteur public pourrait prendre le contrôle d'une ou de

plusieurs agence(s) de notation (cela reviendrait à les nationaliser) pour les utiliser uniquement à des fins de réglementaires (Gavras 2010, 482). Cette idée soulève évidemment de nombreuses interrogations quant au choix des agences qui feraient l'objet de cette nationalisation. Dans l'éventualité où une seule des grandes agences serait nationalisée, les autres continueraient fort probablement à opérer en parallèle puisque rien n'empêcherait techniquement les investisseurs privés de continuer à se fier aux notations des grandes agences non-publiques (ne serait-ce que par habitude et/ou par confiance en leurs évaluations). On peut également se demander si une telle mesure est susceptible de mener les agences privées à redéployer leurs activités dans des secteurs niches non-explorés par le nouvel organisme public qui serait instauré. La deuxième façon de mettre en œuvre une approche de bien public serait de créer de toutes pièces une nouvelle agence de notation publique qui suivrait une méthodologie approuvée par les autorités compétentes et qui aurait comme «objectif principal [...] de fournir des informations exactes propres à optimiser le processus réglementaire» (Gavras 2012, 36).

Panayotis Gavras de la Banque de commerce et de développement de la Mer noire (basée en Grèce) estime que l'approche publique permettrait d'éliminer certains conflits d'intérêts inhérents à la notation financière lorsqu'exercées par le secteur privé (notamment en ce qui a trait au mode de rémunération des agences et leurs activités de consultation pour l'élaboration de produits financiers). Un nouveau conflit d'intérêt serait toutefois potentiellement créé par l'instauration d'une agence de notation publique puisque les pays se trouveraient à se noter eux-mêmes ou à être notés par un organisme sous leur contrôle (on parle ici de la notation de titres de dette comme les obligations et les bons du Trésor) (Gavras 2012, 36; Schroeder 2013, 348). Il s'agit d'une mise en garde pertinente, mais qui ne doit toutefois pas mener à l'abandon pur et simple d'une telle piste de réforme. Il existe de nombreux exemples d'organismes relevant au final du secteur public qui évaluent d'une manière ou d'une autre le gouvernement et les activités de celui-ci. On peut notamment penser au vérificateur général et au directeur général des élections au Canada. La clé est d'attribuer à ces acteurs un degré d'indépendance suffisant pour les mettre à l'abri de pressions politiques.

4.1.3. Créer une agence de notation publique internationale

Une solution globale pourrait également permettre d'éviter qu'un État ait à se noter lui-même. En effet, une agence de notation publique internationale serait apatride et donc au-dessus des considérations politiques nationales. Il existerait deux principales façons de définir le mandat de cette agence internationale. La version la plus poussée serait de lui

confier le mandat d'évaluer l'ensemble des titres transigés sur les marchés financiers mondiaux. Cela serait évidemment d'une complexité colossale et nécessiterait que l'organisme développe une expertise et une capacité d'évaluation des différents marchés financiers de la planète. La deuxième approche nécessiterait la mise en place par les États d'agences de notation publiques nationales et confierait à l'agence publique internationale le mandat d'agréger les données et les notes attribuées par ces entités nationales. Cependant, le danger de *freeriding* (passagers clandestins) serait hautement présent dans cette approche. En effet, un État aurait des incitatifs à ne pas mettre en place une agence de notation publique nationale (ou d'en créer une bidon sans trop se préoccuper de la qualité des notes de crédit attribuées -ce qui fausserait potentiellement l'agrégation-) puisque, les notations de l'agence internationale étant un bien public, le pays aurait malgré tout accès aux évaluations[2] La solution à ce problème serait d'aller, dans une certaine mesure, contre l'esprit à la base même de la notion de bien public, en ne divulguant pas les notations de l'agence internationale aux pays identifiés comme passagers clandestins.

4.2. Approche de marché

Inspirée des idées du financier américain Robert Rosenkranz, une proposition de réforme basée sur le marché s'est développée après la crise de 2008. Il s'agirait selon cette approche de déterminer le coefficient de fonds propres nécessaire pour un actif financier selon le rendement de celui-ci (Rosenkranz 2009). Le niveau de rendement représenterait l'écart du titre en question par rapport à un titre de référence (dans le cas de la proposition de Rosenkranz, le *benchmark* serait les bons du Trésor américain) et suivrait une logique relativement simple : «The higher the spread, the riskier the market has determined the asset to be, and more capital should be required to hold it» (Rosenkranz 2009). La prémisse derrière ce modèle est très répandue en économie, à savoir que le marché reflète en tout temps l'ensemble de l'information disponible sur les produits financiers transigés.

Il est à noter que cette façon de faire pourrait être complétée par des niveaux minimum et maximum de fonds propres (pour permettre une liquidité sur les marchés et éviter une trappe de liquidité) et par l'introduction de règles supplémentaires en cas de crises sur les marchés (Gavras 2012, 37). La place des agences de notation dans cette approche varie selon les auteurs. Robert Rosenkranz et Panayotis Gavras estime que les références à ces dernières seraient évacuées des réglementations pour ne conserver que cette nouvelle

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[2] Le problème du freeriding pourrait également être observé dans le cadre de la première définition du mandat au niveau de la contribution au financement de l'agence internationale.

façon de faire. Frank Partnoy affirme pour sa part qu'une mesure basée sur le marché incluait l'ensemble des informations disponibles dont les notes de crédit attribuées par les agences des notations pour faire une sorte de moyenne des données recueillies (Rosenkranz 2009; Gavras 2012, 37; Partnoy 2006, 91).

Le principal avantage de l'approche de marché serait de permettre d'ajuster plus facilement et plus souvent les niveaux exigés de fonds propres en fonction des fluctuations observés des prix des actifs financiers (Gavras 2012, 37). Selon Gavras, cette facilité d'ajustement romprait avec les pratiques actuelles des agences de notation qui ont tendance à provoquer des mouvements brusques et déstabilisants (Gavras 2012, 37). Cela rejoint évidemment l'une des critiques des agences énoncée à la première section, à savoir que celles-ci ont tendance à trop réagir lorsque des crises sont confirmées. Les risques de manipulation pourraient toutefois guetter cette approche basée sur les comportements du marché. En effet, Gavras estime que cela constituerait un danger «surtout en présence de contraintes de liquidités ou lorsqu'un actif est faiblement négocié et donc sujet à une forte volatilité» (Gavras 2012, 37). La question devient alors à qui reviendrait le rôle de vérifier qu'il n'y ait pas manipulation. Pour s'acquitter de cette tâche, les États pourraient avoir recours à une expertise interne (régulateurs nationaux publics) ou externe (comme les agences de notation). Il est toutefois difficile d'imaginer comment les gouvernements pourraient utiliser les agences de notation s'ils ont opté au préalable pour une approche de marché excluant celles-ci. En ce sens, il semblerait donc plus approprié de suivre la proposition de Partnoy et d'inclure leurs notations dans les données collectées. Les notations des agences pourraient, par exemple, servir de *benchmark* pour vérifier s'il y a manipulation ou non.

Cette approche basée sur le marché n'est également pas à l'abri de chocs financiers importants. En supposant qu'une telle approche ait été en vigueur avant la crise de 2008, l'effondrement relativement soudain du marché des *subprimes* aurait fort probablement mené à des ajustements brusques et déstabilisants des coefficients de fonds propres exigés pour ces actifs (ce qui est pourtant censé être évité par l'application de cette méthode). Face à un écrasement massif des marchés, on peut se demander à quel point il est effectivement possible pour les banques d'ajuster sans trop de heurts leurs niveaux de réserve (on comprend ici qu'une institution bancaire ne peut pas créer d'elle-même de nouvelles réserves de fonds propres : elle est, jusqu'à un certain point, tributaire des dépôts qu'elle reçoit des épargnants).

Enfin, l'idée de Rosenkranz soulève une dernière question, à savoir la gouvernance d'une méthode basée sur le marché. De par sa nature, cette approche ne nécessiterait pas nécessairement une gouvernance globale active et poussée pour être mise en application par les banques. En effet, il reviendrait avant tout aux régulateurs nationaux de faire le suivi et les vérifications auprès des banques. Néanmoins, une certaine collaboration intergouvernementale serait nécessaire lors de l'élaboration des modèles afin d'assurer que les façons de faire (notamment quant au choix du titre financier qui agirait en tant que benchmark) soient relativement uniformes et de faire en sorte que l'ensemble des acteurs bancaires jouent le plus possible selon les mêmes règles en matière de réserves d'un pays à l'autre.

4.3. Approche réglementaire

La troisième piste de réforme proposée dans la littérature est celle de l'approche réglementaire. Il s'agirait dans cette perspective de mettre en place des lois et des règlements pour faire face à cette nouvelle gouvernance internationale privée de la finance. Deux grandes écoles de pensée sont observables au sein de cette approche réglementaire. La première vise à améliorer et à ultimement augmenter l'encadrement des agences de notation, tout en conservant le recours à des fins réglementaires aux notes qu'elles attribuent. Pour ce faire, de nombreuses mesures réglementaires pourraient être mises en place, notamment quant à leur fonctionnement (incluant les méthodes de notation), leur modèle de rémunération, la qualité et la performance des notations qu'elles attribuent (Gavras 2012, 36). L'idée maîtresse derrière ces propositions est bien sûr de forcer les agences de notation à faire preuve de plus de transparence, et ce, autant face aux autorités publiques qu'aux investisseurs (leurs clients).

Toutefois, lorsqu'il est question des méthodologies de notation utilisées, obliger davantage de transparence est mal accueilli par l'industrie de la notation financière puisque cela implique le risque que de l'information clé soit divulguée à des compétiteurs et que les incitatifs à innover soient par conséquent éliminés en raison du risque de freeriding (Kerwer 2005, 469; Darbellay et Partnoy 2012, 282). Cela n'a toutefois pas empêché les États-Unis et l'Union européenne de légiférer après la crise de 2008 pour obliger les agences à divulguer de l'information (aux régulateurs et aux investisseurs) quant aux méthodologies utilisées pour évaluer et noter des titres (Darbellay et Partnoy 2012, 285; Woo 2012, 65). La divulgation permet évidemment aux régulateurs américains et européens d'évaluer les méthodologies des agences et de même révoquer leurs enregistrements en cas de manquements.

Toujours selon la première école de pensée de maintenir le recours aux notations provenant de sources externes pour des lois en matière de finance, il est proposé de mettre en place un intermédiaire entre les émetteurs de titres et les agences qui notent ces produits financiers. Cet intermédiaire prend diverses formes selon les auteurs. Panayotis Gavras propose de mettre en place des comités d'investisseurs qui choisiraient quelle agence émettrait une notation pour un client donné tandis que Alan S. Blinder de l'Université Princeton propose d'attribuer le rôle d'intermédiaire aux places boursières et la S.E.C. (Gavras 2010, 476; Blinder 2013, 81). Jérôme Mathis et Jean-Charles Rochet de l'école d'économie de Toulouse ainsi que James McAndrews de la réserve fédérale de la Banque de New York avancent pour leur part l'idée de «plateformes centrales» pour séparer les émetteurs et les agences. Cela fonctionnerait de la façon suivante.

> When a potential issuer wants to apply for credit ratings by a NRSRO, it is required to contact a platform, that could be an exchange, a clearing house or a central depository. This platform would be completely in control of the ratings process and would also provide record keeping services to the different parties in the securitization operation. […]The potential issuer would pay a pre-issue fee to the central platform. The central platform would then organize the rating of the pool of loans by one or several NRSROs. The rating fees would be paid by the central platform to the NRSROs. These fees would be independent of the outcome of the rating process and whether the issue finally takes place or not. (Mathis, McAndrews et Rochet 2009, 669).

Il s'agit d'une proposition assez intéressante qui permettrait à première vue d'effectivement éliminer une source de conflits d'intérêt, à savoir le contact direct entre les deux groupes d'acteurs et le fait que les émetteurs peuvent jusqu'à un certain point «magasiner» les notations pour un titre financier en allant d'une agence à l'autre. Toutefois, cette mesure ne saurait à elle seule régler tous les problèmes liés aux activités des agences de notation (notamment en matière de méthodologie) et devrait fort probablement être appliquée de concert avec d'autres réformes.

La deuxième école de pensée de l'approche réglementaire consiste à diminuer, voire même à éliminer, le recours aux notations provenant de sources externes (comme les agences) des cadres réglementaires. Il s'agit de l'approche favorisée par de nombreux gouvernements et organisations internationales à l'heure actuelle. Suite à la crise de 2008, le G-20 et le Financial Stability Board en ont appelé à plusieurs reprises à des changements de cette nature (Duan et Van Laere 2012, 3242). Les États-Unis et l'Union européenne sont les deux

joueurs qui ont agi le plus rapidement (et le plus en profondeur) pour évacuer de leurs lois le recours aux notations des agences. Cette dynamique est également observable au niveau de la *Bank for International Settlements*. En effet, le *Basel Committee on Banking Supervision* entend bientôt publier de nouveaux standards qui mèneront à la modification de certaines dispositions des accords de Bâle pour réduire la dépendance des banques envers les agences de notation.

L'approche réglementaire est en quelque sorte l'idée la plus traditionnelle et celle qui semble la plus susceptible de fonctionner dans l'immédiat aux niveaux national et même international, puisque les États sont habitués de procéder de la sorte pour s'attaquer à de grands problèmes globaux (avec un succès mitigé toutefois). Des difficultés pourraient toutefois potentiellement se poser si l'on opte pour cette façon de faire. Charles H. Ferguson illustre la réticence marquée des agences de notation à être régulées davantage en écrivant : «When state legislatures occasionnaly threatened to reduce their power or increase their liability, the rating agencis threatened to stop rating bonds issued in those states» (Ferguson 2013, 106-107). Ce chantage serait toutefois quelque peu contrecarré dans l'éventualité où les États ne dépendraient plus des notations des agences pour leurs réglementations. Dans les faits, ces «menaces» n'ont pas empêché l'Union européenne de réformer certains aspects du secteur de la notation financière suite à la crise de 2008 avec la réglementation 1060/2009 (par la suite amendée par les réglementations 513/2011 et 462/2013. Les États-Unis et le Canada en ont aussi fait de même avec, respectivement, les réformes *Dodd-Frank Act* et NI 25-101 *Designated Rating Organizations*.

Enfin, soulignons une autre difficulté excessivement pertinente soulevée par Harry McVea de l'Université de Bristol. L'auteur avance qu'il serait très difficile de vérifier concrètement si les agences de notation qui prétendraient se conformer aux standards et règles en place le feraient effectivement (McVea 2010, 718). En effet, selon McVea, il existera toujours, malgré les règlements en place, un incitatif pour les agences à négliger ou à littéralement éviter les obligations en place, et ce, que la compétition dans cette industrie soit faible (dans un tel cas, il n'y a pas de sanction de marché -étrangement l'auteur ne parle pas des sanctions légales-) ou forte (alors les compétiteurs ont intérêt à tricher pour prendre une longueur d'avance sur les autres) (McVea 2010, 718). Cette dynamique semble donc plaider en faveur de la mise en place d'organismes réglementaires et de supervision nationaux plutôt qu'internationaux. En effet, il serait fort probablement beaucoup plus difficile pour une organisation internationale de vérifier concrètement sur le terrain si les agences remplissent

leurs obligations. Travailler à l'échelle nationale apporterait sans doute de meilleurs résultats (ne serait-ce qu'en raison du développement d'une certaine expertise et d'une connaissance plus approfondie du terrain d'opération). Néanmoins, les lois et les standards devant être appliqués par ces organismes devraient être élaborés à l'échelle internationale afin de s'assurer que tous les acteurs jouent selon les mêmes règles et que les agences ne déménagent tout simplement pas dans les pays où les règles sont moins sévères.

Conclusion

Les agences de notation ont considérablement gagné en importance sur la scène financière internationale en raison de certaines décisions prises par la SEC et le gouvernement des États-Unis au siècle passé et au début des années 2000. La mondialisation des capitaux et le place centrale du marché financier américain ont contribué à diffuser les pratiques américaines (notamment le recours aux notes de crédit des agences pour des fins réglementaires) ailleurs sur la planète. Ces agences faisant l'objet de nombreuses critiques, l'enjeu de la gouvernance internationale de cette industrie est crucial. Ces acteurs sont d'ailleurs au cœur de l'accord de Bâle II élaboré par la BIS et du code de conduite proposé par l'IOSCO. Enfin, plusieurs réformes portant sur les activités des agences de notation sont proposées dans la littérature. Ces dernières peuvent être regroupées sous trois catégories, à savoir l'approche du bien public, l'approche de marché et l'approche réglementaire. Celles-ci ont chacune leurs forces et leurs faiblesses et pourraient toutes contribuer, d'une manière ou d'autre autre, à améliorer la gouvernance des agences de notation. Cependant, aucune de ces grandes pistes de réforme ne pourrait à elle seule régler l'ensemble des critiques adressées au secteur de la notation. En effet, pour qu'elles portent fruit, ces réformes devraient être combinées entre elles et, selon les cas, s'inscrire dans une logique globale (intergouvernementale) d'une manière ou d'une autre

De façon plus générale, il est également essentiel de repenser les liens entre la gouvernance publique et la gouvernance privée de la finance internationale. À l'ère de la mondialisation, ces deux types de gouvernance ne peuvent tout simplement pas évoluer en vase clos et encore moins se faire mutuellement compétition. Ainsi, il est impératif de se demander comment intégrer de façon optimale des acteurs privés dans la gouvernance publique. Le cas de figure des agences de notation doit toutefois servir de leçon: si l'on intègre des acteurs privés à la gouvernance publique globale, alors il est nécessaire que des conditions et des obligations prédéfinis soient imposés par le fait même à ces acteurs (ce qui n'a pas été fait à l'échelle internationale avec les agences de notation suite à l'accord de Bâle II).

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Anti-Japanese Nationalism and Economic Growth in the Context of the Diaoyu/Senkaku Island Dispute: Mutually Opposing Pillars of Legitimization

Andrew Champagne

In September 2012, massive and violent anti-Japanese protests broke out in more than 100 cities throughout China. Japanese businesses, restaurants and multinational corporations were targeted and Japanese people were attacked on the streets. The protests were a result of the Japanese Government's decision to purchase and nationalize three islands in the East China Sea located in the island grouping known as Diaoyu in China and Senkaku in Japan over which both countries have competing sovereignty claims. The purchase occurred only months after nationalist demonstrators from both Hong Kong and Japan independently planted their respective flags on the islands and only a week before the 81st anniversary of the Mukden incident.[1] The Chinese Communist Party (CCP) has yet to enact any economic sanctions on Japan and at the time acted to limit protests; state-run media urged restraint and the police became more assertive. These protests were the largest and most violent anti-Japanese demonstrations in China since those of 2004-2005, which were also a result of the Diaoyu/Senkaku Island dispute. Japan has effectively controlled and administered the uninhabited islands for more than a century, having first annexed them after the first Sino-Japanese war of 1895 (Nicoll 2012, 3). Conversely, China's historical claim dates back centuries, though it did not formally claim the island until 1970 when a geological survey conducted under the auspices of the United Nations Economic Commission for Asia and the Far East suggested that 'a high probability exists that the continental shelf between Taiwan and Japan may be one of the most prolific oil reserves in the world' (Gyo Koo 2011, 161).

In December 2012, a Chinese patrol plane, a symbol of Chinese sovereignty, flew within the airspace claimed by Japan. Not long after being spotted, Japanese F-15 Fighter Jets were dispatched as a demonstration of Japanese sovereignty. In an article published in the People's Daily, Chinese Foreign Minister Yang Jiechi claimed that the Japanese purchase was illegal and stated that China would "resolutely fight against the Japanese side." (Perlez 2012). Throughout this article, it will be demonstrated that this hard-line anti-Japanese rhetoric on behalf of China's Foreign Minister should not be seen as a true military threat. China and Japan have quarreled over these islands several times in the past and not once has the situation escalated to the point where either side used force against the other. Some may

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[1] A staged event engineered by Japanese military personnel, the Mukden or Manchurian Incident served as a pretext for the Japanese invasion of Manchuria in 1931.

argue that China is not capable of escalating the dispute through military means for fear of a strong and effective riposte from Japan and perhaps even the United States; still overwhelmingly the worlds most dominate power at sea. While this certainly may be true, until recently, the United States has abstained from formally committing its military to Japan should a conflict erupt (McCurry 2014). Rather, the most important factor in determining the peaceful outcome of past disputes has been the fact that China and Japan are two of the most economically interdependent countries in the world.

It will be demonstrated that the CCP does not want to engage Japan militarily over the disputed Diaoyu/Senkaku islands. On the contrary, Chinese nationalism, as it has been constructed by the state to be anti-Japanese, is a source of legitimacy for the CCP meaning that the party must utter strong anti-Japanese rhetoric domestically and, to a certain extent internationally, while at the same time being careful not to disturb it's important trading relationship with Japan and the world. An example of such rhetoric from Beijing is the unilateral declaration of an 'Air Defense Identification Zone' over an area covering the Diaoyu/Senkaku islands as well as Leodo Island claimed by South Korea. Should China attempt to strictly enforce this declaration, it would require that all foreign aircraft report to Beijing before entering the zone. Far from acting as a deterrent, the declaration seemingly backfired from a foreign policy perspective, giving common cause to Japan and South Korea and further involving the United States in the region. In response to this declaration, the United States immediately flew two unarmed B-52 aircraft through the area and Japan and South Korea have reported violating China's terms on numerous occasions. Indeed, China has periodically sent military and surveillance aircraft on patrol missions through the zone, but they have yet to make contact with any foreign incursions (Fisher 2013).

So why did China declare this zone without the means, or possibly the will to enforce it? Considering that Japanese Prime Minister Shinzo Abe has been posturing to amend Japan's post-war constitution, thus removing certain limitations on the operations of its military, China's actions could certainly be framed in terms of realism and power politics. Alternatively, they are perhaps the result of weakened internal factions following a transition of leadership. However, what is more likely, is that the CPP intended on boosting its own internal legitimacy by appearing to challenge Japan for the simple reason that it's citizens demand as much. According to Kelly, "the CPP may not want a conflict with Japan, but it's been telling Chinese youth for 20+ years that Japan is greatly responsible for the '100 years of humiliation' (Kelly 2014). Moreover, the CCP finds legitimacy in the form of economic growth. In the context of globalization, what will ultimately prevent China from

provoking a military conflict is economic interdependence with Japan. The CCP therefore must act only insomuch that it feels threatened domestically by the expression of anti-Japanese nationalism through mass protests.

This paper is divided into five sections. The first section, using social constructivist theory, demonstrates that a government is only legitimate so long as those that it governs believe it to be. It continues with a historical analysis of how The CCP faced a server legitimacy crisis following the events of Tiananmen Square and therefore, along with economic growth, located a new source of legitimacy in the form of nationalism. The second section, locates this "new" form of nationalism as being primarily influenced by China's century of humiliation and the third section outlines how, mainly a result of the Patriotic Education Campaign, it was constructed by the state to be anti-Japanese. The fourth section, explains the theoretical foundations of the economic peace theory and demonstrates that anti-Japanese rhetoric in regards to the Diaoyu/Senkaku island dispute is primarily a result of the CPP's need to acquiesce to domestic nationalist emotions rather than its desire to risk upsetting its bilateral trade relationship with Japan through the use of force. Finally, it will be shown that as anti-Japanese nationalist sentiment grows the CCP is being faced with an increasingly volatile policy environment in which it must choose between two opposing sources of legitimacy: anti-Japanese nationalism and economic growth, one of which may lead to conflict with Japan and the other to domestic unrest.

How the CCP Derives its Legitimacy

Social constructivist theory supposes a direct relationship between state legitimacy and the costs of a course of action. In other words, the greater the legitimacy, the easier it is for the state to convince people to cooperate with its policies; the lesser the legitimacy the harder and more costly the action may become (Baylis, Smith and Owens 2011, 157). According to Lipset, "[l]egitimacy involves the capacity of a political system to engender and maintain the belief that existing political institutions are the most appropriate or proper ones for the society" (M. Lipset 1959, 86). Therefore, legitimacy requires that people hold the belief that the existing political system is 'appropriate' or 'proper'. Accordingly, Scharr notes that "nothing outside popular opinion can decide whether a given regime, institution or command is legitimate or illegitimate" (Schaar 1989, 20-21). However, he adds that legitimacy flows from leaders to followers and that the ability of a system to persuade members of its own appropriateness is an important way in which legitimacy can be

derived and propagated - "[l]eaders lay down rules, promulgate policies, and disseminate symbols which tell followers how they should feel and what they should do" (Baylis, Smith and Owens 2011, 157). When people fail to respond to these 'rules' and cease to 'feel' and act accordingly, governments must react by altering their policies in order to be viewed as legitimate (Baylis, Smith and Owens 2011, 157). This is especially true in a unitary state such as China, where the CCP does not have the luxury of losing an election. With no official political alternative, the potential consequences of a loss of legitimacy are extremely high and could easily lead to massive civil unrest, as was the case in Tiananmen Square in the spring of 1989.

In the late 1970s and early 1980s, Deng Xiaoping launched a campaign intended to eradicate all ideological and psychological obstacles to economic reform. In doing so, the campaign critically reassessed Maoism, which unexpectedly led to the demise of the official communist ideology. Accordingly, this resulted in a profound "three belief crises": crisis of faith in socialism, crisis of belief in Marxism, and crisis of trust in the party (Chen 1995, 27). Upon losing its credibility, the CCP was no longer able to enlist mass support for its vision of the future. As early as 1980, the official state media began to admit that many people, especially the young generation, believed that "socialism cannot match capitalism" and that they seriously doubted whether "socialism can really save China" (27).

Under these conditions, some intellectuals, particularly of the younger generation, began to advocate for Western liberal ideas and called for Western-style democratic reform. This pro-democracy movement eventually led to the large-scale Tiananmen Square demonstration in the spring of 1989 (Zhao 1998, 288). The period leading up to the violent crackdown has been characterized as one where the CCP faced a severe crisis of legitimacy (L. Ding 1994).

Given the demise of communism in Eastern Europe, the collapse of the Soviet Union, the political turmoil in China leading up to Tiananmen Square, and the fact that socialism had altogether lost its credibility, few western scholars believed that the CCP could survive (Wang 2008, 784). This way of thinking is best exemplified by Francis Fukuyama's 1989 article "The End of History" in which he argues that the Tiananmen Square incident marked the beginning of mounting pressure for change in the political system (Fukuyama 1989, 9). Recognizing this, the CCP was forced to acknowledge that it was no longer simply a revolutionary party, but a party in power and that, in order to survive, it must rely on persuasion in dealing with social instability (Brady 2009, 450). In sum, the CCP could no

longer rely on Marxist-Leninist-Maoist ideology to gain the support of the masses. Thus, it became imperative to seek legitimacy by other means.

Following the events of 1989, the CCP political leadership reasserted the importance of mass persuasion to maintain the legitimacy of the existing political system. It was seen as way to adjust and familiarize the masses to the changes in Chinese society resulting from China's economic reform policies. Leading up to Tiananmen Square, the main goals of the reforms were to promote economic development and to raise living standards, thereby anchoring its legitimacy in economic growth. It was this reliance on economic growth as a form of legitimacy however that was the main source of political instability that led to the student protest movement (438).

Not long thereafter the events of Tiananmen Square, Deng Xiaoping articulated a new model for the CCP to bolster its legitimacy and maintain political power: "Seize with both hands; both hands must be strong." According to Brady, this means that the CCP sought to base its legitimacy on both economic growth and a renewed emphasis on persuasion, or propaganda and thought work (437). In other words, the CCP now maintains its legitimacy and its authority by employing a mix of economic performance based legitimacy and by constructing and promulgating ideology through mass persuasion. In her study, aimed at understanding the ways in which mass persuasion serves as a means of legitimization for China's popular authoritarianism, Brady concludes that " [i]n the years since 1989, the Chinese Communist Party has succeeded in its task of persuading the Chinese population that the current political system is the most appropriate one for China today." In achieving this legitimization through persuasion, she notes that the CCP studied and drew selectively on methods of mass persuasion from the capitalist world, relying heavily on "manufacturing consent" (Chomsky and S. Herman 1988) and "regimenting the public mind" (Bernays 1928) as a way to maintain its right to govern (Brady 2009, 449).

According to Greenfeld, nationalism is a powerful ideology in that it locates "the source of individual identity within a 'people', which is seen as the bearer of sovereignty, the central object of loyalty, and the basis of collective identity" (Greenfeld 1992, 3). As the 'central object of loyalty', nationalism can easily become a legitimizing factor for a government. In fact, Gellner argues, "nationalism is a theory of political legitimacy" (Gellner 1983, 1). In addition, Gellner notes, "Marxism contained the anticipation of the decline of nationalism" (Gellner 1964, 147). It is perhaps ironic that as Marxist-Leninist-Maoist thought faded, nationalism took its place. Chinese intellectuals of nationalist persuasion were well aware of

this link and urged the CCP to "mobilize traditional resources for national integration and social stability in the face of the legitimacy crisis after the Tiananmen crackdown" (Zhao 1998, 289).

The main lesson that CCP leaders, whether conservative or reformist, learned from the events of Tiananmen square was the need to indoctrinate the younger generations as a means of restoring the "spiritual pillars", dedication and self-sacrifice that was once provided by Marxism-Leninism-Maoist thought (Zhao 1998, 289). It was thus that Deng Xiaoping and his successor Jiang Zemin began to promote nationalism as the one political belief that was shared by most Chinese people. They began to emphasize the role of the CCP as a patriotic force and as a guardian of national pride in order to promote a new basis for legitimacy (289). As best they could, in the name of the national interest, they represented the CCP as the defender of Chinese economic interest against economic sanctions imposed by the West. By identifying the CCP with the nation, criticism became an unpatriotic act (290). This demonstrates how, following the events of Tiananmen Square, the CCP successfully managed to find legitimacy in both economic development and the promulgation of a new type of nationalism. All the while, Japan was the first country to begin significantly reinvesting in China post Tiananmen Square thus laying the groundwork for a prosperous economic relationship that would result in China and Japan becoming two of the most economically interdependent nations on earth.

State Sponsored Nationalism

Modern Chinese nationalism is rooted in what is commonly referred to as its 'century of humiliation'. It began in 1842 when the British defeated the Chinese army in order to preserve the lucrative opium trade. During the second opium war China also suffered at the hands of foreign imperialists. Throughout the remainder of the century, western nations carved out spheres of influence and enjoyed the protection of extraterritoriality on Chinese soil. In 1890, anti-Westernism fueled the Boxer Rebellion and the Treaty of Versailles of 1919 transferred to Japan all German possessions in Shandong province (Wu 2008, 468). Modern Chinese nationalism was first manifested during the May Fourth Movement when thousands of students assembled at the Gate of Heavenly Peace in Beijing. With them, they carried a manifesto denouncing the decision of the Paris Peace Conference to accept Japanese territorial rights in Shandong province. In this respect, modern Chinese nationalism has always had both anti-imperialist and anti-Japanese elements. Some argue that this wave of nationalism laid the foundation of China's modern national identity, as well

as the Chinese nationalist and communist revolutions that followed (468).

Wang, in a comparative study of Chinese post-imperial May Fourth nationalism of the 1910s and new Chinese nationalism of the 1990s, suggests that the two are different and distinguishable. It is argued that post-imperialist nationalism was "a rational, progressive and developmental nationalism, which focused on resolving fundamental economic problems as well as on promoting social, cultural and political change." New nationalism, on the other hand is "a cultural, conservative, and identity centered nationalism which, politically, took a statist approach." Wang also notes, "whereas early nationalism rose against the Qing Empire, new nationalism endorsed the legitimacy of the communist regime and affiliated itself with China's authoritarian institutions" (478-479). What is not taken into account in this study is how the new type of Chinese nationalism emerged. According to Zhao, the state led Patriotic Education Campaign was behind its spontaneous rise in the 1990s. Zhao notes that this nationalism could not have easily emerged without the sponsorship of the CCP and describes it as "partisan nationalism in a post-Tiananmen China" (Zhao 1998, 300-301). We will now turn our attention to the contents of the Patriotic Education Campaign in order to demonstrate how the CCP has constructed and promoted Chinese nationalism to have a strong anti-Japanese component. Ultimately, it will be shown that the type of nationalism that resulted from the Patriotic Education Campaign has effectively placed important restrictions on the conduct of the CCP's foreign policy vis-à-vis Japan, and to a certain extent, Japan's foreign policy vis-à-vis China.

Constructing Anti-Japanese Nationalism:
The Patriotic Education Campaign

Shortly after the events of Tiananmen Square, the CCP began to reflect on the reasons why the pro-democracy student movement materialized. Deng Xiaoping concluded that the biggest mistake for the CCP in the 1980s was its failure to give adequate attention to ideological education for Chinese citizens, students in particular. He noted, "we did not tell them enough about the need for hard struggle, about what China was like in the old days and what kind of country it was to become" (Wang 2008, 788). It was thus that the main focus of the campaign was to educate Chinese people about its humiliating experience in the face of Western and Japanese imperialism. In doing so it became possible to explain how the CCP changed China's fate and won national independence. The Patriotic Education Campaign was launched 1991 and the first document to be released by the Chinese

Communist Party Central Propaganda Department was entitled "Circular on Fully Using Cultural Relics to Conduct Education in Patriotism and Revolutionary Traditions" (Zhao 1998, 292).

While nationalism has always constituted an important component of CCP ideology and modern Chinese identity, the Patriotic Education Campaign marked the first time that it was singled out as a means of mass persuasion and indoctrination (291). Understanding the campaign and the way in which it promotes anti-Japanese sentiments in China is important in explaining why some youth, who have no physical memory of the Japanese invasion of the Second World War still hold such anti-Japanese feelings today. According to Podeh, state education constitutes a primary tool for socializing the youth to societies main values. Accordingly, both the school system and textbooks become "another arm of the state" or "agents of memory" whose primary objective is to transmit "approved knowledge" to the younger generations (Podeh 2000, 66). A number of studies have suggested that ethnocentric views, myths, stereotypes and prejudices often pervade history books. In sum, stories that are chosen or invented about the national past are "invariably prescriptive, instructing people how to think and act as national subjects and how to view their relations with outsiders" (Wang 2008, 787). Callahan argues that the Patriotic Education Campaign was designed to shift the focus of students' energies from domestic to foreign issues. He notes, "[a] patriotic education policy was formulated not so much to reeducate the youth, as to redirect protest toward the foreigner as an enemy, as an external other" (A. Callahan 2006, 186). While many foreign powers have wronged China throughout its century of humiliation, as the most recent and most damaging perpetrator, Japan became the primary other, the main enemy of this campaign.

The Patriotic Education Campaign marked an important change in the content of historic education as well as in the underlying themes and messages that were being transmitted. Callahan points out, "according to the records of the National Library of China, no new books about 'national humiliation' were published in China between 1947 and 1990" (185). This is mainly because Communist historians used the class struggle theory to explain topics such as peasant rebellions, foreign imperialism, and the Chinese civil wars between the CCP and Kuomintang. They even described the second Sino-Japanese war in Marxist terms, portraying Japanese workers and peasants as fellow victims of militant imperialists (Wang 1998, 790). The Patriotic Education Campaign instead, placed the emphasis on the international and ethnic conflict between China and Japan (791). In addition to textbooks, the CCP constructed a number of museums and monuments to be used as physical

markers of the Patriotic Education Campaign. Of the forty sites that were established to commemorate external wars and conflicts, half are in remembrance of the anti-Japanese war. Furthermore, in 1997, former leader of the CCP Jiang Zemin wrote an inscription on the Chinese People's Memorial Hall of Anti-Japanese War that read: "Hold high the patriotic banner, use history to educate people, promote and develop Chinese national spirit and rejuvenate the Chinese nation" (794-795).

As has been discussed, Chinese nationalism, from the outset was anti-western, anti-imperialist and anti-Japanese, and can be characterized by China's 'century of humiliation.' Fukuyama observed that the rise of nationalism in China seems to be associated with generational change (Fukuyama 2007, 38-41). Accordingly, Wang observed that the majority of those who took part in the 2005 anti-Japanese protest were young people in their twenties, the so called 'generation of patriotic education" (Wang 2008, 800). While it is almost impossible to measure the direct impact of the Patriotic Education Campaign on the attitudes of Chinese people towards Japan, we can most certainly conclude that it has, at the very least, contributed to a rise in anti-Japanese sentiment as a component of Chinese nationalism. As a compliment to the Patriotic Education Campaign, young people may hear stories of Japanese wartime atrocities from their parents or their grand parents.

However, what is most likely not emphasized by either source is that China and Japan are among each other's most important economic partners and are, to a large extend, economically interdependent (Gyo Koo 2011, 153).

Economic Interdependence and Peace

While it is difficult to establish a causal link between economic interdependence and peace, proponents of the economic peace theory argue that conflicts over territorial disputes are less likely as a result of it (159). Two different but related arguments inform this theory. First, that economic trade increases communication, creates a convergence of economic interests, and helps to establish cultural ties that promote relationships of trust and respect between trading partners and that this ultimately prevents them from resorting to the use of force to solve disputes. Secondly, economic interdependence results from trade partners' mutual emphasis on maximization of gains from trade that would be lost if conflict where to disrupt the trade relationship (V. Benson and M. S. Niou 2007, 36).

Analyzing each dispute over the Diaoyu/Senkaku Islands from 1968-1971 to 2004-2005, Koo hypothesizes that "if China and Japan have low (high) levels of trade ties, they are more (less)

likely to escalate the territorial dispute to higher levels of hostility" (Gyo Koo 2011, 160). She concludes, "notwithstanding the destabilizing influence of resource competition, fluid geopolitics, and contending nationalism, the two countries have successfully managed to contain their respective territorial and maritime claims thus far."

Furthermore, "as long as profitable economic opportunities continue for both sides, it is likely that a system of control and restrain will become a stable feature of the Senkaku/Diaoyu dispute" (175).

Regarding resource competition in the East China Sea, China and Japan have both shown themselves willing to cooperate, negotiate and at least partially work within the framework of the United Nations Convention on the Law of the Sea, which was ratified by both countries in 2006 (157). For instance, in 2008 China and Japan came to a Principled Consensus in dealing with their maritime boundaries in the East China Sea. The consensus is characterized by good faith legal arguments and has been negotiated on cooperative terms. It is however, still flawed in several ways (Zhang 2011, 61). Mainly that it does not address the Diaoyu/Senkaku island dispute nor does it discuss the rights of the adjacent continental shelf, which sovereignty over the islands would entail. In this respect, China offered to set aside the sovereignty dispute in order to undertake joint development of resources (60-61).

According to Wiegand, China struck a balance in that it has managed to maintain its claim for sovereignty, while at the same time benefiting from the joint development of resources. She argues that China is pursuing a strategy of issue linking and coercive diplomacy as a means to use the Diaoyu/Senkaku dispute to compel Japan to change some action or policy in other areas. She maintains that China would only drop its territorial claim to the islands if "the cost of maintaining the territorial claim and threats become higher than the benefit of using the islands dispute as bargaining leverage" (E. Wiegand 2009, 190). For example, in 2005, as a result of the island dispute, the largest anti-Japanese protests up to that point had taken place all throughout China. Chinese Premier Wen Jiabao warned that the scale of the protests in China should make Japan reconsider both its wartime atrocities and its bid for a seat on the UN Security Council. In response, Japanese Prime Minister Koizumi made an official apology for Japanese wartime atrocities. Not long after, the CCP reigned in protesters, shut down anti-Japanese websites, and organized public lectures to emphasize the need for good relations with Japan (188). China was therefore able to use the island dispute to influence Japanese actions. However, in reigning in the protests, the CCP

faced criticism by nationalist who considered that the government was not acting strongly enough in regards to Japan (Reilly 2006, 208).

Downs and Saunders consider that the two pillars upon which the CCP has built its legitimacy are mutually opposing and, in regards to the Diaoyu/Senkaku dispute, force the party to choose one over the other. The first pillar emphasizes nationalist goals and highlights the party's success in building China into a powerful state, while the second emphasizes economic goals and claims that the political stability provided by the CCP is necessary for continued economic growth (Downs and Saunders 2011, 133). In their assessment of the 1990 and 1996 disputes they note that "[b]efore each crisis, Chinese leaders had promoted nationalist and anti-Japanese sentiment to increase their domestic legitimacy, while simultaneously trying to maintain good economic relations with Japan to encourage economic growth" (146). In both cases, they conclude, the CCP chose to pursue economic growth at the expense of its nationalist credentials. This supports the idea that it is more important for the CCP to promote performance based legitimacy in the form of economic growth than it is to advance ideological based legitimacy in the form of anti-Japanese sentiment and nationalism.

According to Japan's Finance Ministry, China is Japan's largest trading partner. Not only that, Japan is China's second largest trading partner after the United States (Fackler and Johnson 2012) By the end of 2012, Japan exported a total of US$144,709,442 and imported a total of US$188,954,976 from China, 20% of Japan's total trade (Japanese Trade and Investment Statistics, December 2012). Compared to 2007, when total exports amounted to US$109,060,309 and imports amounted to US$127,643,646 (Japanese Trade and Investment Statistics, December 2007). Considering that China and Japan are more economically dependent on each other than they were in 2005, future conflict over the Diayou/Senakaku Island remains unlikely.

Anti-Japanese Nationalism and its Implication Sino-Japanese Relations

According to Rozman, in the late 1990s, 'public distrust' in the Sino-Japanese relations was "growing out of control." Today, Chinese animosity towards Japan has risen to a point where it may possibly undermine China's national interest (Gries 2011, 268). This is mainly because the CCP is becoming increasingly constrained in its policy actions towards Japan by increasing anti-Japanese nationalism. According to Cheng, "Chinese leaders realize that Chi-

na's improving international status is now a significant source of legitimacy for the Party regime and they cannot afford to be seen as weak in dealing with Japan" (Yu-Shek Cheng 2011, 274).

In the past, the CCP has been able to temper demonstrations of anti-Japanese nationalism, in favour of economic cooperation. Anti-Japanese nationalism in China, however, has continued to grow. According to Shambaugh "as China has grown economically more powerful in recent years, nationalism has increased exponentially." He predicts that increased Chinese strength "is likely to result in increased defensiveness and assertiveness" (Downs and Saunders 2011, 132). While it is true that China has continued to grow economically and that economic interdependence between China and Japan has also grown, China's economic growth has recently shown signs of slowing (Vanderklippe 2014) while at the same time Japan has become increasingly dependent on the Chinese market for its exports (Foley 2012). Considering that the CCP bases its legitimacy on both economic growth and nationalism, if the latter becomes a more powerful legitimizing force than the former the CCP will be more likely to acquiesce to nationalist demands.

According to He, Chinese nationalism has grown more powerful in the last decades than ever before in the history of the People's Republic of China. This assessment is based on the frequency and spontaneity of anti-Japanese protests in recent years. She notes that these protests do not simply erupt over the Diaoyu/Senkaku islands, but over a number of issues in Sino-Japanese bilateral relations. Most importantly, however, is the fact that the CCP cannot necessarily control public opinion or anti-Japanese nationalism. This is partly because society has become more vibrant, but also because there is a lack of political will to suppress nationalism. She notes, "[e]ven thick bilateral commercial ties cannot persuade the Chinese public to stay calm in dealing with Japan" (He 2007, 17). Accordingly, in a speech just weeks before violent anti-Japanese demonstrations broke out in 2005, Wu Jianmin, China's representative to the UN atGeneva, urged Chinese people to view this situation from a long-term, reasoned perspective in order to advance China's fundamental national interest. Importantly, anti-Japanese protests have come to be termed as a sort of 'popular diplomacy' by some Chinese scholars (Reilly 2006, 214).

James Reilly found that this 'popular diplomacy' is unsettling to the CCP for three reasons. First, that it reacts primarily to developments outside the control of the CCP. He notes that it manifests itself both through state media and internet media and is primarily reactionary to Japanese Government policy and the behavior of Japanese businesses and individuals.

Second, Chinese activists have been more resolved in participating directly in international politics, associating popular nationalism with transnational activism. Thirdly, the growth of a partially free, market-based media sector, along with the rapid spread of information technology and the internet has widened the scope of independent information that is available to activists. This has allowed them to spread their activities widely within China and to create broad based international community of like-minded sympathetic activists (215).

Conclusion

Increasing anti-Japanese sentiment, as a component of Chinese nationalism has become the most volatile factor in determining the peaceful outcome of future bilateral relations with Japan. Economic reforms initiated in the late 1970s and early 1980s where designed to promote economic growth but also had the effect of causing political turmoil in the form of a student led pro-democracy movement that culminated in a violent crackdown in Tiananmen Square in 1989. This demonstrated to the CCP that Marxist-Leninist-Maoist thought was no longer useful in soliciting the loyalty of the masses and could no longer be relied upon as a form of ideological legitimacy. In search of a new form of ideological legitimacy and as a way to focus the attention of the younger generations on foreign issues as opposed to domestic ones, the CCP implemented a state sponsored Patriotic Education Campaign. The campaign was a vehicle through which the CCP could use mass persuasion to construct a new sense of nationalism throughout China, one that inevitably took on a strong anti-Japanese component. The CCP was successful in basing its legitimacy on a combination of economic growth and state sponsored nationalism that, in regards to the Diaoyu/Senkaku Island dispute, are mutually opposing. Japan is at the same time one of China's most important trading partners and the main outlet of growing Chinese nationalism. Thus far, the economic peace theory has held true. Neither China nor Japan has been willing to risk good economic relations over the dispute. In effect, the high degree of economic interdependence between them not only places constraints on China's foreign policy vis-à-vis Japan but also provides incentives for Japan to refrain from provoking the fervor of anti-Japanese nationalist in China. Should massive and violent protests erupt, Japanese business interests and Japanese citizens in China would be at risk. As was previously mentioned, within the context of the Diaoyu/Senkaku dispute, China has been able to influence Japan's actions at the international level thus further reinforcing the importance of their interdependence. However, anti-Japanese activism and protests have become

increasingly spontaneous and increasingly violent, to the point where China cannot afford to be seen as weak in regards Japan or it risks loosing legitimacy domestically. In the event that anti-Japanese nationalism continues to ferment and manifest itself in the form of violent demonstrations and largely as a response to Japanese actions, the CCP will be increasingly faced with a complicated policy choice between two opposing forms of legitimization. The CCP has urged the Chinese people to act in a reasonable manor regarding its relationship with Japan and has successfully been able to put down anti-Japanese protests without critically damaging its domestic legitimacy. However, Hu Sheng, president of the Chinese Academy of Social Sciences, warned that if the Chinese leadership continues to suppress anti-Japanese sentiment and ignore popular desires for a firm stance on the Diayou Islands, nationwide unrest could bring about "greater trouble than the political turbulence of 1989" (Downs and Saunders 2011, 146). Ultimately, Chinese nationalism, as it has been contrasted by the state, has turned out to be a double-edged sword. There seems to be no conceivable way for the CCP to let go of its claim to the Diaoyu/Senkaku islands without risking domestic political turmoil, massive protests, and possibly loosing its 'mandate from heaven' to govern China.

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Oddities in the Canadian labour force in the 21st Century: jobless Canadians in a labour shortage market

Christell Simeon

Introduction

A paradox is a term that can be used to describe an economic climate where there are many unemployed persons and yet still a large influx of temporary foreign workers? This is the labour dynamics currently existing in Canada; growing numbers of unemployed persons in provinces where simultaneously thousands of temporary foreign workers are entering the labour market to fill job vacancies. Some researchers have rationalized that this phenomenon is caused by a skills mismatch – the imbalance between the skills employees possess and those skills required to perform a particular task or role in a job (Lundberg, 2007). The International Labour Organization (ILO) further expounds that skill mismatches can be found in environments where there is an increase in job vacancies, amidst an increasing unemployment rate in which workers lack the skills that the labour market demands (ILO, 2013). In Canada, there are numerous job openings in provinces plagued by high unemployment rates, and rising numbers of new labour market entrants in the form of temporary foreign workers. The first part of the research article will explore this paradoxical anomaly. The second part of the article will address the dilemma faced by Canadian policymakers. Do they reduce the number of temporary foreign workers and lose short term economic competitiveness to strengthen Canadian workers' skill sets? Or do they increase the number of temporary foreign workers and continue to boost short term economic competitiveness to the detriment of Canadian workers?

Labour Anomalies

One way to validate the contradiction between the unemployment rate and the increase in temporary foreign workers is to examine the prevalence of job vacancies throughout Canada. Job vacancies are openings that have been vacant for a period of at least four months in which employers have been unsuccessful at finding suitable employees (CFIB 2013, 1). Statistics Canada (2013) uses the number of vacant positions divided by the total labour demand (number of occupied positions plus number of vacant positions) to calculate the job vacancy rate. There has been a steady increase in the job vacancy rate from 1.8% to 2.3% between 2009 and 2011 (CFIB 2013, 1). Although there was a decline in the number of vacant positions between June 2012 and June 2013, there were still 216,000

vacant positions within the period (Statistics Canada 2013, 2014). As expected, the number of vacant positions varies by sector, size of enterprise and by province. The tendency is for smaller businesses to have more job vacancies than larger businesses (CFIB 2013, 2). This corresponds with the OECD findings that small and medium enterprises (SME) contribute to 60 to 70% of the job creation in OECD countries, of which Canada is a member (OECD). With Canada in the process of recovering from recession, large firms may be curtailing jobs and re-organizing to lower costs, and smaller firms may be expanding to take advantage of new market opportunities. The job vacancy rate for firms with less than 19 employees was 4.5% in 2013, whereas for firms with 500+ employees it was 1.6 % (CFIB 2013, 2). Similarly, sectors with a larger percentage of small firms had higher job vacancy rates such as personal services at 3.9% and construction at 3.5% in 2013 (CFIB 2013). Other sectors with high vacancy rates include hospitality, manufacturing, retail trade and health care (CFIB 2013, 3). At the opposite end, sectors experiencing slow growth and lower job vacancy rates include finance/insurance, real estate, arts/recreation, transportation and information/cultural industries (CFIB 2013, 3). A provincial comparison of job vacancy rates highlights provincial disparities. Provinces that have continued to expand economically have higher job vacancy rates. Therefore, the provinces of Saskatchewan and Alberta lead with 4.1% and 3.4% respectively (CFIB 2013, 3). The provinces of Nova Scotia, New Brunswick, Manitoba and Prince Edward Island have low job vacancy rates (CFIB 2013, 3). Job vacancies mean there are job opportunities for those who are actively seeking jobs. So exactly how many persons are looking for jobs in Canada?

The unemployment rate is the percentage of the labour force that is searching for a job. Typically to be considered unemployed, persons must be actively seeking a job in the current labour market. According to Benjamin Tal at CIBC World Markets, "Canada has an army of unemployed persons" (Grant 2013). In fact, in 2013, there was approximately 1.3 million persons unemployed representing an unemployment rate of 7.1% (Statistics Canada 2014). Severe job losses in the year did not help the unemployment figures. Job losses included 54,500 jobs in March, 39,000 jobs in July, and finally 46,000 jobs were cut in December 2013 (CBC 2014). These months depict the highest job losses for the year. The former Minister of Finance, Jim Flaherty, has attributed the job cuts to the fragile state of the economy (CBC 2014). Another possible reason could be the job cuts by major firms in Canada such as Blackberry and Sears Canada in an effort to restructure their operations. Whereas the majority of job vacancies have been concentrated in small enterprises, the contrary is true for job losses. Large firms have been playing a vital role in the increase of unemployed persons in the labour force. For instance, the public sector, which is a large

employer, shed 23,000 jobs alone in July 2013 of the total 39,000 jobs that were lost (Tal 2013). For unemployment data to be useful, it is important to estimate how many unemployed persons are available to fill existing job vacancies. The unemployment-to-vacancy ratio is the total number of unemployed persons divided by the number of vacant positions (Statistics Canada 2013, 2014). The figure tells the number of unemployed persons available to fill one vacant position. By June 2013, the unemployment-to-vacancy ratio was 6.3, an increase of 1.1 from June 2012 (Statistics Canada 2013, 2014). It means that for every vacant position, there was on average 6 persons available to fill that position in 2013, evidence that there were more unemployed persons available to fill job vacancies in 2013 than in 2012. Yet still, these unemployed persons were unable to secure a job by the end of 2013 considering the abundance of job opportunities in the labour market. Does it then signal that unemployed persons lack the skills necessary to fill the positions? A closer examination of the unemployment-to-vacancy ratio for the different sectors reveals that in sectors with high job vacancies, there is a corresponding high unemployment-to-vacancy ratio. For example, in the construction sector, which had the second largest job vacancy rate, the unemployment-to-vacancy job ratio was 8.0 (Statistics Canada 2013, 2014). Also, the manufacturing sector, which had ranked in the top five for high job vacancy rates, had an unemployment-to-vacancy ratio of 5.7 (Statistics Canada 2013, 2014). This suggests that there is certainly sufficient numbers of unemployed persons within the sector that are accessible to job vacancies.

So why is there this persistent cry of labour shortage? It appears to be a paradoxical anomaly – high unemployment figures in sectors where unemployed persons are available to fill numerous job openings. Upon examination of the unemployment-to-vacancy ratios, the only exceptions are the health sector at 1.3 and hospitality sector at 2.8 (Statistics Canada 2013, 2014). This suggests that there is almost a 1 to 1 ratio, with each job opening having at least 1 person to fill it. In fact, this health sector ratio is the lowest unemployment-to-vacancy ratio in Canada in 2013. It signals that the health sector is suffering from labour shortage because as the demand for health care services increases, there are fewer available unemployed persons are present to fill vacant positions. Similarly, in the hospitality sector, the ratio of 2.8 also indicates limited labour supply to meet labour demands. Labour shortages prevail for these two sectors. But what about the other sectors such as constructions and manufacturing where it is clear that a labour surplus persists? Could it be that labour shortages exist not by sector, but by geography?

At this juncture, unemployment will be looked at from a different perspective by comparing the unemployment-to-vacancy ratios by province. Saskatchewan with its recent high economic growth has an unemployment-to-vacancy ratio of 2.6 (Statistics Canada 2013, 2014). It signifies that on average 2 unemployed persons are accessible to fill vacancies, which implies that there is a labour shortage in Saskatchewan. With the continued economic growth of the province, labour demand would increase significantly ahead of the labour supply. Likewise, Alberta has an unemployment-to-vacancy ratio of 2.4 (Statistics Canada 2013, 2014). In the last ten years, the expansion of the construction sector and oil and gas industries, have propelled Alberta's economy. Thus, it is not surprising that the province is experiencing labour shortages. Hence these provinces are hungry for the type of skilled workers which are lacking in Canada (Goodman 2013a, 2013b). So it is evident that there are provincial labour shortages issues whereby the number of unemployed cannot meet the labour demands of the market. However, what about the provinces where there are no labour shortages, in fact, a labour surplus, and yet still cries of labour shortages? Take for instance, these following provinces which have high unemployment-to-vacancy ratios: New Brunswick 10.1, Nova Scotia 9.8, Ontario 8.6 and Quebec 8.2 (Statistics Canada 2013, 2014). Such ratios paint a picture of labour surplus. It can be asserted that it is another strange phenomenon.

Perhaps the situation stems from regional differences in unemployment. Regional mismatch occurs when unemployed persons seeking work are located in different provinces from firms offering jobs (TD Economics 2013a, 2013b). Internal migration can aid western provinces with low unemployment rates. The problem is that interprovincial migration has been stagnant over the last years, for instance, in 2012 it stood at 1% (TD Economics 2013a, 2013b). Persons located in provinces with high unemployment rates who possess the skills for available jobs in other provinces may be unwilling to move because of family commitments, moving costs, regional differences in occupational regulations, or health reasons. Yet in 2013, there were sudden changes to the status of interprovincial migration. A report by the Bank of Montreal states that 50,000 persons, of which 11, 000 came from the Atlantic Provinces, moved within provinces, with Alberta and Saskatchewan being the most popular provinces of choice (Evans 2013). The high level of interprovincial movement can be attributed to joblessness in Atlantic provinces along with low tax burdens and housing affordability in western provinces (Evans 2013). The only fear could be that interprovincial migration could deplete human resources in eastern Canada in an effort to lessen on labour shortages in western Canada.

Labour Dilemmas

The increased popularity in the use of the Temporary Foreign Worker Program (TFWP) can be considered an enigma in light of the labour surplus in Canada. Originally the intention of the federal government was to utilize the Temporary Foreign Worker Program (TFWP) as a main tool to alleviate employers' inability to find qualified Canadian workers by allowing the use of a labour source that would meet their labour skill requirements (Fudge and MacPhail 2009. 9). While employers in provinces with genuine labour shortages such as Saskatchewan and Alberta have benefitted immensely from the program initiative, employers in other provinces have exploited it. A good example of such exploitation is in the province of Ontario where there were 573,500 unemployed persons in 2012 contributing to an unemployment rate of 7.8% (LMI Division 2012). The Ontario Federation of Labour reports that "In 2012, the Ontario economy gained only 52,400 net new jobs, but 71,233 temporary foreign workers arrived in the province" (2013, 7). This data was validated from Citizenship and Immigration Canada Total Entries of Temporary Foreign workers by province or territory and urban area 2008- 2012 and the Labour Market Bulletin Ontario 2012 (Annual edition). It is a chronic situation in Ontario and concerns have been raised about the drastic numbers of temporary foreign workers arriving in the province annually amidst little or no improvements in the unemployment rate. From the period 2008-2012, while the employment rate growth was negative at -1.7%, the number of migrant workers entering Ontario increased by 32% (Ontario Federation of Labour 2013, 9). It is possible that employers are utilizing temporary foreign workers as a means of achieving lower labour costs, operation costs, and ultimately increased profitability in the private sector.

This may stem from the fact that the Temporary Foreign Worker Program is employer-driven in which the employer seeks out foreign workers to fill job vacancies. The employer may have to obtain an employment authorization called a Labour Market Opinion from Employment and Social Development Canada to complete a work permit application for temporary foreign workers (ESDC 2014). As part of this process, ESDC must ensure that the employer has taken all the necessary actions to hire Canadian workers so that foreigners are not displacing Canadians in the labour force (Fudge and MacPhail 2009, 9). However, it is questionable whether the time allowed before an employer can apply for a Labour Market Opinion is sufficient and reasonable such that a conclusion can be drawn that a suitable Canadian worker cannot be found to fill the vacancy. After a job posting for only seven days, an employer can apply to ESDC to recruit temporary foreign workers for the vacancy (Siemiatycki 2010, 62). This is a short period of time, thus providing only a small opportunity for Canadian workers to be hired for job postings before

employers turn towards temporary foreign workers.

The quickness in which employers are turning to temporary foreign workers to solve their labour needs raises the question of the reliance of employers on this form of labour. In the past, there was the prevalence of high skilled temporary foreign workers who were employed in the education, health, cultural and arts sectors (Foster 2012). Within the past ten years, there has been a shift in the type of temporary foreign workers being hired to include mostly low skilled workers. In 2010, there were 50,500 low skilled temporary foreign workers entering Canada which represented an increase of 74% from 2002 figures (CIC 2011). These low skilled workers are coming from lesser developed countries such as the Philippines, China, India and Mexico in contrast to developed countries of the past such as Australia, United States and United Kingdom (Foster 2012). Not only are the temporary foreign workers low skilled, but they are working mostly in four specific sectors. They are construction, retail trade, food service and accommodation, and warehousing/transportation (Foster 2012). The persistent use of temporary foreign workers in these sectors raises the issue of whether employers are using the TFWP to satisfy their labour needs on an extended basis.

It is possible that the employer faces a dilemma. Here the dilemma is that the employer must decide whether to keep searching for suitable Canadian workers while the firms' operations are interrupted or to apply for a Labour Market Opinion (LMO) so that the vacancies can be filled quickly and with little interruption in business operations. Both choices have negative consequences; the first alternative would impact the firms' operations and bottom line whereas the second alternative would affect the domestic unemployment levels. So the dilemma forces a choice between business (employers) or society (public good). Some may argue that the decision has already made informally made. The increasing dependence on temporary foreign workers in Canada has been crucial in attaining labour flexibility and cost reductions (Siemiatycki 2010, 62). It may also be an indication of employers' decision to choose the bottom line in solving this dilemma. An unintended consequence of the employer choosing the bottom line is that temporary foreign workers are staying longer in Canada. There has been an increase in the number of temporary foreign workers transitioning into permanent residents. In 2010, 33,000 of them became permanent residents of Canada (CIC 2011).

The federal government has leaned on the side of the temporary foreign workers initiative. Cabinet ministers have openly expressed their approval of this "quicker fix" regime of

immigration in an effort to meet e employers' immediate needs for skilled workers (Siemiatycki 2010, 61). At present, the issue has been transformed into a public policy debate. Now the decision becomes whether to reduce the number of temporary foreign workers to save jobs for Canadian workers or to increase the number of temporary foreign workers to support employers' needs for skilled workers. From the federal government's side, there is continuous and consistent reiteration of the temporariness of the Temporary Foreign Worker Program (TFWP). Honourable Chris Alexander, Citizenship and Immigration Minister for Canada, has explicitly stated that the Temporary Foreign worker Program (TFWP) is intended to handle labour shortages on a temporary basis (Government of Canada 2013a, 2013b). This is contradictory just on the basis of sheer figures from Citizenship and Immigration Canada, from 2003-2012, a ten year period, the number of temporary foreign workers entering Canada more than doubled from 102,932 to 213,573 (Citizenship and Immigration Canada 2012, 75).

If the government intends the TFWP to really be temporary, then measures must be put in place so that Canadian workers can develop the needed skills to rejoin the employed workers. One possible solution to the current dilemma faced by the federal government is for skills training and development of human resources in Canada. Chris Smillie, senior adviser on government relations for the AFL-CIO Canada hopes that the federal government will make the connection between the utilization of the Temporary Foreign Worker program and the current Canadian training system (Goodman 2013a, 2013b). The ability of foreign workers to perform tasks which is apparently lacking within the human capital in Canada is the foundation on which a proper skills training program must be built. Chris Smillie suggests that efforts must be taken to ensure employers are investing in training programs for Canadian workers so that in the future there will be no use for temporary foreign workers (Goodman 2013a, 2013b). In an attempt to address this issue, the federal government, has decided to push for more training programs to boost domestic skills. The federal government's 2013 budget outlines a new initiative called the Canada Job Grant which invests $15,000 per person so they can obtain training in demanded occupations (Government of Canada 2013a, 2013b). The estimation is that 130,000 Canadians per year would gain access to the skills training when the Canada Job grant is fully implemented (Government of Canada 2013a, 2013b). In the 2014 budget the federal government reaffirmed their commitment to skills training through the Canada Job Grant. According to Jim Flaherty, former Minister of Finance, the Canada Job Grant will better link training with job opportunities especially in sectors affected by skills mismatches and labour shortages (Janus 2014).

Other initiatives to encourage skills training include a digital skills development program in which $60 million would be reallocated over a course of three years to stimulate enrolment in areas such as engineering, science and technology, and mathematics (Government of Canada 2013a, 2013b). It is projected that by 2016, Canada will be the need 106,000 Information technology workers, and by 2020, 95,000 engineers (Government of Canada 2013a, 2013b). The Canada Economic Action Plan 2013 also outlines projects to educate young adults on jobs in high demand fields through accessible labour market information in job banks and job alerts (Government of Canada 2013a, 2013b). This is of great importance because young people often face challenges in finding jobs and choosing careers. There is also the Youth Employment Strategy which aims to help young people to obtain the skills and work experience to transition into the labour force through program streams including summer work experience and skills link for aboriginal peoples (Service Canada 2014). Additionally, the federal government is targeting older workers as well through a special program that will assist older workers, age 54 to 64, living in communities with high unemployment rates with training so they can obtain new jobs (Government of Canada 2013a, 2013b). Employees lose jobs at all stages of their lives; however, older employees are usually the most disadvantaged in re-entering the workforce so this program can better support them.

Besides skills training, the federal government is focused on providing trainees with practical work experience. The Canada Economic Plan 2013 will allow for apprentices to receive a maximum of $4000 in taxable grants once registered in a Red Seal program, a national certification for tradespersons in Canada (Government of Canada 2013a, 2013b). The plan is to aid about 26,000 apprentices annually (Janus 2014). Moreover, $40 million has been budgeted to provide 3,000 internships in highly demanded areas (Janus 2014). This will support postgraduates' entrance into the workforce and create avenues for their future long term employment in fields where they are most needed for Canada's economic growth.

The current measures being employed by the federal government to handle the skills shortage in Canada can be successful in decreasing skill shortages in highly demanded skill areas in constructions, science, engineering and technology. However, there are still specific sectors which need skills development initiatives such as retail trade and tourism/hospitality to adequately address skill shortages. The Canadian Tourism Research Institute (CTHRC) estimates that labour demand will be greater than labour supply over the next 20 years resulting in labour shortages especially in food and beverage services and recreation

and entertainment services of the tourism industry (CTHRC 2012). There is still an urgent need for more collaboration between the government, industry associations and postsecondary institutions in identifying the industry related skills shortages and formulating programs to address them.

Conclusion: Future Direction and Challenges

In thinking about the future, it is essential to reflect on the words of Minister Jason Kenney, responsible for employment and social development, "Canada is currently facing a paradox of too many Canadians without jobs in an economy of too many jobs without Canadians" (Goodman 2013a, 2013b). This statement provides the most accurate depiction of the dilemma faced by both the employer and the federal government.

One possible future action is that Canadian policymakers intensify their focus on the development of their own human resources. Direct collaboration with post secondary institutions is vital to designing specialized programs to close the skills gap in the labour force. Tailored programs in demanded fields would provide both the theoretical knowledge, practical skills and work experience to effectively transform the competencies of the labour force. This is a very long term sustainable human resource strategy. Added to that, provincial governments which have jurisdiction over education can subsidize tuition costs for students interested in pursuing fields that are in demand: a strategy that has been announced in Ontario (McQuillan 2013, 25). Financially, efforts can be made to increase interprovincial migration so that unemployed persons in provinces with high unemployment rates can move to provinces with labour shortages. Internal migration has been influential in lessening labour market imbalances in the past (McQuillan 2013, 20). Tax credits and subsidized housing can be given to those unemployed persons with the demanded skills especially those with families to support. Measures can be taken to reduce regional disparities in occupational standards and regulations for regulated profession so that it would be easier for professionals to gain employment in other provinces.

A major challenge that the federal government will face is that there is unlikely to be any significant decrease in the unemployment rate in Canada with the proposed initiatives. This is due to the fact that training in new skill areas is not an immediate solution, but a long term solution to the current labour shortage situation. According to Michael Atkinson, president of the Canada Construction Association, training in skilled trades in the construction sector can take as long as four years (Daily Commercial News 2013). Thus, there

will be the continued use of the Temporary Foreign Worker Program on a similar scale as it is presently for the next couple years until the unemployed workers can be trained, and then obtain practical experience either through apprenticeships or internships before they can enter the labour force as skilled workers. So unfortunately the current labour anomalies will remain.

 A secondary challenge for the federal government will be to refocus the private sector which has already begun to rely on the Temporary Foreign Worker Program on a large scale to meet their labour needs. The private sector has been able to curtail costs and increase their bottom line by using temporary foreign workers, a cheaper source of labour. Until recently, employers were allowed to pay these foreign workers 15 per cent less than the standard wage for domestic workers (Goodman 2013a, 2013b). It may be difficult for the private sector to return to their profit levels once this labour shortage crisis is over. The federal government must be cognizant that the private sector may endeavor to prolong the use of temporary foreign workers on such grounds. All future labour policies must guarantee Canadian workers have the right skills to fill job vacancies.

The Canadian labour situation is indeed paradoxical. The prevalence of high unemployment figures in sectors where there are large numbers of unemployed persons to fill job vacancies exemplifies this point. From a provincial perspective, only in Saskatchewan and Alberta, labour supply cannot satisfy labour demands due to rapid economic growth of these provinces. Whilst in other provinces, especially in eastern Canada, there exists a labour surplus amidst cries of labour shortages. Interprovincial migration can assist, but not without the removal of current barriers. In turn, employers faced with a labour dilemma, are seeking out temporary foreign workers to fill job vacancies rather than searching domestically for a longer period of time to find Canadian workers who possess the needed skills for the job. Employers are concerned with the bottom line and are thus employing the use of TFWP as a means to curtail costs and achieve labour flexibility for the long term. The federal government is also faced with a dilemma – they have to either focus on human resource development of Canadian workers for the long term benefit of the country or they can continue to promote Canada's economic competitiveness by meeting labour demands through the TFWP. Yet, the federal government's actions appear to promote the TFWP so that Canada can achieve economic prosperity without placing sufficient emphasis on developing a strategic plan to address the labour shortages in all of the various sectors.

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Policy Papers

CHALLENGES OF WAR: PEASANT RESERVE ZONES AND CONFLICT RESOLUTION IN RURAL COLOMBIA

Francisco Gomez

Executive Summary

This policy brief looks at promoting Peasant Reserve Zones (ZRC) as a model for strengthening peasant communities affected by the ongoing-armed conflict in Colombia. It will also consider the direct relationship between violence, land grabs and the systematic implementation of neoliberal policies in the countryside. Likewise, this monopolistic occupation of land represents a delivered attempt to restrict peasant communities from their access to suitable territories and natural resources, often threatening traditional livelihoods. This policy brief highlights the reconfiguration of peasant communities by designing developmental alternatives at ZRC to confront land accumulation dynamics. By providing peasants with control over their territories and natural resources in ZRC the continual development of rural communities in conflict-prone areas will be guaranteed.

Introduction

The Colombian government instituted Law 160 of 1994 that aimed at the creation of Peasant Reserve Zones (*Zonas de Reserva Campesina* -ZRC), a figure designed to stop the spreading of big landholdings by assigning collective and individual titles to peasant communities in certain marginal areas of the countryside. Historically in Colombia, the accumulation of land became a symbol of power and territorial control rather than a direct investment in productive capital. At the same time, with low income, fewer employment alternatives, and deficient tenure system, dwellers of small-scale holdings become a source of low-paid menial farm labourers for large-scale plantations (Escobar 2008; Otero 1998; Araghi 1995). Then, peasant cultures and identities became deconstructed from their relationship to land, natural environment and community. These conditions represent a unique opportunity for what Richani (2002, 115) called the 'narcobourgeoisie elite' often associated with the upsurge of land grabs, the expansion of coca plantations, and the consistent escalation of rural violence. This phenomenon exerts pressure over small and medium scale peasants. As a consequence, the state's incapacity to fulfill its social and economic roles has increased inequality and might be a contributing factor explaining the emergence of armed groups in Colombia (Sánchez 2001, 25). Additionally, a portion of land has provided an enclave for commercial agriculture in areas with links between drug cartels

and high rates of human rights abuses (Thomson 2011, 343; Richani 2005, 145). Overall, this 'accumulation by dispossession', in the words of Harvey (2003), is driven by the imperatives of capital development converging food, energy, financial, and environmental crises. Neoliberalism and globalization had intensified economic inequality, facilitating a western economic framework that has evidently destroyed rural communities, while increasing the presence of armed actors in their territories. Therefore, a deliberate attempt to disengage peasant communities serves the purpose of exposing them to the ambitions of particular armed groups.

Global Modernity And Peasant Alternatives

Colombian peasantry has endured a systematic process of land grabs and rural underdevelopment. This fuels an ongoingarmed conflict resulting in one of the largest displaced populations in the world. Moreover, the lack of state control over marginal land and the proliferation of the drug economy, often promoting extensive cattle ranching, has dramatically accelerated the violent expel of peasants in most regions (Medina 2012). It is estimated that between 1985 and 2010 more than 5,5 million people were displaced and more than 6,6 million hectares were forcefully taken away from former tenants (CODHES 2011; III ENV 2010). Additionally, there is a direct link between the extensive concentration of land for plantation enclaves, mostly oil palm, and the use paramilitary forces for the state's effort to bring in large capital investments (Grajales 2011). This manifestation of competing interests is nonetheless largely associated with a neoliberal agroindustrial project, as well as a reinforced vision of modernity, aiming at both: the global control of natural resources and the further proletarianization of the peasantry. This pervasive effort continues demeaning peasant populations with an unequal distribution of income, power, rights, and opportunities in the countryside.

Reaffirming the peasantry requires contemplating distinctive alternativities to secure local projects such as considering advocacy for food sovereignty (Boyer 2010); biodiversity and food security alternatives (Isakson 2011); creating a network of cooperatives and national association of producers (Borras 2003); or being part of a global a global peasant movement for the development of alternative models in *La Vía Campesina* (Desmarais 2007). In the case of ZRC, the consolidation of their peasantry will be attained if full ownership is given to land as well as to cultural and political peasant projects. This full recognition of all other

intersectionalities within the peasant population, including gender and racial differences, must recognize the heterogeneity of rural communities and the need to address relevant local issues.

Challenges And Expectations Of Zrc In Conflict-Prone Areas

Peasant Reserve Zones are the result of concerted negotiations between the government and Cocalero movement leaders as an alternative to aerial fumigation and manual eradication of coca plantations in the South of Colombia. (Ramirez 2002). There are currently six ZRC operating in Colombia benefiting almost 9,000 families over an area of 550,000 hectares. Through the formalization of collective and individual land titles, the state intended to institute a form of capital intervention and stronger institutionality to secure areas badly impacted by the ongoing conflict. Subsequently, pilot projects financed by the World Bank were able to operate independently in ZRC. From the peasantry perspective, ZRC was one important mechanism to reclaim peasants' identities while contemplating the reconfiguration of an undisturbed territoriality. España (2001) recognizes that ZRC could create incentives for peasants to protect national parks and highlands from further deforestation and expansion of the agrarian frontier.

Policy Recommendations

Given previous assertions, rural organizations must urge the state to recognize some level of autonomy and organization capacity for the implementation and support of ZRC. On this basis, the policy recommends the following:

1. Financing projects at the interior of ZRC as part of the national programs on food security and environmental protection must be fostered. Shifting from coca eradication to coca substitution programs, while supporting alternative crop production and commercialization will disavow armed actors claims over peasants' territories.

2. Titling of communal and individual land is imperative for institutional control and peasants' empowerment. Fostering the expansion of new ZRC is necessary to challenge pressing violent dynamics affecting peasant populations.

3. Supporting the conformation of new ZRC on land previously expropriated from drug lords and in marginal land is needed to impede the establishment of armed actors and illegal crops. Therefore, adequate policies must incorporate elements of community participation for the development of distinctive peasant alternativities. Current ZRC are located in remote areas and will need better infrastructure and access to public services for peasants to sell their produce.

Conclusion

The final goal of this policy brief will be to recognize ZRC as an invaluable tool that might eventually allow peasant communities to reclaim traditional livelihoods away from armed actors. By developing a multidimensional view of the peasantry, they may be able to reconfigure the conditions in which to affront local and global realities. More importantly, ZRC will operate as an antagonistic force in providing a unique territoriality for peasant communities in Colombia, while contributing to the expression of peasant identities in places with ineffective institutionality, adverse influence by all armed actors, and neoliberal provisions constantly challenging traditional rural livelihoods.

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Contradictions of Counter-Insurgency and Peacebuilding: The Canadian Stabilization Efforts in Kandahar

Nathalie Labonté

Executive Summary

The Canadian intervention in Kandahar from 2005 to 2011 has mainly been based on the concept of stabilization. This is particularly true from 2009 to 2011. Stabilization had some successes in Kandahar. It also had important challenges. Contradictions remain to ensure best implementation on the ground. This article is based on firsthand experience in the Kandahar Provincial Reconstruction Team (KPRT) and the Dand District Forward Operating Base (FOB). Using Kandahar as a case example, the author aims to provide policy recommendations to the Canadian Government to increase the effectiveness of future stabilization operations.

Introduction

The Canadian intervention in Kandahar from 2005 to 2011 was somewhat successful in improving the security of Afghans. The Key Village Approach used by General Vance in 2009 attracted the attention of NATO forces. The concept was later used for further military Canadian and American stabilization operations until 2011. Despite successes, important challenges remain to improve its effectiveness. The author starts by defining the concept of stabilization. She then describes successes and challenges of stabilization and concludes by formulating policy recommendations.
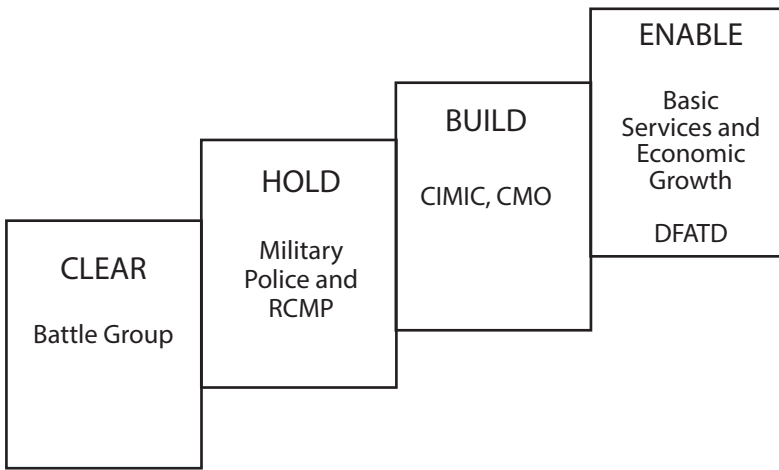
The Stabilization Concept

Stabilization efforts in Kandahar started in the summer 2009. The military operation was nicknamed OP KALAY, meaning the 'Key Village Approach`. Deployment of troops focused on the Deh-E-Bagh village in Dand district and other villages in the south.

The concept of stablization was based from the Counter Insurgency Doctrine (COIN). It aimed to stabilize key villages near Kandahar City within a 90-day cycle. These villages had traditionally been used by the insurgency to infiltrate the city. The cycle included a one-week clear phase, with the rest of the 90 days devoted to intensive reconstruction programs. After 90 days, the stabilized communities, in partnership with the Afghan

National Security Forces (ANSF), were supposed to have developed the motivation and capacity to defend themselves against anti- government forces.

The approach to civil-military coordination on the ground was first implemented by posting Civilian Stabilization Officers in the districts of Dand and Panjwayi. The operating concept was later redefined to better take into consideration stabilization efforts of U.S. and Canadian civilian public servants (see figure 1 below).

FIGURE 1: OPERATIONALIZATION OF STABILIZATION

ENABLE

Basic Services and Economic Growth

DFATD

BUILD

CIMIC, CMO

HOLD

Military Police and RCMP

CLEAR

Battle Group

Stabilization Of Kandahar Province: Successes And Remaining Challenges

From 2009 to 2011, the Canadian presence in Kandahar proved to have great successes. The Canadian Government increased its contacts and understanding of the political dynamics at the District Level, mainly through the Canadian Civilian Stabilization Officers posted in the district of Dand (2008-2010) and Panjwayi (2009-2010), as well as the arrival in 2009 of U.S. Civilian Stabilization Officers in the districts of Panjwayi, Arghandab, Spin Boldack, Zhari, and Maywand.

Through Weekly and Monthly District Reports implemented in 2009-2010, Stabilization Officers reported on the economic, political, and cultural dynamics driving conflict. These reports shed light on the local population's needs-based grievances. It is however quite

paradoxical that this information started to be gathered more formally at the district-level only in 2009 while Canada assumed leadership and command of the Kandahar Provincial Reconstruction Team (KPRT) in August 2005.

Efforts were made in 2006 to develop a reporting mechanism including political, social and economic information (PMESII), however no common civil-military reporting structure was created before 2009.[1] Further, the military information gathering plan mostly focused on localizing and killing key insurgents, not on grievances from the local population. Better information on these grievances could have helped secure geographic territory.
Despite military operations to try to win the heart of the Afghans, the population's support towards NATO troops declined from 66% in March 2007 to 35% in February 2009. Afghan National Security Forces and NATO forces were unable to isolate innocents from insurgents.

There are a few factors explaining the reluctance of the population to locate insurgents. Among others, whistleblowers were subject to night letters and other forms of threats. Sometimes, death was the price to pay to cooperate with foreign troops. Further, kinetic activities did not contribute to developing strong ties with the local population. Indeed, stabilization efforts started with kinetic activities from the Battle Group (BG) to secure a strategic geographic area. The Canadian civil-military cooperation body of the Canadian military (CIMIC) had then to build trust with the Afghans. The Construction Management Office (CMO) was later sent to organize cash-for-work projects.[2] From an Afghan point of view, seeing a Canadian Corporal threatening to shoot their neighbour makes it difficult to trust a CIMIC or CMO Officer dressed with the same uniform.

Another factor that certainly did not help win over Afghans was the underestimation of the complex economic, political and cultural dynamics at play. Implementing sustainable economic projects targeting unemployment and the creation of appropriate education opportunities takes time.

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[1] Called the 'Fusion Cell', this KPRT structure took information from all sources (battle group, CIMIC, CMO, CIDA, DFAIT, etc.) and integrated it in an encyclopedia-like data. The cell comprised of less than 10 Canadian militaries and was on a military system that was hardly accessible to civilians. The fusion cell was reorganized then the encyclopedia of information was not used by U.S. troops at their arrival (U.S. created its own fusion cell).

[6] Note that CIMIC and CMO are composed of Canadian Military Officers.

Peter J. Williams describes the challenge:

> Unlike kinetic activities, the results of non-kinetic action would often take much longer in producing desired outcomes or effects. While having completed the construction of a school is a great thing, its completion, in most cases, is not the desired effect. It is but a result. Until this empty building is staffed by teachers armed with a curriculum, populated by students, and sustained over time, we have not achieved any effect at all (2010).

This resulted on the ground by an enormous gap between the implementation of CIMIC/CMO projects and that of DFATD (CIDA and DFAIT). The lack of a quick funding mechanism available to Canadian Stabilization Officers[3] also played a role, coupled with the lack of sustainability of CIMIC/CMO projects[4] and the quick changing geographic scope of the military battle space.

Further, the planning cycle and culture of the Department of Foreign Affairs, Trade and Development (DFATD) is quite different from the Department of National Defense (DND). While the policy planning and operations of the Canadian public service tend to be linear, the multiple levels of the military planning cycle (strategic, operational and tactical) happen simultaneously.[5] This created another challenge. As an example, the Canadian military prepared District plans in January 2010. When they asked the civilians for input, it took such a long time that new district plans were written in the summer 2010.

Planning was definitely based on different methods, and so was information collection. Data gathering, dissemination, analysis, monitoring and evaluation of desired outcomes

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[3] The Kandahar Local Initiative Fund (KLIP) was not rapid enough to demonstrate quick results to the Afghans despite its 2M$ approval authority from the ROCK. Further, the KLIP was not focused on the geographic battle space nor was it specific to Stabilization Officers. It was rather used by the Education, Health and Economic Growth Officers who were at the KPRT and did not have a specific understanding of stabilization efforts at the district/village level.

[4] For example, CMO cash-for-work projects in Dand district created conflicts amongst communities because some of them did not have new infrastructure built compared to other villages.

[5] As described by J.H. Vance, the operational level of war 'is the mechanisms, processes and command and control architecture that exist between the strategic and the tactical levels of war, with the strategic level consisting of military and political dimensions, and the tactical level consisting of the military units and formation engaged in battles.' See 'Tactics without strategy: Why the Canadian Forces Do not Campaign' by Colonel J.H. Vance, in The Operational Art Canadian Perspectives. Context and Concepts, Allan English, Daniel Gosselin, Howard Coombs and Laurence M. Hickey (ed.), (Kingston, ON: The Canadian Academy Press, 2005, p. 271-272.

and benchmarks were not collected systematically by all departments.[6] Quarterly reports to Parliament[7] included useful information on the progress of the mission in Kandahar. However, such information was collected by three different headquarters and field staff (DND, DFAIT and CIDA). Systematic dissemination of information across a variety of stakeholders was hindered by numerous incompatible computer systems and separate analysis cells at different levels (NATO, U.S., Canadian military at KPRT and KAF, DFAIT, CIDA, etc.).

Policy Recommendations

1. Planning Canadian Stabilization Efforts Effectively: It is recommended that a joint civil-military cell be created. Its mandate would be to gather information on conflict drivers, analyze, plan, operate, implement, monitor and evaluate Canadian stabilization and operations. The cell should be comprised of Defence officials, Canadian Diplomats, International Development Officers, Royal Canadian Military Police and Correctional Service Officers.

2. Bridging Gaps between Security and Development: It is recommended that Governance Capacity Assessments of national, provincial and district level governmental structures as well as economic, infrastructural, educational and health participatory assessments be done simultaneously with military planning in order to bridge existing timeline gaps. Further, it is recommended that a Stabilization Fund be established to give Canadian Stabilization Officers the authority to disburse funding towards stabilization projects meeting specific stabilization criteria.

3. Increased Effectiveness of Existing Mechanisms (Training): It is recommended that DFATD Officers deployed in conflict zones systematically learn about the military planning cycle. It is further recommended that Commission Officers (COs) and Non Commission Officers (NCOs) from all lines of operations (CIMIC, CMO, PSYOPs, Battle Group, etc.) systematically learn about social, political, cultural and economic conflict drivers, key dimensions of sustainable development, and links between security and development.

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[6] Benchmark is the civilian appellation. The military uses the Effects-Based Operations, as in the 21 May 2004 Canadian Forces Strategic Operating Concept.

[7] See Quarterly Reports to Parliament: Canada's Engagement in Afghanistan, www.Afghanistan.gc.ca.

Conclusion

The Canadian stabilization experience in Kandahar has attracted attention from NATO officials and has proven to be an efficient way to plan joint civil-military operations based on the COIN doctrine. However, further integration between civilian public servants and the military at all levels is necessary to increase the effectiveness of future stabilization efforts. A common and broader definition of security must be adopted to include other aspects of conflict such as governance, rule of law, basic services (health, education, infrastructure, etc.) economic growth and employment. Let us hope that the chaotic situation in Iraq will not reproduce itself in Kandahar and Afghanistan after NATO troops leave.

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